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White: Because I think there is something in what he says, and I can appreciate why Hopkins and you both feel that he is pushing. There is no question about that.

Viner: He is pushing. He came here five weeks ago. I was here ten days ago and I see no advance. It is just where it was then, and I see nobody with his back behind it to put it through and it happens to be the only important business before the Treasury that I have heard about, and I think it is being muffed on this side; and if what he says is true, the are in terrible straits and for five weeks they have seen no light.

If he says that the British Bank of England has fifty million dollars in gold, that is a terrible situation for them to be in while they are fighting a desperate war at its critical stage, and I think there may have been lots of muffing on their side, but that in five weeks they couldn't have made more progress than that is an administrative scandal, if that hasn't been straightened out, and I don't see anybody who has got his back behind it and is trying to get it either yes or no or telling them to go home.

White: I don't think that is fair either.

Bell: I don't either.

White: I disassociate myself with that. I think that they are pushing. I don't think that they are quite in the straits that he makes it out that they are. There are difficulties, but I think he is trying his best - I don't think that it is fair to say that nobody here has been pushing and pushing hard to straighten that thing out.

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- Bell: And they have gotten relief to the extent of about four hundred million dollars that they didn't expect on March 11. The only thing that I want to see is that letter --
- H.M.Jr: Cox said this morning that to date they have gotten over four hundred million dollars worth of relief. Now, maybe that is scandalous that they haven't got more than that.
- Viner: Do they know that?
- H.M.Jr: If they don't, they are dumber than I think they are.
- Bell: Yes, they have known that.
- Cochran: Yes, they have known it and I --
- H.M.Jr: I don't have to defend it. Mr. Bell has been handling this thing for the last month and if you want to answer Viner's criticism that it is scandalous administration, I mean you and White and Foley and Cochran have been handling it. You can answer Viner if you want to. I gave you the task.
- Bell: Well, I don't think it is scandalous. I think some of them have been a little slow, but after all we haven't had the information we needed.
- Viner: There is no right to be slow at this sort of a task. If I understand his letter right, they are at the edge financially. Their morale must be something terrible.
- H.M.Jr: They have said it four times. Four times they have said they were on the edge and four times they have been wrong. Four different times Sir Frederick Phillips has said they were going to run out of dollars.

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White: Moreover, this relief isn't to fix the immediate situation, Jake. I think you may be right in saying that they are low. I don't think they could sustain the position that they are to that depth that you seem to indicate in your remarks. If they were in that depth, they have a very easy out. They have a very easy way of getting more money immediately.

It is their position in the future, the next four months, six months, next year, with which they are concerned. I do think it is being handled here. I think there may be room for just criticism that it could be handled more expeditiously and that he has been given what appears to be a little bit of a run around. He has moved from one to another, but not to the extent that I think you indicated at all.

Viner: I was startled by that fifty million dollar figure.

White: Oh well --

H.M.Jr: Just a minute.

(The Secretary had a telephone conversation with Mr. Purvis.)

White: For some reason Mr. Keynes started here on the wrong foot. Whether it was his wrong foot or somebody else's, I don't know; and he just never has been able to get back in sufficiently good graces to be given what I would regard as a fair attitude in hearing. That is the way I feel, Mr. Secretary, about it.

H.M.Jr: Well, it is perfectly obvious. They send a

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man over here under the misunderstanding as to what we are doing. Time and time again through no fault of ours the Chancellor of the Exchequer just doesn't know what is going on. And then they send a man over here, completely discredit Phillips who has done a beautiful job, and independently make me first and now Hopkins feel as though we weren't doing anything.

Now, it is a question of psychology and they have done the thing and they don't do these things right. If they think they are going to put me in a frame of mind that I am not doing enough or Jake Viner thinks he can scare me by saying these things, that I am not doing enough, it is just perfectly ludicrous and wholly unfair and I won't let anybody say it, that I am giving them the run around, because if they say it they don't know what they are talking about.

I mean, nobody has done more, second to the President, than I have since November '38, to keep these people going, and I can't help it if they go off on a tangent and send somebody like this over here. And when a man like Arthur Purvis, who is head of the North American Purchasing Council doesn't know who the man is who is in charge of their dollar exchange or where he is located or who represents him in this country, I say it is a pretty bad situation.

- White: Well, I don't think you can allocate that against Keynes.
- H.M.Jr: I am not allocating it against Keynes.
- White: Oh.
- H.M.Jr: I am not allocating it against Keynes. I am

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blaming the Chancellor of the Exchequer for having one man over here and then sending another free lance over here to try to do something where everybody is working and trying to put me in the position as though I wasn't trying to do everything humanly possible.

It has been difficult enough to keep this honeymoon going. After all, I don't bring up the question, "What has happened to the World War debt," either, but anyway, I know that this thing that we have got now - and as I say, Cox told me this morning they have already received over four hundred million dollars worth of dollar exchange relief.

White:

Well, stating it that way, I presume this is not the place to discuss it, but stating it quite that way doesn't do justice to Keynes' position; but I take it it is too long a discussion here.

I think, Mr. Secretary, he is being done a little less than justice in this whole matter and I don't think there was any intent at any time on his part either in what he said in the letter, in what he has said anywhere else, which is in the slightest bit any criticism of your cooperation with the British. On the contrary, I think that he has gone out of his way many times to say that you are the best friend that England has here. He has told me that twice.

Viner:

I think you ought to be proud of that letter and not regard it at all as a criticism. He praised and thanked as intensely as he knows how to do.

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- H.M.Jr: Well anyway, everybody is entitled to his opinion and that is your opinion and that is Harry White's opinion, and that is the purpose of the meeting. Thank heavens we can do it this way and it is over.
- What you say and I say, it is our personal opinions and it finishes it. I hope the next meeting you come in you will be just as frank, and if you can't, it is of no use to me, but don't mind if I disagree with you. I hope you don't mind if I disagree with you?
- Viner: Well, I always hope we can come to an agreement before we get through, by my giving in if necessary.
- H.M.Jr: Or by my giving in if necessary. (Laughter) Jake, I can give in, too.
- Sullivan: He doesn't know about that compromise technique.
- Foley: I think he does. He indicated the only manner of settlement.
- H.M.Jr: Ever since - I don't want the last word and somebody can rebut me, but ever since this man has come in, he has tried his best to give me a defeatist attitude as though, well, I hadn't done what I should. I am in the wrong. I am doing something to hurt them and so forth and so on and it took me an hour and a half, an hour and three quarters to explain to Benjamin Cohen our attitude. I went all through it. By the time I was all through he understood it. But I haven't got many hours and three quarters.
- Now, I would like until we get this thing started this afternoon, until I make up my mind who will sit at these meetings, you

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see, for the first one I would like Bell and White and Cochran and Foley. Then afterward I will delegate one person in whose office they will take place.

Foley: Three-thirty?

H.M.Jr: You are here today, Jake?

Viner: Yes.

H.M.Jr: Would you come too, please?

Viner: Yes.

H.M.Jr: Three-thirty. Well, is Bernstein in with you, too? Who follows this thing for me?

Foley: Well, Bernie and I have been working on it. We haven't been doing anything on it this week because we have been tied up with other things.

H.M.Jr: Well, somebody has got to come in.

Cochran: No, it has been going on just the same.

Foley: They don't pay any attention to us, Mr. Secretary. They go right ahead.

H.M.Jr: Well anyway, we will go ahead. This is the right road.

Now, Harold, are you going to have something for me for my ten-thirty meeting on - to say about the bonds?

Kuhn: I have that information. About the salary allotment plans, the companies that have adopted them.

H.M.Jr: Yes.

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Kuhn: I have that list and I will give it to Chick at ten-fifteen.

H.M.Jr: Well, I need a little rehearsal on it myself. Harold, could you come in at ten-fifteen? And I tell you - because I am going to put a little pressure on you. If you want to step out at ten-fifteen, I would like to have here Powel, Houghteling --

Graves: Houghteling is not in town.

H.M.Jr: All right. Well, Powel and who is the fellow from the Metropolitan Life?

Graves: Johnston.

H.M.Jr: Johnston and Sloan.

Now, what I am going to do is, I am going to lay it down on the line and give you from now until Monday at three o'clock when I have my next press conference so you will know what is coming. I am going to start this list from Social Security, how many factories in each country --

Graves: I had your note about that. You asked for my comment tomorrow. I can give it now if you like.

H.M.Jr: Yes.

Graves: We have, of course, in the offices of the collectors of internal revenue, the social security lists of taxpayers under title eight. It was an Addressograph list and the plates show the approximate number of employees and, of course, the location of the plants.

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It is not necessary, in my judgment, to do precisely what you suggested to get at the objective you have in mind. A better way, in my judgment, is to take these lists and begin with those by extracting the companies that have a substantial number of people. That is, instead of beginning at the counties and determining how many people there are in each county, we begin with a list and determine what companies have employees over and above a certain number.

H.M.Jr: Well, I would like to - I don't care whether you do it by county or by state, but I want to do it by states.

Graves: That is entirely feasible. When I was in Michigan, for instance, we did that very thing.

H.M.Jr: Well, I would like, you see, to be able to announce Monday, that we are going to start, say with Michigan and Texas or North Carolina. I want these people on notice. We are going to take this list. I don't care whether - I don't know - what is the minimum, six Social Security employees?

Graves: There is no minimum on title eight.

H.M.Jr: All right. Well, I want to take the whole list for a whole state and I want to solicit that whole list of employees, starting with the union, and get just as near all of them as possible.

Graves: Of course --

H.M.Jr: Now, I am not --

Graves: I think there was a much more important thing to do than that.

H.M.Jr: Yes.

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- Graves: It is the thing you and I were talking about on the street the other day. You pointed out yourself the chart showing that the bulk of our employees fall in five states, and we have an organization in just one of those states.
- H.M.Jr: Which one?
- Graves: Michigan. We have no organization in New York, Pennsylvania, Ohio, or Illinois.
- E.W.Jr: Let's start in Michigan.
- Graves: Well, we have already started in Michigan.
- H.M.Jr: But you haven't got my Social Security list.
- Graves: Yes we have in Michigan. They have it out there. Our State Administrator is the collector of internal revenue. As I say, we compiled that list one day while I was in Detroit.
- H.M.Jr: Can I say so at my press conference this morning, that we are doing that?
- Graves: You can, but as I say, we can do nothing, in my judgment, effective along the line of what you are talking about until we get an organization in these four big states.
- R.W.Jr: Well now, what I am going to do with my eyes open, I want to announce it and put the pressure on so that the thing will come.
- Graves: Well, I think it is unwise to do that until we get our vehicle in motion, which we haven't done in the important industrial states and what I would like to do, as you and I agreed day before yesterday, to concentrate on getting an organization in these big industrial states and until we do that, in my opinion, we are just ineffectual and not accomplishing anything. You mentioned Texas. Texas is not an industrial state. The number of concerns down there that would be of importance in this picture is not great. There is nothing, in my judgment, to be gained by doing that in Texas while we leave New York and Pennsylvania and Ohio and Illinois uncovered.

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H.M.Jr: Well, I am not--

Graves: Because we have no machinery to do what you are suggesting in those big states.

H.M.Jr: Well, how am I going to get it if I don't go out publicly and put you on the end of a limb?

Graves: You don't have to go out publicly to put me on the end of a limb. I am already on the end of a limb. (Laughter) You and I agreed day before yesterday that that was what we would concentrate on in those four states. I want to talk to you about it as soon as I might.

H.M.Jr: Don't get these fellows but have you got that stuff between now and ten thirty? Stay behind, and what I am going to say, you see, you haven't won me over yet. I am tough.

Graves: No, you and I are thinking about the same thing, but it is just a question of the order in which we do it. I am convinced that we are not going to get anywhere on this problem until we get an organization.

H.M.Jr: You and Ferdie stay behind. I am going to say something this morning.

Graves: All right.

H.M.Jr: And I had a bad night. I couldn't sleep, and I got this idea about the dollar business, and then I got this thing and these two things, I am going to go to town on.

Farley will give me an answer between now and noon tomorrow. I don't think he is going to do it, so you had better be thinking of a third one.

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- Graves: Well, we have the third one, you remember.
- H.M.Jr: I don't think Farley is going to do it.
- Graves: I think if we concentrate on this thing we can within a week get an administrator appointed in each of those four states and then we can begin to do something.
- (Mr. Sullivan and Mr. Blough left the conference.)
- H.M.Jr: If I announce it publicly, it might be more embarrassing.
- Graves: No, I would rather you wouldn't do that, because sometimes we have slips and I would rather not.
- H.S.Jr: Well, you stay behind and I will give you another chance.
- Graves: Fine.
- H.M.Jr: Who has got something pleasant?
- Gaston: I have a couple of matters. Here is a letter in which you wanted to reply to the Secretary of the Navy letter asking us to make a great expansion in our training program of Coast Guard personnel to help the Navy out.
- H.S.Jr: What do you say?
- Gaston: Sure, yes, we have already expanded and would like to expand some more and would like their help in getting the money. There is another letter that ties in to it. It is addressed to the Chairman of the Appropriations Committee of the House asking them to include in a deficiency bill money for the expansion

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of the Coast Guard training program.

H.M.Jr: You got it. Third try.

Gaston: Very good. I would like to talk to you about what to say to Pat Jackson sometime. I am kind of stumped.

H.M.Jr: All right. Tell Stephens.

Gaston: Right.

The amount on that Kaplan thing was one million three hundred seventy-five thousand dollars. I will give you a little fuller memorandum when - the papers were out of the office temporarily.

H.M.Jr: Foley?

Foley: There is a hearing this morning at ten thirty before the Senate Banking and Currency Committee on the Stabilization bill and the witnesses are Professor Edwin W. Kemmerer, of Princeton; Dr. Benjamin H. Beckhart, of Columbia; and Mr. Harry Scherman, president of the Book of the Month Club. They are the only three witnesses that are scheduled. You will have Larry Bernard up there. I don't know whether Harry ought to have someone up there or not because these fellows will probably talk on the economic side.

H.M.Jr: I think that - I don't know how busy Harry is. I think he ought to go up there, and if they get some questions, he might slip some questions to these fellows to ask.

White: Unfortunately I have a large group coming down to the office in fifteen minutes, and we are going over something that is pretty important for the exchange fund, but my idea

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was a little bit different. We will have a man up there to listen, but one of these men is very competent, at least, and the other is very impressive. Both can be very damaging to, I think, the Treasury status and position if they are not answered. My thought was that if the men report back to us that they are being so, that I think we ought to put in a request for them to call me up there, give me a chance to answer some of their questions at the level at which they are discussing them and not any official, but rather keep it on the technical level, if they do what they might well do.

Foley: I think, Mr. Secretary, we ought to have people there this morning who are competent to appraise the effectiveness of this testimony.

White: That is right.

Foley: I think when the whole thing is over we had better have a talk with our friends on the Committee and find out whether it is necessary.

H.M.Jr: Will you - I will pin the responsibility on you.

Foley: All right.

H.M.Jr: Merle?

Foley: I have a couple of other things.

H.M.Jr: Excuse me.

Foley: I called Lowell Mellett, and I told him that--

H.M.Jr: The longer you talk the less chance Harold Graves has for rebuttal, you see. (Laughter)

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Foley:

I will shut up any time, Harold. I don't want to take up your time.

I called Lowell Mellett and I told him we had taken up with Acheson and Shea the question of making a list of registered aliens available to the bankers in Louisville, Kentucky, and said that it was the unanimous opinion of the group that we not do that because it would add confusion. The list of registered aliens is made up from all over the world, and it doesn't necessarily mean that if a man's name is on there, he happens to be a national of a country that is covered by the freezing order. I also told him that by General License No. 42 any alien in the United States from one of the countries covered by the order is taken out of the operations of the order if he was here prior to June 17, 1940.

I then called up the manager of the Louisville branch of the Federal Reserve Bank, and I told him what I had told Lowell and I asked him if he wouldn't get in touch with the Clearing House Association there in the town and communicate that information to them and if there were any other doubts or any other questions or criticisms that the bankers had there, to get in touch with us.

On Jay Crane's proposal to sell the Hungarian oil properties, Dean is going to talk to Hull and perhaps Hull will take up with the President the question of whether or not preferential treatment is to be given to certain concerns having properties in the invaded areas. We are not going to do anything about it until Dean reports back. We indicated to Dean that we thought that that was primarily a matter for the State Department. Merle, I believe, has called Crane and asked him not to come

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down until after Dean has had an opportunity to talk with the people there.

H.M.Jr: Anything else? I am in no hurry.

Foley: J. A. Wertheim came in yesterday and said that he wanted to come down and work in this freeze control. I sent him over to see John Pehle. I believe he is a brother of Maurice Wertheim.

H.M.Jr: How old a fellow is he?

Foley: He is about forty-five. He has a seat on the stock exchange. He wants to give up his business and come down and do something in this field.

H.M.Jr: If he is the fellow I think he is, he is about as stupid as they come.

Foley: Well, I thought I had better find out from you.

H.M.Jr: He is just as stupid as Maurice is smart. If that is his younger brother, he is just a dumb cluck.

White: Which reminds me, Mr. Elisha Friedman, whom probably Jake knows, who has written in from the Field and has been a banker who came down and wants to act either as a dollar-a-year man or on any other basis that you would see fit to help in this foreign exchange control, and he asked if I wouldn't speak to you about it. I think he said you knew him or somebody.

Foley: A fellow by the name of Oppenheimer came in this morning who was the European resident partner for Bear, Stearns and Company. He seems like a pretty smart fellow. He knows all the ins and outs, and I sent him over to

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Pehle also.

