

DIARY

Book 419

July 8 - 10, 1941

- A -

	Book	Page
Appointments and Resignations		
Rogers, Lindsay:		
HMJr asks that FDR consider Rogers for Under Secretaryship of Treasury - 7/8/41.....	419	51
Resume' of experience by Odsgard - 7/11/41: See Book 420, page 76		
Silverman, A. G. (Dr.): Appointed economic consultant to White in connection with organizing research and statistical work for Foreign Funds Control - 7/10/41.....	419	450

- B -

Bank for International Settlements
See War Conditions

- C -

China
See War Conditions
Customs, Bureau of
See Federal Bureau of Investigation

- D -

Defense, National
 "The Need for a Fiscal-Defense-Planning Committee" -
 White memorandum - 7/9/41..... 299,441

- F -

Federal Bureau of Investigation
 Customs employee approached for information without letting his superior know; discussion at 9:30 meeting - 7/10/41..... 350

Financing, Government
 Old-age pension legislation involving expenditure of \$2- to \$3 billion may be recommended by Downey (Senator, California) - 7/8/41..... 161
 February 1945 (after Administration has changed) suggested by HMJr for new issue - 7/9/41..... 223,344
 a) Calendar of direct and guaranteed bonds and notes - Hadley memorandum..... 231
 "The Need for a Fiscal-Defense-Planning Committee" -
 White memorandum - 7/9/41..... 299,441

Defense Savings Bonds:
 Stevenson, John A. (President, Penn Mutual Life Insurance Company, Philadelphia): Asked to act as chairman of State Committee in Pennsylvania - 7/8/41..... 177
 a) Accepts - 7/11/41: Book 420, page 52

- F - (Continued)

	Book	Page
Financing, Government (Continued)		
Defense Savings Bonds (Continued):		
Conference; discussion of (a) payroll savings plan and (b) chain-store plan - 7/9/41.....	419	244
a) Retail store activity report.....		284
LeHand, Marguerite A. ("Missy"): HMJr to advance money for her bond purchases - 7/10/41.....		368
France		
See War Conditions		

- G -

Gasoline		
See War Conditions: Japan		
Germany		
See War Conditions: Foreign Funds Control		
Gold		
See War Conditions		

- J -

Japan		
See War Conditions		

- L -

LeHand, Marguerite A. ("Missy")		
See Financing, Government: Defense Savings Bonds		

- M -

Miller, Douglas		
He and his book "You Can't Do Business with Hitler" discussed by 9:30 group - 7/10/41.....		355

- N -

Niemeyer, Sir Otto		
See War Conditions: China; United Kingdom		

- O -

Oil		
See War Conditions: Japan		
Old-Age Pension Legislation		
See Financing, Government		

	Book	Page
Pension (Old-Age) Legislation		
See Financing, Government		
Phosphate		
See War Conditions: Lend-Lease; Shipping		
Pleven, Rehe'		
See War Conditions: France		
Price Control		
See War Conditions		
Procurement Division		
See War Conditions: Lend-Lease		

Revenue Revision		
Status of 1941 bill outlined in Blough memorandum - 7/8/41.....	419	162
Currie tells HMJr FDR is prepared to help - 7/9/41.....		294
a) Possible letter discussed by HMJr, Foley, Blough, Gaston, and Kuhn - 7/10/41.....		362
b) HMJr thanks FDR for proffered help - 7/10/41.....		436
1) Rayburn and HMJr discuss possible message from FDR - 7/10/41.....		440
"The Need for a Fiscal-Defense-Planning Committee" - White memorandum - 7/9/41.....		299,441
Rogers, Lindsay		
See Appointments and Resignations		

Secret Service		
White House cars to be equipped with Life Guard inner tubes - 7/10/41.....		435
Shipping		
See War Conditions		
Silverman, A. G. (Dr.)		
See Appointments and Resignations		
Social Security		
Old-Age Pension Legislation: See Financing, Government		
Stevenson, John A. (President, Penn Mutual Life Insurance Company, Philadelphia)		
See Financing, Government: Defense Savings Bonds		

Tabouis, Genevieve		
See War Conditions: France		
Taxation		
See Revenue Revision		

United Kingdom

Book Page

See War Conditions: Military Planning; United Kingdom

War Conditions

Airplanes:

Shipments by air and sea - Kamarck report - 7/10/41..... 419 431

Bank for International Settlements:

British policy toward Bank for International Settlements: Niemeyer (Sir Otto) informs American Embassy, London, concerning - 7/10/41.. 465