- H.M.Jr: Well, on a dollar-a-year basis, I would say that this - if this is the younger brother, he would be worth about ten cents.
- Foley: That is what I wanted to find out. (Laughter)
- White: We ought to send him to the OPM.
- H.M.Jr: I see that Senator Mead proposes the showing of Axis movie propaganda movies be prohibited in the United States.
- Foley: I saw that.
- H.M.Jr: And personally I would just as lief get behind it.
- Foley: All right. They showed the movie downstairs yesterday and Huntington looked at it.
- H.M.Jr: Which one?
- Foley: The Bismarck. I don't think we will have any trouble at all with finding a reason to keep it out.
- H.M.Jr: We voted eleven to five against it, or eleven to six.
- Foley: We finally didn't get any arguments to support the vote, but the majority ruled.
- Cochran: You wanted good news. Nishiyama was in to see me yesterday, and he said we would have happy news from Japan within three weeks. What that is I don't know. Then he brought up a little unhappiness. He said that our federal income tax people have been after Japanese corporations in New York too severely in the past two or three months and wanted to know

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what the significance of it was, and I said, "Well--"

- White: Tell him we are waiting for the happy news.
- Foley: Yes, that may have a bearing on it. (Laughter)
- Cochran: And if I could see you for five minutes before that meeting this afternoon. I had a talk with Playfair just before he left, and I would like to report to you.
- H.M.Jr: Sure. Will you tell Stephens?
- Cochran: That is all I have.
- Haas: I have nothing.
- H.M.Jr: Peter? You had better stay behind when I discuss it with Harold. I don't know which side you are on. You can be umpire, you and Kuhn.
- Odegarde: Do you need an umpire or a referee?
- H.M.Jr: You have got me there.
- Graves: Let's make it score keeper.
- H.M.Jr: The winner will invest in Savings Bonds.
Harry?
- White: Nothing, sir.
- H.M.Jr: Incidentally, I didn't see anything in the newspapers that the winner last night invested in Savings Bonds.
- Kuhn: He went on the radio right after the fight, I believe, and said he was going to.

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Schwarz: He promised to.

There will be a number of questions about freezing and what is happening.

H.M.Jr: Oh, yes. I am glad you mentioned that. So Foley, be here at ten thirty, will you please? And Bell, I would like you to be here at ten thirty on that. What are you doing at ten thirty?

Bell: I have got all those Federal Reserve people coming in at ten thirty.

H.M.Jr: Then I will have to learn my lesson before then on the financing.

Bell: That is what I want to talk to you about. I wanted to talk to you this morning.

H.M.Jr: Well, as soon as I am through with Graves, I will phone you. I don't know how long it is going to take, but I will see you before my meeting.

Bell: Well, I can tell you when it comes around to my turn. There is just one wrinkle in it you will have to look at.

H.M.Jr: Jake?

Viner: Nothing.

H.M.Jr: Harold?

Graves: Mr. Bell gave me a report on this Bank of America and the report seems to indicate that while some branches of the Bank of America have not qualified as selling agencies for bonds, the bank as a whole is cooperating satisfactorily.

H.M.Jr: Well, if I could have a memo, Mr. A. P. Giannini

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called up and I gave him an appointment for tomorrow morning.

Graves: You mean a memo on this subject?

H.M.Jr: Yes.

Viner: Are you on speaking terms?

H.M.Jr: He called up and asked for an appointment, and I said I would give him one.

Gaston: A. P.?

Foley: Mario.

H.M.Jr: A. P.

Bell: Mario is in town, I understand, still.

Klotz: He may have it wrong.

H.M.Jr: He said he asked and it was A. P.

White: Was it before the freezing arrangement or afterward.

Foley: It was after when they contacted me. They came in on Sunday, Harry--

H.M.Jr: And you find out what time, Ed, because I would like you to be with me; whenever Giannini comes in, I want you here. (Laughter)

Bell: Well, he saw Cy Upham last week.

H.M.Jr: Well, let me have a report, Graves, so if he says "What can I do to help - if there is something I can do."

Graves: Well, the purport of this telegram is that they are satisfactorily supporting the Savings Bond

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program, that they have sold out of - as I understand this, Dan, out of a total of thirty-two million sold - the period is not stated - but out of a total of thirty-two million sold in the Twelfth Federal Reserve District, four million have been sold by this bank. That is one-eighth of the total.

- White: But how much of a banking system does that bank have?
- Foley: Yes.
- Bell: They have a problem, Mr. Secretary, with all those branches and every other bank has the same problem, of putting up collateral. That is one thing that sometime along the line I ought to talk to you about.
- H.M.Jr: We will do that soon.
- Bell: Because they don't want to put up collateral to qualify as an agent and most of them are relying on the Federal Deposit Insurance of sixty-five hundred dollars and it isn't enough to keep them in a supply of bonds. Edward wants to do away with the collateral provisions entirely, and I think we ought to discuss it sometime.
- H.M.Jr: O.K.
- Bell: And that is hindering this bank from qualifying as an agent because each branch will have to put up more than sixty-five hundred.
- Viner: The whole collateral business gets to be pretty funny when you have a Government insured banking system and you ask for collateral in order to make a deposit with them or get them to hold bonds for you. That collateral thing is an old antiquated thing now. It

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just boes back - it is an insult to the banking system, really.

Bell: We don't ask them to put up collateral except for a deposit in excess of five thousand dollars.

Viner: I know, but that is nothing.

Bell: It may be old fashioned, but I will stick to it. I am like the gold problem. I will stick to it until you find something better. We haven't lost a dollar yet.

Viner: Why shouldn't you take a little risk that everybody else has to take in the banking system in the ordinary course of business?

Bell: Because we represent all the public, and we have public funds under our control, and I think we have got to be very careful with public deposits. It was, at one time, you know, a political football and will become one again if you take away the collateral provisions.

H.M.Jr: Are you through, Jake?

Are you through, Harold?

Graves: I am through.

H.M.Jr: Dan?

Bell: On the financing, I find that the Commodity Credit Corporation's authority expires on June 30.

H.M.Jr: Ohoh!

Bell: And they have a bill up there which I understand is going to be considered today in the

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House to extend that authority for two years and to increase their borrowing power from a billion and a half to two billion six, and I asked them if - what they could do to rush it, and they said they were doing everything to rush it, but I don't believe you could issue a security now and date it before June 30. It would look funny.

H.M.Jr: Well, how about RFC?

Bell: RFC is all right. We can go ahead with that.

H.M.Jr: Tell me how much now, and you won't have to bother me nor I you. What is the story? We will tell them.

Bell: About three hundred million dollars.

H.M.Jr: What is coming due, Dan?

Bell: Two hundred eleven million on July 20.

H.M.Jr: Two hundred eleven million, RFC, July 20, and we are going to refund that--

Bell: Refund that and have a new cash of three hundred million.

H.M.Jr: All right. That is the whole story, isn't it?

Bell: That is the story.

H.M.Jr: All right.

Bell: Now, you are going to do that next week.

H.M.Jr: Right. What else?

Bell: You have an appointment with me for eleven

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on this financing, and also Haas. We are supposed to attend this Federal Reserve meeting and it will take most of the morning.

H.M.Jr: Haas too?

Bell: Yes. Can you put it off say until twelve-thirty or twelve fifteen? I think it will take the better part of the morning.

H.M.Jr: No, no.

Bell: Two thirty?

H.M.Jr: Does George have to sit in there with you?

Bell: I would like for him to.

H.M.Jr: Two o'clock, Bell.

Bell: All right.

H.M.Jr: Two o'clock.

Bell: Two o'clock.

H.M.Jr: What else?

Bell: There has been a run on one of the Italian banks out in Chicago. It looked as though it was going to be of sizeable proportions. It was caused by the officials being rather strict on the interpretation of the order. Everybody that came in and wanted to withdraw their money, they insisted on having an affidavit or something that they were a citizen of the United States and that caused alarm and it is quite a long - there was quite a long line yesterday. The bank examiner thinks it will work out and so does

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Leo Crowley and it is a very liquid bank so they are not so worried about it. The examiner suggested that in view of the attitude of the officials of the bank that we might consider in the next day or two withdrawing the bank examiner and that might ease the situation, but Delano is watching it and will let you know.

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

Bell: That is all I have.

Oh, I wondered if you didn't want some time, say early next week, to call Tobin and tell him that we don't feel that we can give him special consideration on an investment of his funds.

H.M.Jr: Will you give me a little memo on it?

Bell: Yes.

H.M.Jr: Give me a little memo?

Bell: Yes. That is all I have.

Thompson: I thought perhaps you might like to look at this book. I found four pages that had reference to you and Mrs. Morgenthau.

H.M.Jr: Thank you.

Thompson: That is all.

H.M.Jr: All right.

June 19, 1941
9:45 a.m.

HMJr: Hello.

Operator: Mr. Purvis.

Arthur
Purvis: Hello.

HMJr: Arthur?

P: Yes, Henry.

HMJr: I had a long talk with Hopkins
and he's simply delighted with
the suggestion.

P: Good, well now, I'll go right
ahead.

HMJr: And he says that he's going to
send Cox with authority to act.

P: Oh, that will be splendid.

HMJr: And we'll have the first
meeting at 3:30 today.

P: 3:30 today?

HMJr: And if you'll tell Mr. Keyne and
Phillips that if they're free,
I'd like them to come.

P: All right, good. Thank you
very much.

HMJr: At 3:30 today.

P: All right, I'll get hold of them
immediately.

HMJr: And you'll come too, wont you?

P: I will. All right, fine. Thank you.

HMJr: Thank you.

June 19, 1941.

Dear Mr. Secretary:

I am in receipt of your letter of June 18, 1941, relative to the necessity of providing thousands of specially trained Coast Guard enlisted men to meet the growing requirements of the Navy during the next several years.

The Coast Guard will promptly further augment its present training program to the limit of facilities and funds now available in compliance with your request.

Additional facilities and funds will undoubtedly be required for carrying out the further expansion of the Coast Guard's training program and I shall appreciate any support you may be able to give us toward obtaining them.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

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

(COPY)

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DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON

June 18, 1941.

6171

The duties assigned the Coast Guard in the Navy plans for national defense require the immediate employment on naval duty of large units of fully trained enlisted men of the Coast Guard. As the national defense plans develop and expand over the next several years, it will be necessary that the production of trained men in the Coast Guard keep step with the growing requirements.

Particularly, the Coast Guard must be in a position to furnish thousands of enlisted men fully trained in specialties peculiar to the Coast Guard. These specialties include the operation and handling of small boats, including the operation, repair, and maintenance of Diesel engine propelling plants, radio-men, radio and telephone maintenance men, machinists' mates, and enlisted men in many other technical ratings.

It is realized that the demands which will be made on the Coast Guard, while operating as a part of the Navy, will cause a serious drain on the available trained enlisted personnel of that Service, and will make necessary the establishment and maintenance of an adequate training system in order to supply trained ratings for the expanding naval operations.

In order that there be no failure or delay in meeting the requirements, it is requested that the Coast Guard undertake the necessary measures of organization and training to provide the enlisted men required for Navy duty. Since the supply of trained men in specialist ratings is far short of the needs of the armed services and civilian requirements, the Coast Guard should be prepared to give to its own enlisted men extensive periods of specialized training in order to produce the necessary qualified men for an indefinite period.

In case additional facilities and funds are required for the training program outlined above, it is suggested that the necessary action be taken to obtain the required appropriations as soon as practicable. The Navy Department considers this training program of paramount importance, and that it should be undertaken at the earliest possible date.

Respectfully,

(Signed) Frank Knox

The Honorable,
The Secretary of the Treasury.

June 19, 1941. ✓

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Chairman, Committee on Appropriations,
House of Representatives,
Washington, D. C.

My dear Mr. Chairman:

The Budget-approved item in the sum of \$3,000,000 for the construction of a training station for enlisted men at Avery Point, Connecticut, was eliminated from the appropriations for the Coast Guard carried in the Treasury-Post Office Appropriation Act for the fiscal year 1942 through action of the conferees on that act, presumably because of the insistence of the House conferees that, as stated in the report of the Committee on Appropriations of the House dated February 10, 1941, "The committee feels that while the project may be desirable it does not possess sufficient of the characteristics of urgent necessity as to warrant its inclusion."

In the past few weeks the need for this training station for enlisted men of the Coast Guard has become much more urgent than at the time of its submission to Congress, owing to demands made upon the Coast Guard by the national defense program in connection with the manning of naval transports and the training of merchant marine personnel.

The Coast Guard is now engaged in the process of manning four naval transports with approximately 1,700 enlisted men, and furnishing to approximately 26 naval transports about 1,400 enlisted men who are specialists in the operation and handling of small boats, including the operation, repair and maintenance of the Diesel engine propelling plants. In accordance with its assigned duty in the naval plans for national defense the Coast Guard has assumed the responsibility for furnishing enlisted men trained in the operation of small boats used by naval transports and other vessels in disembarking troops and other personnel and in maintaining communication between ship and shore. The immediate demand made upon the Coast Guard to supply such personnel will practically strip Coast Guard stations of trained personnel, and this continuing duty of the Coast Guard will call for intensive and extended training over the period of the next several years.

The need for increased facilities for training personnel is equally urgent. The Coast Guard has not been able to train men for the operation and maintenance of radio apparatus in sufficient number to supply the current need. The sending of trainees has resulted in reducing the number of available personnel well below the urgent needs of the service with no prospect of obtaining replacements through present training facilities. It is almost certain that several of the radio direction finder systems maintained for the safe navigation of merchant vessels will have to be closed by reason of insufficient radio personnel. This shortage of trained men in this specialty will increase throughout the period of the national emergency, which, in accordance with legislation and appropriations passed by the Congress, is expected to last for several years or more. The supply of trained personnel in the country today is far short of the needs of the armed forces and civilian requirements.

In addition, I am in receipt of a request from the Secretary of the Navy that the training facilities for personnel of the merchant marine be greatly expanded to provide the necessary trained personnel and unlicensed personnel required for the contemplated merchant ship program. This expansion of the merchant marine personnel training program will not only call for additional facilities, but also for additional trained Coast Guard enlisted men to man and operate training stations and training vessels. The supplying of required trained personnel in connection with the expanded merchant marine training program will further deplete and practically exhaust available trained enlisted men of the Coast Guard, particularly in the higher petty officer grades, and require additional training of newly enlisted men as replacements.

As you know, the whole national defense program is predicated on pre-arranged measures extending over a period of at least three or four years and a survey of the part which the Coast Guard will be called upon to play in this program, in addition to carrying out the greatly increased national defense duties in the immediate emergency which confronts the United States, shows conclusively that the need for trained Coast Guard enlisted men, far beyond the capacity of present training arrangements to supply, will continue for many years.

To carry out these continuing functions of the Coast Guard in the scheme of national defense it is imperative that an adequate training station be assigned the present subsidiary training facilities for the Coast Guard be provided at the earliest practicable date. The consideration of this training station has the additional merit of being required for the normal peacetime functions of the Coast Guard as well as being imperative in time of national emergency. Plans for the construction

of the training station at Avery Point have been completed and its construction can be begun as soon as funds are made available. In view of the immediate and continuing need for trained seagoing personnel over a long period of years, the fact that it will take approximately a year to construct this station is not deemed a factor which militates against the project, but on the contrary is one, in my opinion, which demands that its construction be undertaken immediately.

It was my intention to resubmit this item in the estimates for the annual appropriation for the Coast Guard for the fiscal year 1943, but I am convinced that the delay incident to this procedure is very undesirable and that construction of this station should be started at the earliest possible date. It is, therefore, requested that your committee reconsider its decision that the construction of the training station for enlisted personnel of the Coast Guard at Avery Point is not urgent, and that the item of \$3,000,000 for its construction be included in the second deficiency bill now pending before your committee.

Very truly yours,

(Sgd) Henry Morgenthau, jr.
Secretary of the Treasury.



TREASURY DEPARTMENT
WASHINGTON

June 19, 1941.

MEMORANDUM FOR THE SECRETARY:

Re: Bank of America

As I reported to you at 9:30 meeting to-day, our information is that the cooperation of the above-named bank on the Defense Bond program is satisfactory.

This comes from the Federal Reserve Bank at San Francisco.

Although some of its branches, due to technical requirements, have apparently not qualified as sales agencies for the bonds, the institution as a whole has been responsible for sales aggregating \$4,000,000 out of total sales of \$32,000,000 for the 12th Federal Reserve District.

GRAVES.

June 19, 1941
11:07 a.m.

HMJr: Hello.

Sam
Rayburn: Henry?

HMJr: That's my name. How
are you, Sam?

R: Well, up to now, I'm
all right, but it's not
quite 12 o'clock yet.

HMJr: Yes.

R: Henry, twice I've asked
you to do something for
an old fellow and you've
graciously done it.

HMJr: Yes.

R: Old man Sam Cottrell, who
comes up here to Sergeant
at Arms' office every year
and makes out all the fellows
income tax - a grand old
fellow - he is quite above
the age...

HMJr: Yeah, way above....

R: Way above. I don't know
whether you can do anything
about it or not, but all the -
they've been piling on me
here to get me to ask you to
do it, I don't whether you
can again or not, you've done
it twice, I think.

HMJr: You think we ought to, Sam?

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R: Well, the fellows want it done.

HMJr: They do.

R: I think it'd be a nice gesture, if you can do it.

HMJr: Well, if they want it done, we'll do it.

R: All right. Well, they do and I'd like to see it done myself. He's a grand old fellow.

HMJr: Well, that's enough.

R: All right, Henry.

HMJr: Thank you.

R: Thank you.

- 2 -

R: Well, the fellows want it done.

HMJr: They do.

R: I think it'd be a nice gesture, if you can do it.

HMJr: Well, if they want it done, we'll do it.

R: All right. Well, they do and I'd like to see it done myself. He's a grand old fellow.

HMJr: Well, that's enough.

R: All right, Henry.

HMJr: Thank you.

R: Thank you.

June 19, 1941
11:24 a.m.

HMJr: Hello, Henry, how are you?

Henry
Wallace: Fine.

HMJr: Good. Henry, I'd like to ask your advice. We've been groping here to get somebody in addition to what we have to help us on the morale end of our defense bonds and there were two names that we have been thinking about and organizations; one was the Henry Luce organization, the other was the Cows of Des Moines. Hello?

W: Yeah.

HMJr: Neither of them as far as I know are helping, you see?

W: Yeah.

HMJr: Now, what - I don't know - what would you think of Cows?

W: Well, I think they are both wholeheartedly with you. Both groups.

HMJr: You coming from the same town as Cows - I mean, how would you feel about having him come in if he was willing to.

W: Oh, I think it would be a good thing.

HMJr: You think so. You're not enthusiastic?

- 2 -

W: Well, they are with us whole heartedly on this particular fund. Of course, as you know, they are Republicans, they - John Cowls was quite active in putting Wilkie over at the Republican Convention.

HMJr: Yeah. Well.

W: Of course, Luce was backing Wilkie too for that matter.

HMJr: That's right.

W: That's all right. I don't know whether that has anything to do with the current situation.

HMJr: Well, what I wanted was their technique.

W: Well, I think they both have good technique. They are both very capable people.

HMJr: Well, you see that magazine, Look, don't you?

W: Oh, yes.

HMJr: Well, my impression is that it's been fairly new dealish.

W: Yes, I think that's - I think it's been fairly so.

HMJr: Well, how about their newspaper?

W: Well, they have always given us a break on the agricultural program. On other phases, of course, Jay Darling, the cartoonist, has been very mean to the President.

HMJr: That's right.

- 3 -

- W: But that doesn't have a thing to do with the Cowls themselves - they often times disagree personally between themselves, that is Jay Darling and the Cowls as far as that goes.
- HMJr: Have you any feeling as to which one of these two organizations would do us the best job?
- W: No, I would be inclined to say that either one would do a good job.
- HMJr: Either one. And you wouldn't have any feeling if it was public that either one of them was helping us.
- W: No, I - Oh, I think it would be all right to go either way and I can't for the life of me tell which way you'd get the best returns.
- HMJr: Well, the main thing I wanted was to....
- W: I think the Cowls boys would understand the mid-west country better.
- HMJr: Yeah. Well, that's where we are the weakest. I say that's where we're weakest.
- W: Yes.
- HMJr: I was leaning a little bit towards them, although they have no experience in the movie field, which the other people have.
- W: Yeah.

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HMJr: Does - this March of Time recently did a grand job.

W: Oh, they do. Yes, they are awfully good.

HMJr: Well.....

W: Incidentally, Henry Luce and either John or Mike, I've forgotten which, are very good friends. I think they were at school together.

HMJr: I see.

W: There's considerable friendship between the two organizations, I think.

HMJr: So I mean if we add both of them, that wouldn't be impossible.

W: That might be okay.

HMJr: I see. Well, thank you, Henry.

W: They cover to some extent different fields, you know, different experience.

HMJr: That's right. Luce hasn't got a newspaper. Well, thank you very much.

W: All right, sir.

HMJr: Goodbye.

W: Goodbye.

June 19, 1941
11:52 a.m.

HMJr: Hello.

Operator: Mr. Purvis is in a meeting, he'll be out in about an hour.

HMJr: Oh, what - is he in a meeting in his own office?

Operator: She didn't say, and she didn't offer to get him out. Should I ask her to get him out?

HMJr: Yes, if he's in his own office, get him out.

Operator: All right.

HMJr: Arthur?

Arthur Purvis: Yes, Henry.

HMJr: I would like you to invite a financial representative from Canada, if there's one in town to join us.

P: All right, I'll do that.

HMJr: Hello.

P: Yes, I'll do that, Henry.

HMJr: We here, think it would be helpful.

P: All right, I'll do that.

HMJr: All right, Arthur.

P: Thank you.

HMJr: Thank you.

June 19, 1941
2:00 p.m.

RE FINANCING

Present: Mr. Bell
Mr. Haas
Mr. Murphy
Mr. Hadley

H.M.Jr: Well, gentlemen? Did I hear you (Hadley) are engaged? Congratulations. When are you going to get married?

Hadley: Some time in August.

H.M.Jr: If she ever comes to call, I would like to meet her.

Hadley: You met her at the party.

H.M.Jr: Did I? But there were a lot of people. Bring her in again.

Bell: I remember now. I had a notion to ask you at the time, but it hadn't been announced yet.

You (Secretary) announced the financing of five hundred next week, is that right?

H.M.Jr: That is what you told me to do.

Bell: Yes. As I told you --

H.M.Jr: I always do what you tell me, don't I?

- 2 -

Bell: Jesse wants two issues, one half of it into two years and one half of it into three years. He said that ought to get him an average rate of about one percent, is what he is thinking about. It is a little difficult to split the issue unless you had cash in one issue and the refunding in the other. Or you could say a hundred and fifty million in cash and then increase into two issues each. One hundred fifty million dollars cash for each issue and then increase it by whatever amount the exchanges came in for each issue. That isn't a very big issue either. We feel that one issue of five hundred million would be better.

H.M.Jr: I think we have got to do things in a bigger way now.

Bell: A two year issue would fall into July.

H.M.Jr: Want to sit over here, Dan?

Bell: He already has three hundred twenty-four million dollars. This sheet shows you the blocks.

Now, there is forty-three and there is July, you see. You have already got three hundred twenty-four in there.

H.M.Jr: Is this just Jones?

Bell: That is all of the things in this area and that is Federal Land Bank issue. You don't pay much attention to that. But June, you see, is heavy. If you put it in October --

H.M.Jr: What do you do, just put the rates in there?

Bell: I put the agency, the rates, the date of the month, which is June 15, and the amount.

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H.M.Jr: That is a new sheet, isn't it?

Bell: I just worked this one up for this particular area.

H.M.Jr: You know, you (Haas) are coming through with a sheet one of these days.

Haas: Yes, sir, we have it a little different. I didn't know Dan had one.

H.M.Jr: I am only here three and three quarters years more, you had better hurry up. (Laughter)

Bell: This is something that I have always worked from and I just thought to bring it over in this area would give you an idea as to where it would be put.

Now, October would be an area for Jones, but you see we have no three and a quarters, one billion four callable, but they will probably be taken care of in September. November is vacant. But January '44, which would be two and a half years, there is nothing there but that little thing in May of fifty-five million. That would be January 15, '44, and that would be a rate of about one percent.

The minimum premium on that, according to these fellows, would be about a half, sixteen thirty-seconds. Piser and New York figure that it would be a little better than that. Piser figures how high?

Murphy: About twenty-eight.

Bell: Twenty-eight thirty-seconds, but we have got the week-end to thrash that out. Five hundred million in January, on the fifteenth, '44, would be a nice spot.

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H.M.Jr: About three and a half years?

Haas: A little over two and a half.

Bell: And you see July is filled up for '44.

H.M.Jr: That is a good spot.

Haas: That gives him his one, if that is all he is interested in.

H.M.Jr: You could put it up to February.

Bell: That is right, you could put it up there.

H.M.Jr: What?

Bell: That is right.

H.M.Jr: You wouldn't want to do it - if you don't want to do it there --

Bell: You have got a billion and a half callable bonds. Chances are it will be there.

H.M.Jr: What is the matter with doing it in February?

Bell: February is all right if we find that their January figures are sweet.

H.M.Jr: Why don't we say either January or February?

Bell: It is all right.

H.M.Jr: Tell him we are thinking of that.

Bell: I will be glad to tell him.

H.M.Jr: Looks as though it will fall in there.

Bell: I hate to split a three hundred million dollar cash issue.

- 5 -

H.M.Jr: This is very easy. Let's see how Professor Haas has got it. Why is it red?

Haas: The red is just the totals.

H.M.Jr: What does that "Direct" mean?

Bell: That is the Treasury issues.

Haas: Not guaranteed.

H.M.Jr: You know, the only thing about this, George, this doesn't say whether it is first callable or not, does it?

Bell: Yes, you have the callable, you see, and --

H.M.Jr: For the first time. It doesn't show where it would run.

Bell: What is that? Yes, it runs beyond. You see, now that would be down in here again. It runs beyond this period.

H.M.Jr: Well now, let's just see here. You have got a '42. This shows eight seventy-five and you go over to '44 and it goes over on this side.

Bell: You take this billion five --

H.M.Jr: Well, why wouldn't the first callable come in this column, George, on this side and then the final over there? Why couldn't the first callable be in this column and the final maturities in that?

Bell: We can just switch it around.

Haas: I think that is an improvement.

H.M.Jr: I think so, too. I would change it. First callables here --

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Haas: Because you would look at that first.

H.M.Jr: Sure. First come, first look, first served. Can you change that around?

Haas: Oh, easily.

Murphy: Sure.

H.M.Jr: Now let me just think a minute. There would be no way of getting more on one sheet?

Haas: Well, if you do it is hard for you to read.

H.M.Jr: That is right. This is good. It is all right. You know, we have got this thing in such beautiful shape, the whole debt picture, and I don't think the President has any idea what a beautiful shape we have got it in.

The rest of the year we haven't got anything. I think I would do the thing - it is in beautiful shape.

June 19, 1941
2:21 p.m.

HMJr: Go ahead.

Operator: All right. Go ahead.

HMJr: Hello. Hello.

Dean
Lendis: Hello.

HMJr: Henry talking.

L: Yes. You got my telegram
a little while ago, did you?

HMJr: No.

L: Oh, I'm sorry.

HMJr: No.

L: I telegraphed you this morning
and sorry that I felt that I
had to come to the conclusion
not to accept your awfully kind
offer.

HMJr: I see.

L: I'm terribly sorry and I would
not have delayed to this time -
to this point knowing the
exigency of the time under which
you are working unless I - there
hadn't been a reasonable chance
of my coming to the other con-
clusion. I couldn't see the
persons I had to see up here
until yesterday.

HMJr: Well, wouldn't the college give
you permission.

L: Yes, he would give me a leave
of absence, but I had to see
people like - I don't know

- 2 -

whether you know Granville Clark - I wanted to see him particularly with reference to the future of the law school and it's problems and it's a frankly tough thing to decide but I have my obligations to this institution and I think the situation is such that I just shouldn't in the light of every one of the considerations pull out at this particular time.

HMJr:

I see. Well, I was under the impression from what you said that you wanted to get into the thing.

L:

I do. I do very much. I - in fact I am sort of getting into it anyway because La Guardia will give me a chance to be here and do a little work with him on this civilian defense thing.

HMJr:

I see.

L:

But that does enable me to carry on and I feel that with reference to the whole staff and everything it's terribly important to carry on and that it isn't myself, but it - I just happen to be the head of the institution here and if I had to pull out right now, it would be pretty bad.

HMJr:

Well, it's pretty bad down here. (Laughs) And this situation is so critical that I thought that from the way you talked that you - Conant being willing that you would have taken it.

L:

Well, I - it's just a touch and go thing.

HMJr:

Yeah, it's a not a comfortable thing to move from there down here.

L:

No, I know and I was afraid that I was allowing my own personal

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desires to perhaps govern me there, and I don't think I am. I try to be as honest about that as I can with myself and it isn't that

HMJr: Well, I'm disappointed, very disappointed. If you could have done it - there are very few people that I want down here.

L: Yes.

HMJr: Very few. And things are so dark ahead that - well if you don't mind my saying, I think the people that have the training and the ability should do it.

L: Yeah.

HMJr: That's the way I feel, but....

L: Well, you feel - I mean you really feel that - it's a - if you say I've got to do it, well, there's only one answer.

HMJr: Well, I can't say that. I have no right to say that, but after all we're so close to the verge that - and these things that we have here are so terrific - and I just - I went all through my dollar a year experience and I don't want people who have business ties and going to go back to law firms in Wall Street or financial houses - I want somebody from a college who can go back to a college and who isn't seeking financial advantage through being connected with the Treasury. Now, how many people are there like that in the country?

L: Yeah.

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HMJr: And, I mean - and - they just don't exist. Now when I said to the President when I asked him, I said, "Is there anybody that you know that is any better", and he said, "There's nobody that I know, who is as good" and I can get plenty bankers, I can get all the bankers in the world and I can all the Wall Street lawyers out on all of these decisions whether it's plant expansion or borrowing money or dealing with the English and they have all the people they sent over from the bank of England or from the City - all connections with J. P. Morgan and to go up against that crowd it takes somebody who is a red blooded American and that's why I asked you.

L: I appreciate that tremendously.

HMJr: But this thing is - let me ask you this; supposing we were at war?

L: Well, I - and you asked me I couldn't say no, that's....

HMJr: We're so damn close to it that I want to be ready when we do get in.

L: Yeah.

HMJr: I'm really terribly disappointed. I mean the Harvard Law School will go with a - but we here, I don't know.

L: Yeah, that's true.

HMJr: I mean if you said to me, there's Tom, Dick, you can get any one of a half a dozen, I'd say okay, Jim, I can get them, but I haven't got another person in sight. Not another person.

- 5 -

- L: Well, really - isn't there - is it you feel that badly - I mean not - that way about it, that there just isn't anybody else.
- HMJr: Yes, I do. I don't know - I haven't got another single person in sight. I did mention another name to the President and he said no, he doesn't feel right on the English - on this question of this whole English German situation and there was only one other person, the President put thumbs down. So, frankly, I haven't got another person that I'd consider and I don't - have you got anybody you can suggest?
- L: No, I have been going over it in my mind and well I don't know that I know the group too well and one of the things that really grate on my mind about it is my own feeling that I think I can work with you. I have a very deep respect and admiration for you and I've thought about that and I felt that there was something that was reciprocal in respect and I think that kind of a relationship is an important one.
- HMJr: I didn't get - you have doubts about that?
- L: No, I have no doubts.
- HMJr: Well, that's terribly important. Well, that's the way I felt.
- L: Yeah.
- HMJr: And the one or two people that I mentioned in the Treasury, they are just sitting on the anxious seat waiting to hear from you.

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L: Yeah.

HMJr: Jim, I just can't over exaggerate the critical situation now, and you look around Washington and you tell me anybody that has any financial sense in Washington, who is down here now that I can get in. I've gone over the whole list - that I'd be willing to go away for a week or two weeks and leave the Treasury in their charge. I mean just to give you an example over the week end, when we went into these banks - the last minute there was a great drive - why should the examiners of the Treasury go into State banks - we must take State examiners - at the last minute they tried to block me - FDIC.

L: Yeah!

HMJr: I said no, this is a Treasury matter and we are going to have Treasury people. Well, we put them in and the thing went off beautifully. I don't know State examiners - I don't know what their sympathies are. I don't know whether they are pro German or pro Italian or pro Nazi or what. And you don't know - you just don't know who is with the Government and who isn't, and there are dark days ahead and I see very dark days ahead. I mean, it's going to be terribly hard for the President because I mean - I'm very gloomy about the summer and I think that those - I mean, I think this summer is going to be the most difficult period he's going to have. I think it's going to be worse than anything he's faced, or this country has faced.

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L: Yeah.

HMJr: And it's something to get over -
to get by this summer and fall.

L: Yeah.

HMJr: I hope I'm wrong, but I think
the summer and fall is going
to be the low point in the whole
world, as far as this country
and the few remaining democracies
are concerned and that's the
time that I need somebody like
you at my side.

L: Uh huh. Would it conceivably
do any good if I went down now
without any commitment one way
or the other and worked for you?
I doubt that, wouldn't it?

HMJr: You mean any commitment - how
do you mean?

L: On your part or - I suppose
I would need the authority that
would come from

HMJr: I think you do.

L: A position. I - it's no answer -
that's not possible.

HMJr: No. I mean I'm willing to
commit myself, you don't have
to commit yours, but I think
that a certain amount of the authority
has to go with it.

L: It has to go, that's true, it's
not possible.

HMJr: But, you know I don't want to put
you to undue pressure but I mean
if the President himself talking
to you would help any - but I don't
like to put you under pressure and

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I don't like to have to sort of go and see teacher.

L: Yeah.

HMJr: But, if - we are at the threshold of one of the tragedies of the world.

L: Yeah.

HMJr: And it's going to be settled for the next 100 years - this coming - the rest of this year will settle what kind of world it will be for the next 100. And home defense isn't going to do it and you are not going to be satisfied in your heart organizing bucket brigades and fire patrol and putting women into uniform and that kind of stuff.

L: But it seemed something I could do with this other thing.

HMJr: I mean, that's what LaGuardia is talking about.

L: Yes, I know.

HMJr: Because I've been all over it with Mrs. Roosevelt. I mean that isn't going to satisfy your emotional desires.

L: Well, I - you are a good salesman.

HMJr: No, I'm not, I'm not a good salesman but the world is crying out Jim, for people like you and they're so damn rare. I mean it's the world that is crying out and for the moment while things look good, we got people like Wilkie, etc. that will go out, but where will the Wilkies be

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if England goes under?

L: Yeah.

HMJr: And - will they still stand up? I don't believe it. I don't believe it.

L: Well this, some of them I certainly wouldn't trust to do that.