Request to pay dividends from dollar account to Bank of England, Sveriges Riksbank, Banque Nationale Suisse, and National Bank of Egypt discussed in Cochran memorandum - 7/14/41: See Book 420, page 446

China:

Niemeyer (Sir Otto) to be sent by British Government at request of Chinese Government for an economic mission; Niemeyer could travel by way of United States - 7/9/41..... 308 (See also Book 425, page 121)

Bank of China report shows no evidence of any accumulation of dollars in connection with any devious plan by Germany to hold dollars in New York under other names - 7/9/41..... 311

Code (private) and use thereof by Currie discussed by Currie and HMJr - 7/10/41..... 373,379

a) Three messages on immediate Japanese plans to move against Singapore and Dutch East Indies before taking on Siberian problem, etc., transmitted by Soong to HMJr to FDR - 7/10/41..... 380,381,382

1) HMJr tells Soong he (HMJr) prefers not to transmit answer but thinks Currie will help - 7/11/41: Book 420, page 17

Exchange market resume' - 7/8/41, etc..... 181,303,446

Foreign Funds Control:

Germany:

Bank of China report shows no evidence of any accumulation of dollars in connection with any devious plan by Germany to hold dollars in New York under other names - 7/9/41..... 311

France:

Pleven (Rehe) and his passionate desire for consideration "for the Frenchmen who are fighting democracy's battle" discussed by HMJr and Frankfurter - 7/8/41..... 11

a) Hopkins asked by HMJr to see Pleven - 7/8/41.. 53 1) Pleven tells HMJr of talk..... 193

b) HMJr asks FDR to see Pleven but FDR declines - 7/9/41..... 198,199

c) Pleven's conversation with HMJr reported to 9:30 group..... 200

	Book	Page
War Conditions (Continued)		
France (Continued):		
Tabouis, Genevieve: HMJr writes Rockefeller (Nelson) he wants proposed Latin American lecture tour to materialize - 7/8/41.....	419	180
a) Rockefeller's answer - 7/15/41: See Book <u>421</u> , page 235		
Gold:		
Post-War Planning: Use of gold to buy up munitions plants (then to be destroyed) plus plan for various countries to use United States gold with American assistance to buy food, to start up international trade, and for reconstruction purposes - HMJr's idea - discussed by HMJr, Keynes, and Salter - 7/8/41.....		150
Japan:		
Oil and gasoline shipments from New Orleans, etc., reported to FMR, State, War, Navy, and Interior - 7/8/41.....		85
Lend-Lease:		
Conference in Bell's office; present: Phillips, Archer, Brown, Childs, Keyes, Keynes, Bewley, Thompson, Bell, Cochran, Kades, and White - 7/8/41.....		77
a) Agenda.....		147
b) Procedure (suggested) for bringing miscellaneous manufactured goods under Lease-Lend procedure.....		148
Procurement Division: Delay in overseas shipments caused by slowness of Procurement in buying supplies suspected by Keynes and Salter but incredible to HMJr - 7/8/41.....		150
a) Meeting with British in HMJr's office to discuss - 7/10/41.....		383,384
Phosphate shipments from Florida discussed in Salter-HMJr correspondence - 7/9/41..... (See also Book <u>420</u> , pages 461, 463, and 464; Book <u>422</u> , page 32)		305
Conference in HMJr's office; present: Keynes, Phillips, Bewley, Childs, Archer, Brown, HMJr, Bell, Graves, Foley, Young, Cox, and Mack - 7/10/41.....		384
a) Agenda.....		425
b) Metal purchases discussed.....		419
c) Purchases for Southern Route project discussed.....		421
d) Agents or brokers for British discussed..		424
e) Sterling area balance of trade - supplementary note on by Phillips.....		426
Military Planning:		
Reports from London transmitted by Halifax - 7/9/41, etc.....		320,325,473,476
War Department bulletin: German recreational system in theatre of operations - 7/9/41.....		328

War Conditions (Continued)

Book Page

Price Control:

Meeting of Committee - O'Connell memorandum -

7/8/41..... 419 72

a) Discussion of

1) Shipping situation and impending
oil shortage on Atlantic Coast

2) Rubber situation

(satisfactory at the moment)

United Kingdom:

British policy toward Bank for International
Settlements: Niemeyer (Sir Otto) informs
American Embassy, London, concerning -

7/10/41..... 465

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, July 8, 1941.
7/7/41

Press Service
No. 26-34

The Secretary of the Treasury announced last evening that the tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be dated July 9 and to mature October 8, 1941, which were offered on July 4, were opened at the Federal Reserve Banks on July 7.