HMJr: Well, there's a great many. We've got some right in the Administration right now very close to the President and if the thing goes bad - I'm just worried at heart over it.

L: Yeah.

HMJr: And I mean that these people's "American First" committees sitting back just waiting for something to happen like - if England should go under to jump on the President. It takes some people with very very deep convictions and lots of character and backbone and you've got all of that.

L: Well, it's awfully hard to - let me take another day, will you?

HMJr: I wish you would and'

L: I - I mean I'm not just asking that to play around with the idea - that's silly but you do worry me.

HMJr: Well, I - don't worry about me, you worry about the U. S. A.

L: Yeah.

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- HMJr: And you got something that this government needs right now and coming down in this spot, you can help enormously. And the satisfaction when it's over will be great. It's going to be uncomfortable, it's going to be damn hard work and with the dark days ahead - but I - my bet is on you - that you've got what it takes and I just - I don't see how you can turn the job down.
- L: Well, I - it does look a lot that way.
- HMJr: Pardon me?
- L: It does look about that way.
- HMJr: This is a question - you know the forces that are against - not only Roosevelt but all around and you must hear it every day and they run so deeply - I'm shocked every day that people that I meet in my own organization - well, why can't we sit down and do business with Hitler? The world is a big place, I mean, why do we have to go on fighting, you know?
- L: Yeah.
- HMJr: You've heard that argument.
- L: Yes, I hear that...
- HMJr: And why shouldn't we make peace? And there's plenty of room for Germanic Europe and the United States, there's plenty of room and it's that kind of thing which runs so deep and unless the President is willing to give his all - I mean - Mr. Roosevelt hasn't got - well, he hasn't - he can't - he'll have difficulty counting on both hands the number

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of people he can count on when the thing gets bad.

L: Uh huh.

HMJr: And I'm trying to do the impossible here, more or less by myself.

L: Well, I sort of wish you could draft me and.....

HMJr: What's that?

L: I wish you could draft me and I wouldn't have to think.

HMJr: Well, I'm trying awful hard to draft you, but still have you to come. Well, I mean if you said to me, "I can't get along with you, Henry, you and I'll have trouble," that would be one thing, but

L: No, that - my feeling is so very distinctly the other way.

HMJr: Well, I'm confident that we can get along, and all the paper work will be kept away from you - it will be purely on policy, and I mean the things, for instance, that went on this week end, I mean that they have answered - now; we're not letting - we're solely responsible for not letting these Germans out of the country. Well, we're breaking every law to do it.

L: Yeah.

HMJr: We're not letting these oil tankers sail because - until Ickes gets the authority, and I've got no reason, but we're doing it and Ickes is going to get away with it.

L: Uh huh.

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- HMJr: I mean this Japanese oil tanker up in Japan - up in Philadelphia because I'm holding it up but those decisions have to be made and you got to talk to somebody about it and the things like that - I mean, which just go around the world and in their importance - it isn't just a question of getting out a bond issue.
- L: Yeah.
- HMJr: over the week end - I mean, first we freeze the funds, then they close the German Consuls, then they tell us, don't let them get out. We're just holding them here and I'll hold them till hell freezes until they can get a bill through Congress, until they can dispose of these fellows and send them where they want to. We're right in the center - there's something doing but it takes just plain, the Anglo-Saxon word, guts and I need help. My guts are tired. And as I say, once we're in it it's the getting into it and getting ready for it and all that, is when I need the help. I need the help now. Well, you think it over, will you old man?
- L: Yes, I shall.
- HMJr: And you just turn the search light on your old soul and I think that you're going to say yes.
- L: I - it's a tough thing to do.
- HMJr: What?
- L: It's a tough thing not to immediately say yes..

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HMJr: Well, I much rather have you think it over and then say yes.

L: Yeah. Well, I'll do that.

HMJr: It isn't - there's nothing personal like your health or anything is it that is bothering you?

L: No, there is absolutely nothing personal on the thing.

HMJr: I see.

L: Of course, there is the personal element that I talked to you about, I'm happy here and if I had to consult purely personal inclinations, why the answer would be clear, but I've tried to keep those things out as much as I can.

HMJr: Well, you've got no right to be happy now.

L: Yeah, I know it.

HMJr: (Laughs) And until this show is over - well, you think it over and I go to Cabinet at 2 tomorrow, suppose you could let me know before that?

L: Yes, I shall.

HMJr: And I'm on standard time.

L: Yeah. All right, I'll do that.

HMJr: I'll say a little prayer tonight.

L: Yeah. I'll have to say a half dozen.

HMJr: Goodbye.

L: Goodbye.

Treasury Department

TELEGRAPH OFFICE

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HON HENRY M MORGENTHAU

WASHNDC

SORRY FOR DELAY BUT COMMENCEMENT DUTIES MADE IT DIFFICULT TO SEE NECESSARY PEOPLE STOP AFTER FULL AND THOROUGH EXPLORATION AND WITH MUCH PERSONAL REGRET I HAVE DECIDED THAT FOR THE PRESENT I OUGHT TO STAY WITH THIS JOB STOP IT HAS ITS OBLIGATIONS TOO TOUGH I SHOULD HAVE BEEN DELIGHTED TO SERVE YOU AS CHIEF AND THROUGH YOU THE COUNTRY

JAMES M LANDIS

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 19, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 3 p.m. this afternoon Sir Edward Peacock called on the Secretary to say good-bye. Mr. Cochran was present. Sir Edward will be in town again on Saturday, but did not plan to return to the Treasury that day, and will go by plane directly from United States to England next week.

Sir Edward brought the Secretary to date with respect to his negotiations with Mr. Jesse Jones since the occasion of the last meeting between Sir Edward and the Secretary. Sir Edward said that he had seen Mr. Jones several times, including a visit this morning, and is to have his final meeting with him on Saturday. He said real progress had been made and he is hopeful that Mr. Jones will arrange for a loan of \$425,000,000 against British collateral. The original amount suggested was \$400,000,000. It was then decided to add to this the amount which Mr. Jones was agreeable to lend on the Clark-Coates concern. When Mr. Jones put this figure at \$22,000,000, Sir Edward suggested that it be rounded off to \$25,000,000. Consequently, the total now being negotiated for is \$425,000,000.

Sir Edward explained that the collateral would be put in the hands of a trustee. The only act which will be considered as constituting default is failure to pay interest. The rate of interest has not yet been agreed upon finally. The plan is for the loan to be paid out over a period of approximately 17 years through the earnings of the concerns whose securities are pledged. Sir Edward has reserved the British position in that Mr. Jones has not said that \$425,000,000 shall be the maximum loan against which the collateral which has now been pledged may be given. That is, if circumstances make it necessary for and warrant the British in approaching Mr. Jones further, they may request his consideration of additional lending against the collateral which is now being posted.

In answer to the Secretary's inquiry as to whether marketable securities were also being pledged, Sir Edward answered in the affirmative. He said that it was necessary to throw in about \$200,000,000 worth of marketable securities to reach the total collateral required for the loan under reference. This is in addition to the direct investments. Sir Edward said that of these he had thrown in practically everything on which money could be realized. This included American subsidiaries of British insurance companies. It does not include branches of British insurance companies, although the foreign exchange available from their earnings will go to the British. Sir Edward gave to the Secretary information which he had previously given to some of the Secretary's assistants with respect to the impossibility of British acquiring dollars against real estate held in this country by British subjects, most importantly the Astor family. In the case of the Astor property, the Astor family had indicated their willingness to receive sterling war securities in

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return for the dollar proceeds of the sale of their real estate in the United States. It was found that this property was held in trust, and that the approval of the trustees to this transaction must be obtained. Upon advice of counsel, the trustees refused to approve the deal. This same situation obtains with respect to certain other property. On the other hand, the big English-owned cotton plantation which Mr. Oscar Johnson manages is included among the pledged assets. It has not been found possible to sell the two British-owned Matador cattle ranches in Texas, one in the Dust Bowl and the other just outside. These are managed successfully and are paying taxes as well as interest on investment. They are not, however, marketable and the tie-up with British owners is such that they are not acceptable among pledged assets.

Sir Edward spoke also of Oceanic Investment Corporation, which is a trust established in 1929, but subject to a complex arrangement involving three other trusts and in addition, a Canadian trust. On this he finds it impossible to realize anything. Sir Edward mentioned this concern particularly since the report had circulated that the British Royal Family had an interest therein. Sir Edward definitely denied this. He said that the British Royal Family has no investments in the United States. He said he was definitely in position to know this. He did condition this statement by saying that the Duke of Windsor or the Duchess might have some property in this country, but since they are no longer residents of Great Britain, it is not possible to tell from the records.

Sir Edward thanked the Secretary most cordially for the assistance which the latter has given Sir Edward during his stay here. He felt that he had really accomplished everything that he could, and that what he had been able to do had resulted importantly from the cooperation from the Secretary of the Treasury. He said there had been some unhappy affairs to go through, such as the Viscose, but he was positive that the sale of the Viscose had been a wise step. The Secretary said that they both realized that some of the decisions which had been taken had been difficult. On the other hand, he felt that when a matter of a \$7,000,000,000 appropriation was involved, one should not consider too seriously a possible loss of \$5,000,000. He reminded Sir Edward of the difficult position in which he had had to go to Congress asking for the Lend Lease Act, and further the impossibility of his appearing before the Appropriation Committee because of circumstances of which Sir Edward was aware, including the lack of progress in British sales of direct investments and the authority which the Secretary had assumed in approving British contracts while the Lend Lease Act was before Congress. Sir Edward was fully cognizant of this situation. He said that he was going back to England to report orally what he had already said in his letters, namely, that in the Secretary of the Treasury the British Government had its best friend in the United States. Sir Edward said that he knew the British Government appreciated the assistance which Mr. Morgenthau had given in the past, but that he would be able to explain in person the peculiar circumstances which had obtained here, and which had contributed all the more to the great value of the aid which Secretary Morgenthau had rendered.

Sir Edward explained that Mr. Gifford would take over the work of handling direct investments after his departure.

June 19, 1941
3:30 p.m.

RE AID TO BRITAIN

Present: Mr. Purvis
Mr. Phillips
Mr. Cox
Mr. Keynes
Mr. Viner
Mr. Bell
Mr. White
Mr. Cochran
Mr. Haas
Mr. Graham
Mr. Childs
Mr. MacDonnell

H.M.Jr: The reason that I asked you gentlemen to come was this, that I have been giving a good deal of thought to the future dollar needs of the British Empire and Canada and it seems to me that, wanting to be very helpful, if you will let us, that if we follow a little different procedure than we have in the past, it may be that we can be more helpful. Now, I have discussed this whole thing with Mr. Hopkins, and he is delighted at the idea. I suggested - he has got Mr. Cox here with authority not only to speak for him but to act for him, to make decisions. I discussed the thing informally with Mr. Purvis this morning, and he seemed to like the idea. What I have in mind is this. I have read the various memoranda of the British Treasury and the Canadians that are filed with us, and I realize the

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difficulty that you are having in raising the necessary dollars with which to meet your commitments. It seemed to me that if we follow a little bit the same procedure that we did during the time around the first of January until around the fifteenth of March when the orders were sent over here every day for clearance, but with this in mind. We don't know just what the dollar position of the British Treasury is each week. We don't know who the person is who is the Comptroller of the Exchange. We don't have all the information of what you spend your dollars for in this country. We don't know until reports come in from Mr. Murray's organization through Mr. Haas - considerable time passes and then we find out that you have bought and spent this, and talking it over with Mr. Cox we find that there are a number of purchases that you are making for dollars today outside of the Lend-Lease which, if we knew in advance, a good many of them, Mr. Cox feels - and he has talked it over with Mr. Hopkins - could be put under the Lend-Lease.

For example, he mentions fifteen million dollars for a change-over in airplanes which you are paying cash for which, if it was brought to us in the first instance, could be put under Lend-Lease.

Now, fifteen million dollars is a lot of money, and there would be a lot of other cases like that. The thought that I had, knowing something about the British Treasury position and the Canadian - we know more about the Canadian - if you people wanted to follow this formula and if you really wanted us to be helpful, to have a meeting once a day, if necessary with a representative from Mr. Hopkins' organization and from

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the Treasury and the Purchasing Commission and the British Treasury and Canadian and not only today's orders would be placed on the table, but you would work as far as possible in the future, so that we could look one week, two weeks, or thirty days ahead and get a chance to study these things. Mr. Cox could say, "Well, now, wait a minute, if you want this steel - " you (Cox) mentioned steel as a particular item - "I can take care of that. You don't have to pay dollars for that." And also if you could button in, Sir Frederick, whoever your man is, wherever he sits, your dollar exchange comptroller. I don't know who that mystery man is, but whoever he is if he could have a counter-part in this country so that he really could control the dollar situation, and if at least once a week we could have a net position of the British Treasury so we knew just where you stand.

Phillips: Well, there is no trouble about that last point, sir. I can give you the figures now. We do in fact get them over once a week ourselves, but as regards the exchange comptroller, I am afraid you will have to talk with me, because I suppose I know more about it than anyone else in this country. I used to run it when I was on the other side.

H.M.Jr: You and I have put up with each other for about three years, and as far as I am concerned I like it. (Laughter) But this is something - I mean, if you people, as I say, feel that the day is not too far off when you are going to have trouble with the dollars, I personally feel that this is a constructive suggestion, if you are willing to do that sort of thing.

Now, after all, it is up to you people to say

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yes or no. I mean, it isn't - we are willing to try it if you are.

Purvis: Quite. Sir Frederick, have you any questions you want to ask?

Phillips: No, sir. I think myself the largest field for improving our position lies in almost exactly the point you have mentioned, namely, the day-to-day orders which come along, some of which are, for special reasons, tending to be dealt with outside Lease-Lend. That is the first point.

The second, and bigger, point is of course the position of the dominions under the Lend-Lease, which raises very difficult questions from time to time. It would be an immense help to have a discussion with your representative.

H.M.Jr: Well--

Phillips: The idea is extremely attractive to us.

H.M.Jr: And then, as I say, if once a week we could be given your net position.

Phillips: Yes. There is nothing difficult about that.

H.M.Jr: I don't think we get that now.

Phillips: You get it monthly.

H.M.Jr: Well--

Phillips: You have had it every month, any how.

H.M.Jr: Yes, but--

Phillips: There is no trouble about giving it to you week to week.

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H.M.Jr: Am I not correct that there are still expenditures made with dollars that are outside the Purchasing Commission?

Phillips: Oh, yes, sir, but we have given you estimates of the size of those payments, and they fell within about a hundred million dollars. We could give you a little more detail as to how that was made up, but a hundred million dollars a year is not a very important sum. It is about nine million dollars a month.

H.M.Jr: Well, you don't mind if I differ with you.

Phillips: It doesn't affect our balance very much.

H.M.Jr: Well, I think it is important only in that what you don't know you feel might be very important.

Phillips: Yes.

H.M.Jr: After all, supposing half of it could be converted to Lend-Lease. That would be fifty million dollars. I mean, we are going along - there can't be any reason why you wouldn't want us to know it.

Phillips: No.

H.M.Jr: And the fact that we don't know and it is a loose end, it is just - we can't say if and when - we know down to the last sou what the British Treasury position is. It is the little things that come, I think, outside the Purchasing Commission which are often as irritating as anything, isn't that right, Oscar?

Cox: That is right.

H.M.Jr: And often more so.

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Cox: That is right.

H.M.Jr: I mean, you bump into them and it is the surprise and the fact that you don't know about it, isn't that right.

Cox: That is right.

H.M.Jr: What do you think, Mr. Keynes?

Keynes: Mr. Morgenthau, I think this would be very hopeful and helpful. We could give you - break up all our dollar expenditures outside Lend-Lease, item by - and then you could consider any of these you could help on. I think you will find that there are a good many which are very difficult but, on the other hand, I am sure we will find something substantial where it is possible. As Sir Frederick said, "Much the biggest item will be - " we don't feel we have got at present full control over the expenditure in the sterling area outside Great Britain. We have got it estimated pretty accurately. In the case of dominions, we can't do it so accurately, and I think you could help us a great deal in various ways to get it better, but I think it would be well worth while going through the British items for what they are worth, I mean putting them before you so you can see exactly what they are.

H.M.Jr: Well, our people here are willing to meet every day at three thirty if necessary, if there is something to discuss, to get started.

Purvis: Yes.

H.M.Jr: And Mr. Cox is willing to come every day, if necessary, isn't that right.

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- Cox: That is right.
- H.M.Jr: And the thought that I had would be that this committee composed of the British Purchasing Commission, British Treasury, Canadian Treasury, and the U. S. Treasury would pass on all dollar orders.
- Purvis: As the requisitions were put in, you mean, this body would clear the requisitions, is that it in effect?
- Cox: No, before the requisitions are put in.
- Bell: After the--
- Cox: And most of the ones you would be particularly interested in would be the ones that were not proposed to be handled by requisitions but might possibly be handled that way.
- Purvis: Yes, I see.
- H.M.Jr: Before?
- Cox: That is right.
- Keynes: You see there, there are all sorts of places - we in Great Britain control the imports into Great Britain, but we don't control the imports in India. That is done in India.
- H.M.Jr: Well, those things would come up, and what could we do to help and what can you do to help yourself?
- Purvis: That situation, by the way, is developing. I see a message today saying that India has appointed a new head of its Mission here, and it has just come in - the advice just came in, with a head of the purchasing end, which would, I think, tend to bring that more

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into focus than we have so far. That has been done just today.

- H.M.Jr: But I mean, under the priorities, I mean if some - if India or somebody wouldn't come in and we wanted to be disagreeable, we could very easily tell our people until they do come in, don't let them have any priorities.
- Keynes: Yes.
- Purvis: Would that be priorities or export licenses?
- Cox: Both.
- Purvis: Or both?
- H.M.Jr: Both.
- White: Both.
- H.M.Jr: And--
- Purvis: That is the most - that probably is a very important field.
- Keynes: I think there is a very substantial sum to be considered.
- H.M.Jr: Well, the whole thing - I feel - then I would know on a weekly basis the net position as far as the British Empire and Canada are concerned as to your dollars, and I wouldn't be fooling myself, and you people wouldn't and Mr. Purvis would know, well, how far in advance can he look, you see.

Now, monthly, I don't think is enough, and if there is something - if, for instance, Mr. Jones is a little slow on this four hundred million, we will say, that Sir Edward

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Peacock has put up and we find you really need it very badly, I could call him up and say, "You know, Jesse, this is really a matter of days. Would you mind?" And the chances are nine out of ten he would say, "Of course I wouldn't. I didn't know there was any hurry about it." And so we really would know.

- Purvis: It would also give a forum for discussion of the situations which are difficult. I imagine you (Cox) - from Mr. Hopkins' view there must be a number of those.
- H.M.Jr: As I understand it, Hopkins is tickled to death to get this off his shoulders, is that right?
- Cox: That is right.
- Purvis: I must say the fact that you are sitting there with the power to decide, I think would be very helpful.
- H.M.Jr: He has given Mr. Cox the power to decide. The things would be decided in the room. I won't even let them bother to come back to me. I mean, my people can decide on the spot. So I mean, the decisions can be made right there and then.
- Purvis: Right.
- H.M.Jr: Wouldn't it help you?
- Purvis: Oh, I think it would be very helpful because at present a lot of these things are liable to go around and 'round and 'round. The questions are never - can never be asked the people in the right - altogether. It does tend to kill a lot of that.
- H.M.Jr: After all, I mean everybody here would like

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to make it easy for both the English and Canadian Treasuries as it is within our power to do. If this would - at least they would know on a weekly basis where they stand as well as we do.

Purvis: There is a point that Mr. Keynes put to me and that is as to whether we could - to bring the dominions along into this picture, expressing their demands on the United States, on the dollar area, more clearly and quickly, instead of sending them through any number of channels. They have to have some assumption that the thing is going to work if they do it. You have already given us certain, you might say, clubs that could be used to bring them along, but I take it the very fact that we are exploring it for the purpose of handling the dollar problem shows that they are going to be looked at sympathetically.

H.M.Jr: Let's call it moral persuasion.

Keynes: I think they are beginning to realize under the priorities system if they don't centralize they will fall by the wayside. I think that is reaching them.

There is a series of letters in today which shows that they are beginning to centralize certain important commodities, particularly steel, oil, and motor vehicles, and they want to centralize fertilizers and chemicals and machine tools.

Purvis: I would like to feel that we could tell them that that would be definitely to their interest in handling this. I would like to pass that cable out to London.

H.M.Jr: Well, in doing this thing originally, we tried

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every way possible - I remember a South Africa delegation came in here. I don't know how long ago that was.

Purvis: Some months ago.

H.M.Jr: And they thought they could do better going around by themselves, and I told them I thought they were wrong, but to go ahead and have a try at it.

Purvis: Right. And as priorities have become more and more important, the fact, there is no doubt about it, it will be easier to do now than it was then.

H.M.Jr: Now, this doesn't mean - this happens to be the nineteenth. That seems to be always the day that we make important decisions. This doesn't mean that we are not doing everything that we can to clean up the things, Sir Frederick, prior to this, you understand; and you (Cox) feel that we are making some headway, don't you?

Cox: Yes.

H.M.Jr: Dan?

Bell: Yes.

H.M.Jr: You and Mr. Childs--

Cox: Yes, Childs has got all the figures up now, and they are on the way over.

H.M.Jr: Is Childs holding this up? Is that the man now? (Laughter)

Childs: I am carrying it alone.

H.M.Jr: Well, I talked with Mr. Cox this morning, and

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he thought on these questions that had been hanging fire about our March 19 discussion that tomorrow or Monday we might have something.

- Cox: I think so, as soon as we get the list, we can start.
- H.M.Jr: I just want to let you know, Sir Frederick, we are pushing just as hard as we can, but there are an awful lot of people who have got their finger in this pie, and the will is there, but personally I don't think that you have lost anything, I think that you have gained a lot of dollars during the last - during that time, but I just want to let you know that everybody in the Administration is pushing just as hard as they can, and that with that cleaned up and this new set-up, at least you would know pretty well where you stand, don't you think so?
- Phillips: I think so, yes, sir. I have been following the discussions Mr. Cox has had with Mr. Childs. They certainly seem very promising.
- H.M.Jr: And you feel, Dan, that way, too?
- Bell: Yes. I haven't talked to Oscar only a minute, but I think they are making progress on it.
- H.M.Jr: Well, do I understand that you gentlemen would like to try this now?
- Purvis: Yes, definitely.
- H.M.Jr: Do you want to start Monday? Is there something to do tomorrow? Would you like to start Monday?
- Purvis: Tomorrow is Friday. Is there anything that we could start on?

- 13 -

Childs: Why not start tomorrow?

Purvis: I think we might just as well visualize our problem tomorrow if we don't get any further.

Keynes: We could even start today, couldn't we? I think we could run through a good many of the headings.

Purvis: Yes.

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

Cox: Yes, sir.

H.M.Jr: Well, what are you doing, Dan?

Bell: I am down at that meeting, but somebody else is running it, and they can go on if you would like to have me go on with this.

H.M.Jr: Well, I don't want you to do it permanently, but I mean I would like to get the thing started, and then I thought after that Harry could carry it for you and me.

Bell: It is all right.

H.M.Jr: But if they could adjourn to your room, and then afterward I think if Harry could carry it and keep you and me informed as necessary.

Bell: It is all right with me.

H.M.Jr: So if you would like to go now, I would say to adjourn--

Purvis: Might as well start.

H.M.Jr: And Merle, you keep - I mean, whenever they meet, I would like you to sit in with them too, Merle.

- 14 -

Cochran: All right, sir.

H.M.Jr: We have got to have a lawyer. We would never get along without a lawyer.

Purvis: We will have several.

H.M.Jr: I would like to give you this. I haven't got a copy for the Canadians. I am sorry. Have you got an extra copy? (See attachment)

White: Oh, yes.

H.M.Jr: Those are the things we think we would like to have.

White: Those will be subject to considerable discussion in the meetings, those particular points.

H.M.Jr: Yes, fine.

Well - so I think if you want to - could you (Bell) handle them now?

Bell: Yes.

H.M.Jr: All right.

From Harry White 198
June 14, 1941

Memorandum on Information to be Supplied by the British

Because of the numerous conferences at the Treasury about problems relating to the British financial position, more detailed and systematic information with respect to the dollar and gold income and outgo is essential. We would like actual figures by months for the period January 1 through May 31, 1941, with monthly estimates for the remaining months of the year, and the actual figures for these months at monthly intervals. This detailed statement should contain the following:

1. Outgo.

- (a) A detailed breakdown of the \$763 million set forth as the payments to be made by them on E.P.M. contracts during the 7-month period, June 1 through December 31, 1941. This breakdown should show the name of the contractor-payee, the date of contract, the subject matter of the contract (aircraft, steel, machine tools, oil, change orders in aircraft, etc.), the advance payments made and when they were made, the payments still due and when they are due, and the terms upon which the contract is terminable.

- 2 -

(The British estimates here cited are all taken from the memorandum submitted by Phillips to Bell on June 16, 1941.)

- (b) An itemized account of other payments to be made by U.K. to U.S. -- (estimated at \$100 million per annum by the British.)
- (c) An itemized account of British Empire imports from U.S., excluding U.K. and Canada -- (estimated by the British at \$400 million per annum).
- (d) An itemized account of British Empire (excluding Canada) dollar payments to third countries, by countries and commodities -- (British estimate, \$160 million per year).
- (e) Any other expenditures, itemized.

- 3 -

2. Receipts.

- (a) An itemized account of U.K. receipts from the U.S. -- (estimated by the British at \$150 million per annum).
- (b) An itemized account of sterling area exports to U.S. -- (estimated by the British at \$500 million per annum).
- (c) Itemized U.K. and sterling area exports to third countries paid for in U.S. dollars or gold.
- (d) Empire, including Canada, gold production and exports with breakdown by countries of destination and of proximate source or origin.
- (e) Dollar relief to U.K. for (1) plant facilities transferred; (2) supply contracts taken over; (3) changes in existing contracts.

In each case we would like to have the actual received and when, relief from expenditures by months, and reduction in total commitments outstanding.

- (f) Receipts from sale of U.S. securities and direct investments. (This is not to supersede the weekly tabulations now being received.)
- (g) Receipts from M.F.C. and other loans on investments in U.S., by date of receipt of cash.
- (h) Any other dollar or gold receipts, itemized.

- 4 -

3. A daily report of items being cleared through the British official account with the N.Y. F.R.B., with indication of the purpose for which the large checks were cleared and principal source of the credits made to the account.

Cash Position

1. A weekly statement showing daily gold and dollar position.
2. British private dollar balances held as of the beginning of each month, broken down by classifications similar to those set up in the skeleton tables submitted to Mr. Allen on April 16, 1941.
3. Such information as the British Exchange Control requires on debits and credits to such private dollar accounts.
4. Gold holdings of Empire countries by countries as of the beginning of each month.
5. A weekly statement of all gold transactions.

OFFICE FOR EMERGENCY MANAGEMENT
DIVISION OF DEFENSE AID REPORTS
WASHINGTON, D. C.

June 19, 1941.

TO: Secretary Morgenthau
FROM: Oscar Cox
SUBJECT: Dollar Relief for the British.

1. Since your testimony on the Lend-Lease Bill and since March 19, 1941, the British have received material relief from dollar payments they thought they would have to make themselves.

2. In March, 1941, no one knew definitely that such things as iron and steel, food, agricultural equipment, copper and brass, shipping services, etc. would be purchased by the British through Lend-Lease. No one could know this definitely before the Appropriation Act was passed on March 27, 1941.

3. Even as late as the latter part of May, the British, as I understand it, did not expect that Lend-Lease funds would be used to purchase oil, shipping services, etc.

4. Out of the \$1,350,000,000 appropriated on March 27, 1941 for agricultural, industrial, and other commodities and articles, \$280,314,695.50 was allocated up to June 1, 1941. Since then, additional

- 2 -

amounts have been and are being allocated. These allocations are to be spent as fast as possible. They are doubtless for items which in March the British thought they would have to use their own dollars for.

5. In June, 1941, approximately \$80,000,000 was allocated for shipping services for June, July and August, 1941. More will doubtless be allocated later. Here again the British could not have known in April that these shipping services would have been handled by Lend-Lease.

6. Conservatively estimated, at least \$500,000,000 worth of items will be handled under Lend-Lease which the British did or should reasonably have contemplated in March and April they would have to handle themselves.

OK

From Osceola Corp June 19, 1941

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DOLLAR CONDITION OF BRITISH
FOR THE 7 MONTHS FROM JUNE
THROUGH DECEMBER 1941
(Based On Their Own Statements)

<u>Expenditures</u>	\$763,000,000 ¹	\$763,000,000
<u>Receipts and Liquid Assets</u>		
a) Gold and U. S. Dollars	138,000,000	
b) Receipts From Marketable and Direct Investments	175,000,000 ²	
c) Favorable Balance From Exports of the Sterling Area and Newly Mined Gold	294,000,000 ³	
d) Receipts From Sale to RFC of Capital Facilities	100,000,000	
	<u>707,000,000</u>	<u>707,000,000</u>
Estimated Deficit		<u>\$56,000,000</u>

¹ This amount will be reduced to the extent that: a) Contracts placed by the British after March 11, 1941 are taken over by Lend-Lease; b) Supply contracts are taken over by the War Department; c) Obligations incurred before March 11, 1941 which are not firm commitments, such as spot purchase items, or cancellable items are picked up by Lend-Lease; d) Changes in existing orders are handled under Lend-Lease; e) Contracts such as the Vultee and Oerlikon ones are picked up by Lend-Lease.

In all probability this figure will be reduced at least as follows: a) Contracts Placed after March 11 \$40,000,000
b) Supply contracts taken over by Army 43,000,000
c) Changes in Existing Contracts 35,000,000
d) Contracts such as Vultee & Oerlikon 50,000,000
\$168,000,000

These reductions will also increase the receipts to the extent that the British receive refunds.

² This is a minimum amount calculated at the rate of 25 million dollars per month. If the RFC makes any substantial loans against British assets this will be appreciably increased.

³ U.S. imports from the British Empire, excluding Canada, on the basis of the first four months of 1941 average 71.2 million per month or are running at the rate of 954.4 millions per year. The British statements estimate imports into the United States from the Sterling area at 500 million dollars per annum.

June 19, 1941
4:23 p.m.

HMJr: Mack?

Clifton
Mack: Yes, sir.

HMJr: What I read in tonight's paper by Tom Stokes, it looks as though you fellows did all right on the Hill.

M: Well, I think so. We thought that in view of all that pressure that was going on down there in Florida that we better handle those contracts up here.

HMJr: Yeah.

M: To avoid any possible difficulties.

HMJr: Right. Tell me, this man, Harkness, he is now state director for WPA?

M: Yes, sir. Now, Harkness - Harkness personally is supposed to be very close to Senator Pepper.

HMJr:9 I get it, I see.

M: But evidently in this case, he didn't show any partiality one way or the other.

HMJr: Well, have we got a good man down there now representing the Treasury?

M: Yes, sir, we have. As a matter of fact I'm going down there tomorrow night. I want to know him better and I want to know the office better.

HMJr: Good.

- 2 -

M: So I'll be down there Saturday morning and the man who is now acting State Procurement Officer is the man who was Chief of the Purchase Division for several years down there.

HMJr: I see.

M: So I think he's all right.

HMJr: Is he a Pepper man?

M: I don't know, but I'm going to know more about him after I get down there.

HMJr: Good. Well, were they friendly or unfriendly to you on the Hill?

M: They were friendly.

HMJr: Good.

M: They were very friendly and as a matter of fact, we gave them a good deal of help because they came into this case, you know, without a great deal of information and we gave them exactly what the record had to show.

HMJr: One thing - is it true that you have a special room for Congressman with these contractors?

M: Why that - I didn't see that - that's a comment that Mr. Dyke made when something was asked about Congressman coming in and he said that over in the Comptroller General's office where he used to work that they had a special room over there where they talked to contractors and the Congressman who came in with them.

HMJr: But that is not in your office?

Q

Mr. Ladd, we don't have a Conference room over here for any purpose.

Q

Well, I mean I read it - I was amazed that you had to have a special room for contractors and Congressmen.

Q

Mr. Ladd, No, I - is that the way it reads in the paper?

Q

That's the way it came over the wires last night.

Q

Mr. Ladd.

Q

That the Treasury Department has a special room for Congressmen and the contractors.

Q

Mr. Ladd, Yes, well the testimony was this....

Q

Well, Spence didn't - Spence's story didn't read it that way but last night on the United Press ticker...

Q

Yes, well, the testimony was that Harry Hyde stated that at the General Accounting Office they had a room over there where they talked to contractors who came in to protect matters....

Q

Well, that's all right. That's somebody else's responsibility.

Q

Yes.

Q

All right, O.K.

Q

Yes, sir.

Q

Thank you.

Q

All right.

Q

Goodbye.

- 3 -

M: Oh, Lord no, we don't have a Conference room over here for any purpose.

HMJr: Well, I mean I read it - I was amazed that you had to have a special room for contractors and Congressman.

M: Oh, Lord. No, I - is that the way it reads in the paper?

HMJr: That's the way it came over the ticker last night.

M: Oh, Lord.

HMJr: That the Treasury Department has a special room for Congressman and the contractors.

M: Oh, Lord. Yeah, well the testimony was this....

HMJr: Well, Stokes didn't - Stokes' story didn't read it that way but last night on the United Press ticker...

M: Yes, well, the testimony was that Harry Dyke stated that in the General Accounting Office they had a room over there where they talked to contractors who came in to protest matters....

HMJr: Well, that's all right. That's somebody else's responsibility.

M: Yeah.

HMJr: All right, Clif.

M: Yes, sir.

HMJr: Thank you.

M: All right.

HMJr: Goodbye.

June 19, 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 4:45 p.m., June 19, 1941, attended from time to time by the following:

Messrs. Foley, Gaston, Cochran, Viner, Bernstein, White, Pehle, Coe, and Aikin for the Treasury, Messrs. Acheson, Hiss, and Luthringer for State, Messrs. McNamara and Kreeger for Justice.

There were no objections to the general license procedure outlined by Mr. Pehle for Sweden. Briefly, he explained that assurances would be given in respect to the Swedish Government and Central Bank transactions; other transactions will first be reviewed by the Central Swedish Exchange Control and, if approved, cable advice to this effect will be sent to the Swedish Legation here. Then the Swedish representative will confirm to the Treasury that the transaction has received prior approval in Sweden. Although complicated to a certain extent, it was agreed that this was a workable arrangement.

Mr. Acheson mentioned that he had talked with the Portuguese Minister, who is cabling Lisbon regarding the assurances to be given.