The details of this issue are as follows:

Total applied for - \$281,732,000
Total accepted - 100,048,000

Range of accepted bids:

High	- 99.990	Equivalent rate	approximately	0.040
Low	- 99.972	"	"	0.111
Average		"	"	
Price	- 99.976	"	"	0.097

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

- o o o -

July 8, 1941
8:40 a.m.

HMJr: Okay. Hello.

Felix Frankfurter: Henry?

HMJr: In person, in the flesh.

F: Felix.

HMJr: Hello.

F: Hello.

HMJr: Yes, Felix.

F: Where are you?

HMJr: I'm at the Treasury, twenty minutes of nine.

F: (Laughs) Don't reprimand me, even though you do it gently, because I just got up.

HMJr: Wonderful. Lucky man.

F: Don't reprimand.....

HMJr: No, I'm jealous.

F: Even though I - even though you do it gently. Henry?

HMJr: Yes.

F: I had a chance to have a talk with himself on Sunday in regard to Lloyd - Lloyd Garrison.

HMJr: Oh yes.

F: As I suspected, his whole - his whole judgment - his whole view, was based on what somebody told him was in the paper.

HMJr: Yeah.

F: I then explained to him that I had read the speech - that as a conclusion Lloyd is as different from Wheeler and Company as night is from day.

- 2 -

HMJr: Yeah.

F: That he might have said something in that speech that is foolish - I mean - when I told him what it was, he said, "It's one of those bright ideas." He said, "One of those bright ideas."

HMJr: You mean Lloyd Garrison said.

F: Yes, that what he said, you know, to ask Hitler whether he means this and if he doesn't, then have us join the British Fleet.

HMJr: Yeah.

F: But it's the very opposite of appeasement and - anti, you see?

HMJr: Yeah.

F: And he said he was very glad to hear - he said, "I tell you all this" - I didn't mention you at all - he said, "I tell you all this because," he says, "I'm just on the point of appointing him for an important job."

HMJr: The President said.

F: Yes.

HMJr: Well, I'll be damned.

F: "And then I heard this - and, of course, I couldn't." Harry was there, and the three of us were lunching. He said, "Well now, what did he say?" And I said what he said. "Well," he said, "suppose Hitler would accept it." "Well," I said, "I'm saying it's a foolish thing, but that's a very different thing about the reliability of the man and the heart of the man and the convictions of the man," you know?

HMJr: Yeah.

F: I said to Harry, I started out with saying, "This is a foolish thing if you believe it - not so much foolish as doctrinaire."

HMJr: Yeah.

F: But I can see what he had in mind to satisfy the people, particularly in the middle West where we don't live, to prove that this fellow really is a skunk and a scoundrel.

HMJr: Yeah.

F: And I called you up because I thought you ought to know the President said, "I'm awfully glad to hear this because I like Lloyd and this came as a surprise." And ..

HMJr: Well, what has - what was he in mind for?

F: What's that?

HMJr: What has he got him in mind for?

F: Well, I think he referred to your job.

HMJr: What?

F: He referred to your job.

HMJr: Oh, he did?

F: He referred to the job that you named Jim for, and I would - I know what's happened since. Speaking of skunk, I could use that for somebody else.

HMJr: Well, much worse than that.

F: Yeah. But, I just wanted you to know that ...

HMJr: Are you in Washington?

F: I'm right here in Washington.

HMJr: Oh, I didn't know that.

F: Yes, I was with him on Sunday.

HMJr: Yeah.

F: And I'm going down to - will you be at the office at 11 o'clock to see Jimmie Byrnes sworn in?

HMJr: No, nobody asked me to come.

F: What?

HMJr: No.

F: Are you a great friend of Jimmie?

HMJr: Oh, so-so, so-so.

F: Well, that will happen in the President's office at 11 o'clock, if you didn't know.

HMJr: Well, I got no message.

F: Yeah. Well.....

HMJr: Well, now I

F: But I thought - Henry, that such - you remember you and I talked about this up at the Park.

HMJr: Yeah.

F: And I got a very good chance and I took it, and I thought you ought to know that he acted on no evidence, but on what somebody, a friend, had told him. I said it was a distortion, it was something taken out of the context, and we haven't got too many Lloyd Garrisons around in this country for you to just to throw them away on unsubstantial and unwarranted evidence.

HMJr: Well, let me ask you this: have you had any conversation with Lloyd Garrison since he made that speech?

F: No, I had a letter - I talked with Dykstra at the Harvard Commencement. I happened ...

HMJr: Yeah.