Mr. Bernstein asked whether the State Department wished to allow the seventeen Russians now waiting on the west coast to leave the country. Originally, the Russian Ambassador was to give assurances for them, but now it appears unlikely that these will be forthcoming. Nevertheless, it was decided to let the Russians go. Mr. Pehle stated that the Russians wanted \$10,000 for the Consulate General in New York, and Mr. Acheson said that the State Department would interpose no objections.

- 2 -

Discussion then centered on the whole problem of nationals who wanted to leave the country. Mr. Bernstein explained that fundamentally this was a concern of the State and Justice Departments. Treasury would administer the freezing control so as to support the views of Justice. Blocking is a fiscal problem whereas who should or should not leave the country is for the State and Justice Departments to decide. Mr. Bernstein, in answer to Mr. Hiss' question as to why the Russians were being held up when it was his impression that the Order was directed to Germans wishing to depart, said that the Russians themselves had raised the question. Mr. Bernstein then explained that the Treasury Department could instruct Customs officials to require a report from those wishing to depart. This would provide a formula for detention pending decision by the State and Justice Departments as to what action was to be taken. The discussion ended with Messrs. Acheson and Luthringer agreeing that some arrangements would have to be set up by the State Department for handling these cases.

Dr. White raised a question concerning reports. At a meeting earlier in the day, Mr. Klaus had suggested that not only should there be a report by aliens on the dates already provided for under the Executive Order, but also by those aliens who have settled here during the past five years. According to Dr. White, Mr. Klaus had thought such reports could be limited to property of a value in excess of \$50,000. Mr. Pehle questioned whether the banks on whom the Treasury must rely would be in a position to furnish this information. Mr. Bernstein felt that a five-year census should be independent of the one now provided for under the freezing Order. Dr. White then agreed that the five-year census problem was one to be canvassed later after further consideration had been given to it by interested Departments, particularly Justice.

Dr. White mentioned the desirability of taking a census showing foreign property owned by Americans. Available data is poor and, in view of possible future retaliatory actions, setoffs, and the like, this information would be of inestimable value. Both Messrs. Foley and Acheson were in agreement on this point and it was decided to explore the problem.

- 3 -

restricting the census to continental European property of Americans.

Mr. Gaston wanted to know what action was going to be taken in respect to Italians wishing to leave this country, in view of today's Italian order closing all American consulates. Mr. Foley said that appropriate instructions were ready to be sent immediately to all Customs officers.

Mr. Acheson stated that he had talked to Mr. Welles regarding the proposed sale by the Standard Vacuum and the Socony Vacuum of their Hungarian and Rumanian properties. Mr. Welles took the position that such sales might work injustices on other American claims to Hungarian and Rumanian blocked funds. In other words, at some future time there might have to be a pro-rating of these funds and the State Department was opposed to any preferential treatment with respect to them.

Mr. Kreiger referred to the meeting held earlier in the day regarding reports. He said the Department of Justice would like to see included in the census with respect to corporations, names of officers and members of the board of directors who were foreign nationals. He indicated that this would be useful information for his Department. Mr. Bernstein indicated certain objections to such questions. Messrs. Foley and Acheson felt that it was worth considering the question further. Mr. Foley asked Mr. Coe to consider including a request for such information in the report forms now being drafted.

MEMORANDUM

June 19, 1941

TO: The Secretary
FROM: Mr. Blough

This morning the Ways and Means Committee adopted an income tax schedule (the so-called Schedule X) with rates much below the Treasury rates up to \$12,000 and somewhat higher than the Treasury rates between \$16,000 and \$70,000. The vote was 22 to 2. The Treasury proposal was not voted on.

The Treasury proposal for a special 10 percent excess profits tax on that portion of profits in excess of the average earnings, but not in excess of the invested capital credit was approved 15 to 6.

The Stan plan for excess profits taxation involving the reversal of tax deduction, increase in rates by 10 percentage points, and a reduction from 8 to 7 percent in the invested capital credit for capital above \$5,000,000 was approved 15 to 7.

Mr. Duncan spoke in favor of lower total revenue from the tax bill. Mr. Sullivan replied and pointed out that in addition to other considerations, the full \$3,500,000,000 was desirable to help prevent inflation.

- 2 -

Mr. Sullivan left on the 12:45 plane. Both Mr. Doughton and Mr. Treadway insisted that he should go and Mr. Farleau and I felt that there was no reason in connection with the legislation why he should stay. The Committee has adjourned until Monday morning to permit conferences between the Treasury and Mr. Stam's staff on proposed excise taxes. The Committee will take up this subject next week.

RB

OFFICE OF THE CHIEF
U. S. SECRET SERVICE

TREASURY DEPARTMENT

WASHINGTON, D. C.

June 19, 1941.

Memorandum for Assistant Secretary Gorton

From Chief Wilson

This memorandum relates to the recent activities of the Secret Service Division in relation to the protection of the President.

During the month of May the flow of letters referred to this Service by the Executive Office reached the highest level to date, and was almost three times as large as the month of April. Considerable of this increase was the result of letters arriving shortly after speeches made at meetings conducted by the America First Committee.

There is set forth below a schedule showing the number of various types of letters received by months during the first five months of this year:

	<u>Threatening, Abusive and Obscene</u>	<u>Suicide</u>	<u>Paranoid Personal- ities</u>	<u>Total</u>
Jan.	225	10	347	582
Feb.	158	15	468	641
March	223	13	433	669
April	249	17	570	836
May	816	12	2302	3130

The unprecedented increase of letters in April and May, together with additional precautions being taken in connection with X-ray examination of packages addressed to the White House and deliveries of household supplies to the White House, required that additional employees be assigned. Through the cooperation of the Budget Officer of the Treasury Department and the Bureau of the Budget, an allotment of \$5,850 was secured from National Defense Funds covering the period May 15 to June 30, and a supplemental appropriation of \$51,000 has been requested for the next fiscal year.

An agent of this service has been on duty since May 16, 1941, at Warm Springs and Washington, D. C., extending protection to the wife and children of the President of Paraguay. This detail will extend until about August 1st.

- 2 -

The Crown Princess of Norway and family will leave Washington about June 26 for Hyde Park, and about July 1 will proceed to Massachusetts for the summer months. Two agents and four uniformed guards who have been extending protection to the family while in Washington will be assigned to their protection during the period they are at their summer home, which is about eight miles from New Bedford.

The pistol team of the White House Police won first place in a competition at Trenton, New Jersey, in which 70 state and city police teams representing outstanding police departments of the country participated.

A handwritten signature in dark ink, appearing to be 'J. J. J.', is located in the lower right quadrant of the page.

June 19, 1941

My dear Mr. President:

I am taking the liberty of writing to you in behalf of Francis Biddle for Attorney General.

I have worked very closely with Francis since he has been in Washington. I hold him in highest esteem, and I am confident that if you should make him Attorney General, he will do a wonderful job for you at this time. I believe that Francis thinks right on all of the questions which come up daily for decision, and I sincerely hope that you will decide to give him this appointment.

Yours sincerely,

W. H. H. Henry

The President,

The White House.

*Sent to White House
by Secret Service man
3:40 P.M.*

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THE WHITE HOUSE
WASHINGTON

June 19, 1941.

MEMORANDUM FOR THE
SECRETARY OF THE TREASURY:

FOR YOUR INFORMATION.

F.D.R.

Copy

June 18, 1941.

Dear Harold:

I have seen your letter of June 11th to the Secretary of State, and your letter of June 11th to Brigadier General Maxwell in regard to exports of oil from the United States.

Lest there be any confusion whatsoever, please do not issue any directions, as Petroleum Coordinator, forbidding any export or import of oil from or to the United States.

This can be qualified only if you obtain my approval or that of the Secretary of State.

The reason for this is that exports of oil at this time are so much a part of our current foreign policy that this policy must not be affected in any shape, manner or form by anyone except the Secretary of State or the President.

I am sending a copy of this letter to the Secretary of State and to Brigadier General Maxwell.

Always sincerely,

FRANKLIN D. ROOSEVELT

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

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BRITISH EMBASSY,
WASHINGTON, D.C.

June 19th, 1941.

PERSONAL

Personal

Dear Mr. Secretary,

I was unfortunately out of Washington on official business and could not accept the invitation to meet you on Monday morning.

I should have liked very much to thank you personally for the great help that you have given to us in securing the freezing of enemy assets and also for the very friendly and effective collaboration that has continued for so long between my officers and your own officials. I am sure that you know that anything further we can do to help will be done to the limit of our resources and with the greatest possible pleasure.

I have had no personal message from Mr. Dalton on this or any other matter but I know how very pleased he will be, and I am passing on to you his thanks, in anticipation of his wishes.

believe me,

dear Mr. Secretary,

yours very sincerely,

Noel Hall

The Honourable Mr. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

June 19, 1941

Dear Bob:

Thanks for your letter of June 16th. After reading it, I tried to get you on the telephone, and learned that you were up at New Haven.

I thoroughly enjoyed reading your radio speech, and certainly everybody who heard it must have been impressed.

I would love to see you and Madeline and have a good chat. When are you coming to Washington?

Very sincerely yours,

(Signed) Henry

Mr. Robert Sherwood,
630 Fifth Avenue,
New York, New York.

June 16th, 1941

The Playwrights' Company

MAXWELL ANDERSON • S. N. BEHRMAN • ELMER RICE • ROBERT E. SHERWOOD • JOHN F. WHARTON • Directors

630 FIFTH AVENUE • NEW YORK

VICTOR SAMKOCE • Business Manager

WILLIAM FIELDS • Press Representative

Dear Henry,

Thank you very much for having a copy of your Amherst speech sent to me. It's a very fine statement - decent, understanding and at the same time inspiring. I've been observing a great many of these self-proclaimed "moral amusees," and the strange thing is that when they go into the army, however bitterly, they seem to become much better soldiers than we ignorant young enthusiasts were in 1917.

I wish I could see you soon and talk about things. Just at present, I'm waiting on the anxious seat for materialization of the job I want most to do.

I'm afraid I was a bit petulant with my old friend, Harford Powell, the other day. But I was tired and distracted. Harford patiently explained to me that this is a grave situation and that it would be difficult for me to appreciate the gravity because, being a writer, I live "in an ivory tower." At that point I burst out intemperately.

Madeline sends love. Please let us get together soon.

Yours, Bob Sherwood

COPY

June 16th, 1941

Dear Henry,

Thank you very much for having a copy of your Amherst speech sent to me. It's a very fine statement--decent, understanding and at the same time inspiring. I've been observing a great many of those self-proclaimed "moral amoebas", and the strange thing is that when they go into the army, however bitterly, they seem to become much better soldiers than we ignorant young enthusiasts were in 1917.

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Madeline sends love. Please let us get together soon.

Yours,

/s/ Bob Sherwood

*This is one of my efforts. Apparently,
practically no one listened.*

Radio Speech by Robert E. Sherwood

222

G. B. S. 7:15 P. M.
Sunday, June 8th, 1941

In this war against Hitler and Hitlerism, we must have more and better weapons than our enemies. More ships, planes, tanks and guns. The production of these weapons is going forward rapidly — but not rapidly enough. However, it is encouraging and heartening for every American to see how rapidly we are developing the most powerful of all weapons — our national spirit — our American morale.

In our democracy, morale is a weapon which can not be bought. It can not be manufactured by all of our vast industry.

Morale can not be enforced by law.

Morale can be produced only by the people.

It is the expression of our moral strength — our confidence and our courage — our love for our country — our devotion to the ideals of freedom and tolerance that our country represents in our hearts and in our minds.

In the present war, we have seen remarkable demonstrations of the power of morale.

In the spring of 1940, German morale was high, British and French morale was low. The Germans were inspired with the conviction that they could easily conquer the world.

And there was a certain basis of fact for this conviction. Through the years preceding the outbreak of war, the Germans had gained one bloodless victory after another.

And each of these bloodless victories had been a spiritual defeat for the British and French people.

Through these years, from 1936 to 1939, the British and French politicians had been telling the people — "It's no concern of ours which side wins the Civil War in Spain — or whether Mussolini occupies Ethiopia or Albania — or whether Hitler moves into the Rhineland, or Austria, or Czecho-slovakia."

Thus, the British and French spirit had been weakened by a series of compromises — which were, in fact, surrenders to Hitler.

After the conquest of Poland, the British and French people could only say, "Well, there's another country gone. We can do nothing but sit behind our 'impenetrable' defenses - the Maginot Line, and the British Navy - and see what happens next in this phony war."

The Germans had the great advantage of the initiative. They knew they were going places. They were not worried by the fear that this was a phony war.

They swept through France like a tornado. The French people had no time to summon their national spirit. They did not wake up, until it was too late; they did not realize the terrible truth - that they must fight for their own homes, their own freedom.

The British were given time to wake up - just barely enough time. Faced with total disaster, the real British spirit at last asserted itself.

We can never forget the words spoken, after Dunkirk, by Winston Churchill:

"We shall fight with growing confidence and growing strength in the air, we shall defend our Island, whatever the cost may be, we shall fight on the beaches, we shall fight on the landing grounds, we shall fight in the fields and in the streets, we shall fight in the hills; we shall never surrender . . ."

They have had to fight in the streets of England, not as yet against invaders - but against fire and death from the skies.

It was nothing but morale which enabled the common people of London and Coventry and many other cities and towns to survive the aerial blitzkrieg.

It was morale, above everything else, which enabled the Royal Air Force to stand up successfully against the most overwhelming air power that the world has ever known.

During the past year, the British have suffered terrific bombing at home and grievous defeats abroad. But their spirit has not failed.

The real test of morale is not the ability to conquer, when you have all the advantages of physical strength on your side. The real test is the ability to take punishment, to withstand defeat, without surrender.

We can find the eternal proof of that in our own American history.

From the battle of Bunker Hill to the crossing of the Delaware, Washing-

ten's little army was constantly in retreat, cut off from most of its sources of supply in the thirteen colonies. It endured defeat, and it endured hardship - at Valley Forge, and through six long years. The quitters deserted Washington's standard, but Washington himself and the real fighting men of his army never quit, until they had come to victory and established this nation.

In the Civil War - the war between the States - the same qualities were displayed on both sides - by Abraham Lincoln and Robert E. Lee alike. In the first two years of that war, the Northern armies were beaten again and again. In the last two years, General Lee's lines were constantly falling back. But the unconquerable American spirit was rallied by both Lincoln and Lee in the face of defeat.

Today, at Fort Meade, in Maryland, there is a division, the 29th, of the U. S. Army which bears the honorable name, the Blue and the Grey division. It is composed of men descended from soldiers who fought on both sides in the war between the States.

I have seen this 29th division, marching through a cold, wet night. I have seen many units of our new Army, and Navy, and Marine Corps. And when we look at anyone of these units - not a regimented mass of "faceless" men, like the Nazis, but a force composed of free, individual men - we can truthfully and proudly say, "There is the United States of America."

Our regular Army, and our Navy and Marine Corps are composed of men who have chosen the honorable profession of arms; many of them have chosen it as a lifetime career.

Our National Guard and our organized Reserves are composed of men who, year in and year out, have devoted part of their time each week and all of their vacations to national service.

But the great bulk of our new Army is composed of citizens who are in uniform today only because they know and we know that the security and integrity of our country are in peril. These men represent every walk of life, every section of the nation, every religious faith, every political belief, every racial origin.

They are having a tough time in their training. There is no illusion of "business as usual" with them.

They have had to endure many hardships. They have had to learn to use the

new and terrible weapons of modern warfare. They have had to do work much harder than most of them had ever known before.

And they are paid a minimum wage of \$21. a month - and there is no legal maximum limit on the number of hours of their labor.

These men have plenty of cause for complaint - especially about the lack of sufficient facilities for recreation. And they do complain - and they wouldn't be good Americans or good soldiers if they didn't complain.

Nevertheless - it is the considered opinion of every expert military authority that these young Americans of 1941 are forming the finest army that our country has ever known. They are remarkable in intelligence, in physical strength, and above all, in spirit.

As the Commander in Chief of our Army has said, these men are "worthy of the highest traditions of our military service . . . No better men ever served under Washington, or John Paul Jones, or Grant, or Lee, or Pershing."

These men are Americans. They could never be drilled or browbeaten into submission; they could never be "regimented," in the Nazi way. The fact that their training has gone forward rapidly, that their discipline is good, is due to the fact that they are free individuals who have realized for themselves the necessity for service. It is for their very rights as free individuals that they are preparing to fight.

Our soldiers and sailors and aviators and marines are not kidding themselves about the seriousness of the situation. The civilians should not try to kid themselves, either.

We are in a state of unlimited emergency. No one today can say definitely what the future holds for any of us. Events are moving rapidly, and the pattern of the future for us will be shaped by these events during the next few months, or even weeks.

But this we do know: We do not intend to submit to any foreign dictatorship, and to make good that intention we have got to be strong, spiritually as well as physically.

We are grateful to the men of our armed forces for what they are doing. Don't let us hesitate to demonstrate that gratitude.

We are proud of them for what they are doing. Don't let us hesitate to demonstrate that pride.

There is now a great drive for funds, conducted by the U.S.O. - the United Service Organizations - for the welfare and recreation of the men of our Army and Navy.

We will contribute - all of us - to the best of our national ability to the success of that drive.

But contributions of money are not enough.

All the billions of dollars that the Congress has appropriated for National Defense are not enough. All of the gold buried at Fort Knox is not enough.

We can not buy security.

This is a war in which civilians as well as soldiers and sailors must be actively engaged.

The war is now being carried right into our own country - into our own homes - through propaganda, through sabotage, and through the promotion of industrial strife. Every Nazi, every Fascist, every Communist in our midst is actually fighting this war against the United States.

When a housewife goes to the grocer's to buy some eggs, and learns that the price has gone up a few cents, she naturally wants to know why. The grocer may say to her, "Well, they tell me the price is up because the government is shipping so many eggs to England." Now - that statement is not only false - it is malicious and dangerous. The grocer who uttered it isn't a Nazi agent, but he is unwittingly spreading Nazi propaganda - spreading false fear of the consequences of our national policy.

Every citizen must be on guard against this widespread propaganda of fear and discontent. That is an essential part of National Defense.

The enemy is striking at our defense through our vital industry. The Communists are doing their utmost to betray American labor - just as they betrayed

the workers in France and delivered them into Nazi slavery.

Probably not more than ten per cent of the strikes in our country are communist inspired. But ten per cent can be of enormous importance. It can be the one rotten apple which ruins the whole barrel. A ten percent margin in this world crisis can represent the difference for us between victory and defeat.

If this statement seems exaggerated, just consider what it would mean if ten per cent of our Army and Navy were under Communist domination.

Our high standard of living - and the rights of free enterprise and free labor - are among the bulwarks of our democracy which we are sworn to defend.

But - all leaders of capital and labor alike who defy the authority of our government - who defy the overwhelming will of our people - are actually Hitler's allies in this war just as the Communists and Fascists throughout the world are the allies and stooges of the Nazis. In playing Hitler's game, a few short-sighted leaders of capital and labor are conspiring to cut their own throats.

The vast majority of Americans know this. And they don't like it. And they won't stand for it.

And when the American people are aroused to anger - let their enemies beware! That applies to enemies at home as well as abroad.

However much we may disagree with each other in normal times on all sorts of subjects - we are now agreed and determined on this one essential point: we are going to meet all the demands of this unlimited emergency; we are going to meet these demands in our own American way, together.

That is the way all Americans have acted, together, throughout our whole triumphant fight for freedom, since the first men of our first armed forces fired the shot heard 'round the world..

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

228

DATE June 19, 1941

TO Secretary Morgenthau
FROM Mr. Kuhn

Hundreds of companies, many of them nationally known, have now told us that they have adopted Salary Allotment Plans for the purchase of Defense Savings Bonds. This is just as important as the fact that Americans invested \$438,000,000 in Defense Bonds in May. It means that thousands of working people are starting the systematic, regular buying of stamps and bonds out of earnings, and doing it of their own free will.

Every one of these Salary Allotment Plans has been adopted at the request of the employes and with their complete cooperation. Wherever a plant is unionized, the initiative has come from the union leaders and members.

Attached is a list of a few of the companies that have already announced Salary Allotment Plans.

Attachment

American Telephone & Telegraph Company
Armour & Company
Boeing Aircraft Corporation
Bowery Savings Bank
Federal Reserve Board and all banks and branches
Chrysler Corporation
General Motors
General Electric Company
General Time Instruments Corporation
International Harvester Company
Kraft Cheese Company
Seth Thomas Clock Company
Standard Oil of New Jersey
Sunoco Products Company
United States Steel Corporation & Subsidiaries
United States Rubber Company
Metropolitan Life Insurance Company
New York Life Insurance Company
Lincoln National Life Insurance Company
Jefferson Standard Life Insurance Company
Great American Life Insurance Company
Liberty Life Insurance Company
Chicago & Northwestern Railroad Company
Boston & Maine Railroad
Louisville & Nashville Railroad Company
Seaboard Railway
Texas & Pacific Railway Company

DEFENSE SAVINGS STAFF
ADVANCE NOTICE RADIO PROGRAMS

230

Secretary Morgenthau
Room 280

THURSDAY - JUNE 19

Time: 8:45 - 9:00 A.M.
Program: Hymns of All Churches
Station: WJSV

Time: 3:00 - 3:15 P.M.
Program: Backstage Wife
Station: WRC

Time: 6:00 - 6:15 P.M.
Program: Fred Waring and his Orchestra
Station: WRC

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

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS.

about 1940

The fifteen most popular radio programs during the week April 30 to May 6, 1941 ranked according to popularity

Program	Sponsor
1. Fibber McGee & Molly	S. C. Johnson & Son, Inc.
2. Jack Benny	General Foods Corp.
3. The Chase & Sanborn Program	Standard Brands, Inc.
4. The Aldrich Family	General Foods Corp.
5. Bob Hope Program	The Pepsodent Co.
6. Lux Radio Theater	Lever Brothers Co.
7. Maxwell House Coffee Time	General Foods Corp.
8. Major Bowes Amateur Hour	Chrysler Corp.
9. Kraft Music Hall	Kraft Cheese Corp.
10. One Man's Family	Standard Brands, Inc.
11. Walter Winchell	Andrew Jergens Co.
12. Kate Smith Hour	General Foods Corp.
13. Eddie Cantor	Bristol-Myers Co.
14. Mr. District Attorney	Bristol-Myers Co.
15. Fitch Bandwagon	F. W. Fitch Co.

Source: Report No. 5, Vol. XII, issued by the Cooperative Analysis of Broadcasting - compiled by Crossley, Inc.

The fifteen most popular radio programs
during the week April 16 to April 22, 1941
ranked according to popularity

Program	Sponsor
1. Jack Benny	General Foods Corp.
2. Fibber McGee & Molly	S. C. Johnson & Son, Inc.
3. The Chase and Sanborn Program	Standard Brands, Inc.
4. Lux Radio Theater	Lever Brothers Co.
5. The Aldrich Family	General Foods Corp.
6. Bob Hope Program	The Pepsodent Co.
7. Maxwell House Coffee Time	General Foods Corp.
8. Kate Smith Hour	General Foods Corp.
9. Kraft Music Hall	Kraft Cheese Corp.
10. One Man's Family	Standard Brands, Inc.
11. Major Bowes Amateur Hour	Chrysler Corp.
12. Kay Kyser	American Tobacco Co.
13. Walter Winchell	Andrew Jergens Co.
14. Fitch Bandwagon	F. W. Fitch Co.
15. Eddie Cantor	Bristol-Myers Co.

Source: Report No. 5, Vol. XII, issued by the Cooperative Analysis of Broadcasting - compiled by Crossley, Inc.

The fifteen most popular radio programs
during April 1941, ranked according to popularity

Program	Sponsor
1. Jack Benny	General Foods Corporation
2. Fibber McGee and Molly	S. C. Johnson & Son, Inc.
3. The Chase & Sanborn Program	General Foods Corporation
4. Lux Radio Theater	Lever Brothers Company
5. The Aldrich Family	General Foods Corporation
6. Bob Hope Program	Lever Brothers Company
7. Maxwell House Coffee Time	General Foods Corporation
8. Kate Smith Hour	General Foods Corporation
9. Kraft Music Hall	Kraft Cheese Corporation
10. One Man's Family	Standard Brands, Inc.
11. Major Bowes' Amateur Hour	Chrysler Corporation
12. Kay Kyser	American Tobacco Co.
13. Walter Winchell	Andrew Jergens Co.
14. Fitch Bandwagon	F. W. Fitch Co.
15. Eddie Cantor	Bristol-Myers Co.

Source: * C.A.B. Set-User Program Report, April 1941, (for period covered by Report 4)

* Cooperative Analysis of Broadcasting

<u>RANK</u>	<u>OCTOBER, 1940</u>	<u>NOVEMBER, 1940</u>	<u>DECEMBER, 1940</u>
1	Charlie McCarthy 28.8	Jack Benny 32.9	Jack Benny 32.9
2	Jack Benny 27.1	Charlie McCarthy 31.9	Charlie McCarthy 30.4
3	Fibber McGee 25.9	Fibber McGee 25.2	Fibber McGee 29.5
4	Walter Winchell 25.5	Bob Hope 25.0	Bob Hope 26.4
5	Radio Theatre 23.2	Radio Theatre 24.3	Radio Theatre 26.1
6	Bob Hope 22.9	Walter Winchell 22.4	Walter Winchell 23.9
7	The Aldrich Family 21.8	One Man's Family 20.1	The Aldrich Family 23.1
8	One Man's Family 19.5	Major Bowes 19.1	Major Bowes 20.3
9	Major Bowes 19.4	Kate Smith 17.7	One Man's Family 20.1
10	We, the People 17.0	The Aldrich Family 17.2	Kay Kyser 19.6
11	Time To Smile 16.6	Bandwagon 16.8	Kate Smith 18.5
12	Bandwagon 15.9	Edw. G. Robinson 16.2	Coffee Time 18.5
13	Information Please 15.9	We, the People 15.6	Rudy Vallee 17.8
14	Kay Kyser 15.5	Hit Parade 15.5	Bandwagon 17.7
15	Kate Smith 15.2	Coffee Time 15.5	We, the People 17.7

"FIRST FIFTEEN HOOPERATINGS"

<u>JANUARY, 1941</u>		<u>FEBRUARY, 1941</u>		<u>MARCH, 1941</u>	
Jack Benny	36.2	Jack Benny	37.2	Jack Benny	37.2
Charlie McCarthy	32.2	Charlie McCarthy	32.8	Fibber McGee	33.3
Bob Hope	28.2	Bob Hope	29.6	Bob Hope	29.4
Fibber McGee	27.4	Fibber McGee	29.2	Charlie McCarthy	28.5
Radio Theatre	26.8	Radio Theatre	27.1	The Aldrich Family	27.6
The Aldrich Family	26.3	Walter Winchell	26.9	Radio Theatre	26.2
Walter Winchell	24.8	The Aldrich Family	23.9	Walter Winchell	23.9
Coffee Time	23.4	Major Bowes	21.3	Coffee Time	20.8
Major Bowes	19.8	Screen Guild Theatre	19.8	Kay Kyser	20.3
Kay Kyser	18.8	Coffee Time	19.4	Major Bowes	19.8
Bing Crosby	18.6	Kate Smith	19.3	Mr. District Attny	19.1
Truth or Consequen.	18.4	Kay Kyser	19.0	Bing Crosby	18.3
Edw. G. Robinson	18.3	Edw. G. Robinson	18.4	Kate Smith	17.8
Kate Smith	18.1	Time To Smile	17.6	Truth or Consequen.	17.7
Bandwagon	17.8	We, the People	16.9	We, the People	17.1

APRIL, 1941

Fibber McGee	33.8
Jack Benny	30.5
Walter Winchell	27.8
Bob Hope	27.3
Charlie McCarthy	25.7
The Aldrich Family	24.4
Radio Theatre	23.4
Coffee Time	21.2
Edw. G. Robinson	19.2
Time To Smile	17.6
One Man's Family	17.3
Major Bowes	17.3
Kate Smith	16.7
Screen Guild Theatre	16.3
Mr. District Attny	16.2

MAY, 1941

Bob Hope	25.5
Walter Winchell	22.8
Charlie McCarthy	21.7
Jack Benny	21.1
The Aldrich Family	21.1
Fibber McGee	21.0
Radio Theatre	20.5
Coffee Time	15.0
Guy Lombardo	14.9
Kay Kyser	14.6
Time To Smile	14.4
Major Bowes	14.4
Mr. District Attny	14.1
Bing Crosby	13.9
One Man's Family	13.6

JUNE, 1941

Bob Hope	25.3
Walter Winchell	25.3
Fibber McGee	22.9
Jack Benny	22.5
Charlie McCarthy	20.3
Radio Theatre	19.3
The Aldrich Family	19.3
Coffee Time	15.6
Kay Kyser	14.7
Mr. District Attny	14.0
Rudy Vallee	13.8
Time To Smile	13.5
Bing Crosby	13.1
Major Bowes	12.6
Parker Family	12.5

APRIL, 1941

Fibber McGee	33.8
Jack Benny	30.5
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Walter Winchell	22.8
Charlie McCarthy	21.7
Jack Benny	21.1
The Aldrich Family	21.1
Fibber McGee	21.0
Radio Theatre	20.5
Coffee Time	15.0
Guy Lombardo	14.9
Kay Kyser	14.6
Time To Smile	14.4
Major Bowes	14.4
Mr. District Attny	14.1
Bing Crosby	13.9
One Man's Family	13.6

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MAY, 1941

Bob Hope	25.5
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Charlie McCarthy	21.7
Jack Benny	21.1
The Aldrich Family	21.1
Fibber McGee	21.0
Radio Theatre	20.5
Coffee Time	15.0
Guy Lombardo	14.9
Kay Kyser	14.6
Time To Smile	14.4
Major Bowes	14.4
Mr. District Attny	14.1
Bing Crosby	13.9
One Man's Family	13.6

JUNE, 1941

Bob Hope	25.3
Walter Winchell	25.3
Fibber McGee	22.9
Jack Benny	22.5
Charlie McCarthy	20.3
Radio Theatre	19.3
The Aldrich Family	19.3
Coffee Time	15.6
Kay Kyser	14.7
Mr. District Attny	14.0
Rudy Vallee	13.8
Time To Smile	13.5
Bing Crosby	13.1
Major Bowes	12.6
Parker Family	12.5

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 19, 1941

TO Secretary Morgenthau
FROM Mr. Kavarok
Subject: Airplane Deliveries

Summary

In the latest statement received, a total of 51 airplanes is reported as shipped to the British, or somewhat less than the 60 plane average of the preceding eighteen weeks. As has been true in the past seven weeks, most of the airplanes were sent to the British Isles, 31 going to the United Kingdom, 10 to the Middle East and 10 to the Far East.

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Airplane Shipments to the British
(From February 1 to June 15 by air
January 11 to May 24 by sea)

Table A. - Shipments by Area

	Latest Week	Total Reported To Date
<u>To the United Kingdom</u>		
Light and medium bombers	26	412
Heavy bombers	1	41
Naval patrol bombers	4	61
Pursuit	<u>0</u>	<u>9</u>
Total to United Kingdom	31	523
<u>To the Middle East</u>		
Light and medium bombers	0	136
Pursuit	<u>10</u>	<u>275</u>
Total to Middle East	10	411
<u>To the Far East</u>		
Light and medium bombers	0	6
Naval patrol bombers	0	8
Pursuit	10	133
Trainers	<u>0</u>	<u>55</u>
Total to Far East	10	202
<u>Totals</u>		
Light and medium bombers	26	554
Heavy bombers	1	41
Naval patrol bombers	4	69
Pursuit	20	417
Trainers	<u>0</u>	<u>55</u>
Grand Total	51	1,136

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Division of Monetary
Research

Table B. - Shipments by Types

	Latest Week	Total Reported To Date
Boeing B-17	1	21
Brewster Buffalo	10	133
Consolidated Catalina	4	69
Liberator	0	20
Curtiss Tomahawk	10	275
Douglas Boston	5	114
Glenn Martin Maryland	0	136
Grumman Martlett II	0	9
Lockheed Hudson I	0	1
Hudson III	0	57
Hudson IV	0	18
Hudson V	19	210
Electra	0	3
North American Harvard II	0	55
United Chesapeake	<u>2</u>	<u>15</u>
Grand Total - All Types	51	1,136

Table C. - Plane Deliveries to the British by Weeks

Week Ended	Light and Medium Bombers	Heavy Bombers	Naval Patrol Bombers	Pursuit	Trainers	Total
Feb. 8 *	22	-	3	-	-	25
Feb. 15 *	42	-	-	100	-	142
Feb. 22 *	35	-	-	27	-	62
Mar. 1 *	7	-	5	25	-	37
Mar. 8 *	16	-	3	10	-	29
Mar. 15 *	26	1	4	-	-	31
Mar. 22 *	17	-	2	22	-	41
Mar. 29 *	25	-	3	18	-	46
Apr. 5 *	21	-	7	73	-	101
Apr. 12 *	21	2	2	27	-	52
Apr. 19 *	20	3	4	5	-	32
Apr. 26 *	23	2	3	-	28	56
May 3 *	61	1	2	15	27	106
May 10 *	36	1	8	10	-	55
May 17 *	61	13	7	19	-	100
May 25 *	30	10	-	25	-	65
June 1 *	28	5	5	21	-	59
June 8 *	37	2	7	-	-	46
June 15 *	<u>26</u>	<u>1</u>	<u>4</u>	<u>20</u>	<u>-</u>	<u>51</u>
	554	41	69	417	55	1,136

* The date given is for shipments by air. Shipments by water start three week earlier. That is, the statement reporting the shipment of planes by air for the week ending June 15 would report the shipment of planes by water for the week ending May 24.

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DEPARTMENT OF STATE
WASHINGTON

June 19, 1941

In reply refer to
EA 893.51/7224

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and acknowledges the receipt of a letter of May 24, 1941 from Mr. D. W. Bell, Acting Secretary of the Treasury, requesting the use of the Department of State's pouch and code services for the American group participating in the administration of the recently consummated stabilization arrangement with China.

The Secretary of the Treasury is informed that all appropriate and necessary telegraphic instructions in the premises have been sent to Department of State representatives in China.

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YCONFIDENTIALPARAPHRASE

A strictly confidential telegram dated June 19, 1 p.m. from Fox through the American Ambassador at Chungking reads substantially as follows:

General Chiang Kai-shek expressed satisfaction, at a conference which I held with him on June 14, over further evidence of assistance coming from the United States. The conference was highly satisfactory. General Chiang expressed complete agreement with the necessity of correcting the various economic problems confronting China. He also agreed with the coordination by the Stabilization Board of its activities with remedial measures looking toward correcting pending economic and financial problems.

Several profitable and informal conferences have been held by the Chinese members, Fox and Taylor. With the approval of the Minister of Finance, discussions are proceeding with leading economists and bankers. The formal organization of the Board is being postponed until the reassembly of its members following a short fact-finding trip of principal Chinese cities to be taken by Frese and the Chinese members, while Fox and Taylor together with a Chinese economist trained in the United States visit Shanghai.

COPY - dm - 6/21/41

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(COMPARED smf)COPY via AIR MAIL to STATE DEPARTMENTVia Air Mail.

AMERICAN CONSULATE GENERAL

Hong Kong, June 19, 1941

CONFIDENTIAL.

STRICTLY CONFIDENTIAL

Subject: Disagreement over appointment
of British Member of Chinese
currency stabilization board.

The Honorable

Clarence E. Gauss,

American Ambassador,

Chungking, China.

Sir:

I have the honor to repeat for your information certain items from conversations here regarding the nomination of Mr. Cyril Rogers as the British member of the Chinese currency stabilization board.

In an informal conversation at a social affair a few days ago Sir Vandeleur M. Grayburn, chief manager of the Hongkong and Shanghai Banking Corporation, remarked to me about the absence of Chinese approval of Mr. Rogers' nomination as British member of the board. He said that the British interests could readily force the Chinese to accept Mr. Rogers if they so chose. I did not comment.

On June 15th Mr. Rogers called upon me at the office and unburdened himself at some length on this subject. I remarked that I had noticed in the local papers that he was in Chungking. He said this embarrassed him because he could not go to Chungking until his nomination is approved. I said that I could not undertake to discuss the matter with him at all, since Americans have nothing whatever to say about the appointment of the British member. However, he insisted upon explaining that he had taken an active part in Washington in arranging that the previous board should be supplanted by the present one. He said that it really affected British interests very much because the previous board was strongly backed

- 2 -

by some of the large British banks which under the new set-up are not directly connected with the matter except through the British treasury. He also said that it was his idea to have the Chinese majority on the board. He added that he had offered Mr. Fox, the new American member, on more than one occasion the benefit of his tremendous knowledge and experience of China and felt badly that Mr. Fox had not availed himself of this offer so far. I replied that Mr. Fox has a high reputation as an investigator and that while in Hong Kong he expressed his intention of going thoroughly into various angles of the situation.

Mr. Rogers then said that the question of British representation on the board has developed into a political incident, that the Generalissimo "hit the ceiling" when notified of Mr. Rogers' nomination and is supposed to have said that Rogers is no friend of China. He also added that the recent visit of British Ambassador Clark-Kerr to Hong Kong was for the purpose of straightening out this matter. He concluded by saying he thought it would be unwise for British interests to try to force his appointment upon the Chinese and therefore considered it unlikely that he will be on the board.

I later talked over this matter with Mr. A. J. Campbell, American Treasury representative here, who states that his Chief, Mr. Nicholson, had informed him from Washington that the original idea had been to have an American majority on the board and that Mr. Rogers' idea of having a Chinese majority was presumably to prevent the American domination of the board. Both Mr. Campbell and I are of the opinion that Mr. Rogers' own actions, including his lack of tact, are probably responsible for the present embarrassing position in which he finds himself, and we are not inclined to sympathize with him.

Reference is also made to this office's telegram Number 502 of December 27, 5 p.m., 1940 (two sections).

Respectfully yours,

JOHN H. BRUINS

American Consul

Copy to Department by airmail
Copy to Embassy, Peiping by safe means

800/351.5/030

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Copy:alm 7-28-41

CONFIDENTIAL

EMBASSY OF THE
UNITED STATES OF AMERICA

No. 36

Chungking, June 19, 1941.

Subject: Suggestions for a Deflation Policy as a
Means for Improving the Price Situation.

Air Mail

CONFIDENTIAL

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to previous despatches regarding rising prices and to submit the following views advocating deflation as a means of improving the price problem and general economic situation.

At present China faces the difficulties of increasing expenditures, reduced income and shortage of merchandise. In order to meet current government expenses it has been necessary to resort to inflation which has thrown more money into circulation in a market with too much currency in circulation already.

Persons acquiring large sums of currency find difficulty in disposing of it either by spending or investment. As mentioned before there is a shortage of commodities on which money can be spent and an insufficient opportunity for investment due to blockade conditions. Although every inducement is made to encourage industrialization there is a hesitancy upon the part of persons holding sufficient capital to start industrial enterprises due to the time required to obtain the necessary machinery, if obtainable at all, to start operations. As a result of the lack of profitable investment opportunities there developed the tendency to invest in rice which is the most speculative commodity in unoccupied China today. In addition there continued to be a steady flow of idle capital to Shanghai.

It is obvious that inflation and currency problems have had an important bearing on commodity prices and any attempt made at price control by itself will not solve the problem unless it is accompanied by some effective effort to improve the financial situation.

It is the belief of some well informed bankers and officials (whose opinions are regarded highly) that the best way to improve the currency is to pursue a deflation policy. It is agreed that the fapi note issue is too large and should be reduced and the only way to accomplish any reduction is to offer the holders of this currency something they are willing to accept in exchange. Since it appears impossible to obtain any appreciable increase in consumers goods for this market due to transportation difficulties and to inability to expand domestic production, the only alternative is to establish a free exchange market and to offer foreign exchange in return for fapi.

The aim of a free exchange market should be to absorb large quantities of idle capital now in the form of fapi and thus reduce the amount of currency in circulation. In order for this policy to be most effective there should be no attempt to maintain the exchange rate at the present level or to increase the value of fapi in terms of foreign currencies. A further decrease in the value of fapi in terms of United States dollars would tend to accomplish the purpose much quicker and hasten deflation. The advocates of this policy feel certain that holders of large sums of fapi would exchange it for United States currency which they would hold. It would provide an outlet for the speculative factor which is now absent in unoccupied China.

The pursuance of a financial policy along the broad lines outlined above would, according to its adherents, undoubtedly remedy the price situation. Not only would prices react to deflation but the hoarders of rice would be given another outlet for investment. It is believed that important hoarders of rice would sell their stocks of rice and use the proceeds for purchasing foreign exchange.

The question regarding the amount of United States currency that would be required to follow this policy was discussed with one of the American advisers to the Central Bank of China. He has been a strong advocate of such a course for some time and feels confident that between \$10,000,000 and \$15,000,000 (United States currency) per month would be the maximum amount required to conduct such operations.

The suggestions advanced by the adherents of a deflation policy deserve consideration. From a purely theoretical standpoint the desired results should be obtained but there are so many other factors that must be taken into consideration that it might be necessary to make certain changes in the policy if it were adopted. Should a plan similar to the one discussed above be adopted it would require the utmost cooperation of every agency under the Ministry of Finance as well as a genuine attempt to improve the nation's finances if successful results are to be obtained.

Respectfully yours,

C. E. GAUSS

Original and one copy to the Department by air mail
Three copies to the Department by pouch
One copy to Consulate General at Shanghai
One copy to the Embassy at Peiping
JJM/wr
850

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GRAY

Berlin

Dated June 19, 1941

Rec'd 5:25 p.m.

Secretary of State

Washington

2440, June 19, 4 p.m.

The DIENST AUS DEUTSCHLAND tonight in discussing the freezing of assets in the United States argues that in addition to suffering far greater immediate harm through unspecified Axis counter-measures than the injury inflicted on Italy and Germany the United States has by this action abused and therefore lost the confidence placed in its entirety by various European countries as a trustee of funds just as England allegedly lost that confidence by arbitrary financial measures in the last war. Besides this it asserts the Latin American Countries for which the banking function of the United States was "a community function of the new world vis a vis a part of the old world" can now only conclude and further "the United States has forfeited its stewardship in economic relations between the new and old worlds and the countries affected must create almost
complete

nl -2- Telegram from Berlin, 2440, June 19, 4 p.m.

complete channel for payment or clearing of claims deriving from trade".

It is apparent that Germany has been attacking and will now intensify its attack on American financial policy in its propoganda to occupied European countries as well as to South America. It is also probable that German representatives will use every opportunity in any dealings they might have with governmental and business leaders in Latin America to argue along the lines indicated by the DAD in an effort to hold out to them the prospect of a profitable trade under a system in which Berlin would have supplanted London and New York as a financial center in case of a German victory.

Inform Treasury.

MORRIS

WSB

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YDEPARTMENT OF STATE
WASHINGTON

In reply refer to
EA 840.51 Frozen Credits/1950

June 19, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of telegram no. 839 dated June 18, 1941 from the American Embassy at Rome, regarding an Italian decree freezing American properties held in Italy.

Enclosure:

No. 839, June 18,
from Rome. (2)

COPY

RS

PLAIN

Rome

Dated June 18, 1941

Rec'd 6:50 p.m.

Secretary of State,

Washington.

839, Eighteenth.

Embassy's No. 830, June 16, 1 p.m.

Regulations for the "freezing" of American properties held in Italy are contained in a decree in eight articles published in the Official Gazette of June 17. In substance these articles proved as follows:

One. Italians, except those living in the United States, may not pay debts due to American citizens or carry out obligations to deliver to them securities or other property. Foreigners living in Italy are subject to a similar prohibition. If such foreigners live elsewhere, the prohibition applies as regards American property held by them in Italy.

Two. Americans may not dispose of credits or property (including real property) in Italy.

Three. Persons and corporate bodies of Italian nationality domiciled in Italy must, within twenty days from the date of the decree, declare their indebtedness to American citizens and property held by them belonging to American citizens. Persons of whatever nationality must make analogous declarations as regards property held by them in Italy belonging to American citizens; also

as regards indebtedness to Americans arising from business conducted in Italy.

Four. The prohibitions under article one are not applicable to American citizens residing in Italy on the date of the decree.

Five. In cases of demonstrated necessity or for other special reasons payments and transaction may be authorized in derogation of the provisions of the decree.

Six. Violation of the prohibition against making payments or delivering property is punishable by imprisonment up to three years and by fines equal to five times the value of the payment made or property delivered with a minimum of 10,000 lire. Lesser fines are provided for violation of other provisions of the decree.

Seven. Provides for issuance of supplementary regulations.

Eight. Prescribes immediate entry into effect and usual miscellaneous technicalities.

From inquiry of officials concerned with the enforcement of the decree the Embassy learns that many details as to its application are still under study. In principle, it was repeated, the treatment accorded Americans will depend on the treatment accorded Italians in the United States pending the issuance of further clarifying orders. The block on deposits in the name of Americans (including the Embassy deposits with the American Express Company) has not been lifted.

PHILLIPS.

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YDEPARTMENT OF STATE
WASHINGTON

June 19, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses two copies of telegram no. 98 dated June 18, 1941 from the American Legation at Bern, Switzerland, regarding a conversation between a representative of the Consulate General at Zurich and the President of the Supervision Board of the Swiss National Bank on the latest executive order freezing foreign assets.

Enclosure:

No. 98, June 18,
from Bern.

COPY
TELEGRAM

BERN

Dated June 18, 1941

Rec'd 2 p.m.

Secretary of State,
Washington.

98, June 18, 3 p.m.

President of Supervision Board of Swiss National Bank (Bachmann) had conversation yesterday with representative of Consulate General at Zurich. He expressed gratification that neutral position of Switzerland had been recognized under the latest executive order freezing foreign assets; he referred to the bank's own investigations to determine "legitimate character" of transactions in which it has accepted funds in dollars from commercial banks and stated the bank did not want to load up further with dollars if that could be avoided and that he hoped it would not have to give a general guarantee covering dollar transactions of individual Swiss banks but that each bank would secure approval independently.

HARRISON

Copy:bj:6-19-41

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 19, 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	£49,000
Purchased from commercial concerns	£14,000

Open market sterling moved from an initial quotation of 4.03-1/2 to 4.03-1/4 at the close. Transactions of the reporting banks were as follows:

Sold to commercial concerns	-0-
Purchased from commercial concerns	£22,000

The Argentine free peso closed at .2375, as compared with .2380 last night.

The Cuban peso improved to 1% discount, as against yesterday's quotation of 1-3/16%.

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

Canadian dollar	11-7/8% discount
Brazilian milreis (free)	.0505
Uruguayan peso (free)	.4265
Mexican peso	.2070

In Shanghai, the yuan was quoted at 5-7/16¢, off 1/32¢. Sterling was 1/4¢ lower at 3.92.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

A price of 23-7/16d was again fixed in London for both spot and forward silver, equivalent to 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.

- 2 -

The report of June 11 received from the Federal Reserve Bank of New York giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$6,681,000, a decline of \$468,000 in the short position since June 4. Net changes were as follows:

<u>Country</u>	<u>Short Position June 4</u>	<u>Short Position June 11</u>	<u>Change in Short Position*</u>
England**	\$ 729,000	\$1,120,000	+ \$391,000
Europe	3,250,000	3,211,000	- 39,000
Canada	199,000 (Long)	372,000 (Long)	- 173,000
Latin America	552,000	498,000	- 54,000
Japan	983,000	373,000	- 610,000
Other Asia	1,862,000	1,883,000	+ 21,000
All others	<u>28,000 (Long)</u>	<u>32,000 (Long)</u>	- 4,000
Total	\$7,149,000	\$6,681,000	- \$468,000

*Plus sign (+) indicates increase in short position, or decrease in long position.
Minus sign (-) indicates decrease in short position, or increase in long position.

**Combined position in registered and open market sterling.

mmf

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BRITISH EMBASSY,
WASHINGTON, D.C.

19th 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,

Wendell Butler

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

TELEGRAM RECEIVED FROM LONDON JUNE 17TH, 1941.

1. Photographs of Brest P.M. June 16th show floating crane alongside starboard bows of Saharhorat. Gaiseman had dockside crane working on port side. Four mines were detonated off English coast June 16th, thirteen moored mines were cut in Lyme Bay.

2. June 16th six Blenheims with fighters attacked Boulogne. Our fighters destroyed eleven enemy aircraft, probably destroyed six, and damaged five. All but one were W. E. 109's, two of our bombers failed to return and we lost five fighters, three fighter pilots were saved.

3. Night of June 16th - June 17th, we despatched 222 aircraft to Coblenz, Cologne, Dusseldorf, Duisberg, Boulogne and Dunkirk. Four bombers overdue.

4. Libya and Egypt Advance by three British columns commencing June 15th; number of aircraft captured at Capuzzo and Bir Waer. Attack on Halfaya Pass repulsed. Left hand column captured Sidi Omar and attacked Bir Hafid penetrating defences and inflicting casualties. Daylight June 16th coastal column resumed attack on Halfaya Pass capturing high ground overlooking Pass, against heavy opposition. Since beginning of operations our forward troops immune from air attack.

5. Syria. June 15th. Tomahawks successfully attacked corps of cars and trucks at Isra and shot down two enemy aircraft. Hurricanes protected naval units, shot down another and in Kigwe area four Gladiators engaged twelve French fighters destroying one and probably a second. Three of our fighters are missing. By June 16th our troops

-2-

on the right captured Kiwe. Jebel Madani captured and Aatous being attacked. Defensive detachment covering right flank of the forces engaged in this sector. Vichy forces reinforcing Ezra which they still hold and their A.F.V.'s and cavalry are reported on the road south east of Quneitra. Advance in coastal sector continuing up coastal road.

6. Rome. Of about 30 enemy aircraft over United Kingdom night of June 16th - June 17th, three shot down by night fighters.

RESTRICTED

G-2/2657-220 No. 421 M.I.D., W.D. 12:00 M., June 19, 1941.

SITUATION REPORT

I. Western Theater

Air: German. Attacks last night by an estimated 50-100 planes on Yarmouth and on airfields in southeastern England.

British. Normal night attacks last night on ports in northwest Germany and on Brest. During daylight of the 18th, British bombing raids across the Channel again resulted in air fighting.

II. Mediterranean and North African Theaters.

Ground: No Axis pursuit of the British forces withdrawing from the Sollum area.

Air: Normal raids on Alexandria, Tobruk, Mersa-Matruh and Benghazi.

III. Syria

No important changes in the situation.

RESTRICTED

Paraphrase of Code Cablegram
Received at the War Department
at 12:57, June 19, 1941.

London, filed June 19, 1941, 19:02.

1. British Air Activity Over the Continent.

a. Night of June 17-18. 1600 incendiaries and 64 tons of high explosive bombs were dropped by British bombers on the continent.

b. Day of June 18. The St. Omer area was attacked by 6 bombers protected by 24 fighters. Over the low countries and channel areas patrols of offensive and defensive nature were carried out by 10 fighter squadrons. The Lintow was observed at Kiel by British reconnaissance aircraft. Mines were laid and shipping attacked in the channel areas by planes of the coastal command.

c. Night of June 18-19. 65 bombers attacked at Brest and 98 went to Bremen.

2. German Air Activities Over Britain.

a. Day of June 17. Germany operated against England with long range bombers and reconnaissance aircraft, 20 of each. Defensive fighters operated during the day numbered 290.

b. Night of June 17-18. 20 long range bombers, 30 pursuit and 20 mine laying aircraft operated against England.

c. Day of June 18. Off the French, Dutch, and Belgian coasts the Germans operated strong defensive patrols. In the area of Start Bay 5 aircraft were observed.

d. Night of June 18-19. In the area of the English east coast operations on a small scale were carried out.

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3. Aircraft Losses Reported.
 2. 3 Spitfires and one Hurricane were lost. ✓
 3. British fighter squadrons shot down two ME-109's, with 6 more probable. Also destroyed were 7 ME-109's. Other operations resulted in the destruction of two G-30's, two JU-87's and four ME-109's.
 4. British Air Activities, Other Territories.
 2. North African Territory. 35 JU-87's were engaged by fighters in Sallum area. 10 of the enemy aircraft were reported destroyed.
 5. Axis Air Activities, Other Territories.
 2. No operations reported other than those in the Sallum area.

LHM

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