- F: I happened to be sitting next to Dykstra and I referred to this subject, and he said, "Well, that's dreadful." I said, "I'm greatly disturbed." He said, "You needn't be, they've completely misrepresented Lloyd." "Well," I said, "I didn't have any doubt about it." But I then knew of what had been happening down here, you see, but I didn't tell it. So he - I then had a note from Lloyd sending me his speech and saying, "I'm told you are disturbed about this," (somebody - wasn't Dykstra, somebody else, who told him second - third hand) "and while you might not like what I said, it's certainly a very different thing from what the papers made me out as saying."
- HMJr: Have you got this speech?
- F: I haven't got it here, Henry. May I make a suggestion to you?
- HMJr: Yes.
- F: You know he is the straight forwardest fellow in the world.
- HMJr: Yes.
- F: You know there isn't a purer character.
- HMJr: That's right.
- F: Now, if you are at all interested, what I would do if I were you is to get him down here and have a talk.
- HMJr: Well, I'll - I'll get a word to the President first to see whether it's all right with him.
- F: Well, you don't have to commit yourself.
- HMJr: Well, I mean I wouldn't want to have him come down without first checking it with the President.
- F: No, no, I don't mean that, but I don't think - you don't have to take the decision of saying that you yourself would be for him if you took - if he came down, but have a talk - a consultative talk, see?

7

HMJr: That's right.

F: And he would tell you with the frankness of little Oliver, what he thinks.

HMJr: I think it's an excellent suggestion.

F: Because I only say to you what I said to the President. There aren't too many Lloyd Garrisons around just to throw them on the scrap heap on meager-on inadequate evidence.

HMJr: Well, I need desperately somebody.

F: What's that?

HMJr: I desperately need somebody.

F: Well, all I say is before he is rejected on a speech, those responsible better read the speech.

HMJr: Right.

F: Better find out what's in his head.

HMJr: I appreciate very much your calling me. Let me ask you about another man who has been suggested. President Graham of North Carolina.

F: Henry, I know him very, very well.

HMJr: You do?

F: Very well. He is a darling.

HMJr: Yeah.

F: He's one of the most spiritual men in the world. ~~Hope~~ - when I've said that, I've told his greatness and his weakness. He's a perfect darling, but he's kind of a child.

HMJr: I see.

F: He's got enormous influence because he's a kind of a child. But for a very different reason from what I talked to you about Jim, it really seems almost funny to have him do the kind of job you have in mind.

HMJr: I see.

F: He's a noble fellow, you know?

HMJr: But not for this?

F: A beautiful character and great deal of force through personal moral appeal.

HMJr: Yeah.

F: You see? But he gets into hot water all the time because he's so naive. But let me give you an instance of what I mean; it's a concrete illustration that always gives you the evidence.

HMJr: Hello.

F: Hello.

HMJr: Yes.

F: Got a minute?

HMJr: I've got all the time that you have.

F: Yeah. Well, I was down - I spent a week with him a few years ago because I lectured at his University, and ...

HMJr: Yes.

F: He consulted with me very confidentially since he's been on this panel.

HMJr: On the what?

F: On the Labor Board.

HMJr: Oh yes.

F: On the Mediation Board.

- 8 -

HMJr: We have a lousy connection.

F: Hello.

HMJr: Yes.

F: Can you hear?

HMJr: Yes.

F: He is one of the public panels, you know on the Labor Mediation Board.

HMJr: Yes.

F: And he has done some good work on that because of the kind of moral grip that he can get on men.

HMJr: Yes.

F: But I'll show you the kind of fellow he is. A few years ago - he comes of a well known and old North Carolina family and his grandfather founded the University or something like that, that's why he's president.

HMJr: Yes.

F: But a few years ago he actually - he discovered - he actually discovered that alumni induce men to come to Universities who'll make good football players..

HMJr: I see.

F: And they pay their way.

HMJr: Yeah.

F: He actually discovered that a few years ago, Henry, and when he discovered it he thought he ought to raise hell about it.

HMJr: I see.

F: Get me?

HMJr: I see.

F: And his alumni said, "For God sakes, we've all known this, just don't raise a rumpus."

HMJr: I see.

F: "Why," he said, "I never knew that. I never knew that a football player is induced to come to Cornell or Harvard or even North Carolina."

HMJr: I see.

F: But he's a darling, he's a . . .

HMJr: But not for this?

F: Well, Henry, I - Henry, he isn't tough minded, set me?

HMJr: He's not what?

F: Tough minded.

HMJr: Okay, enough said.

F: Have you ever met him?

HMJr: No.

F: Well, you and your Elinor would feel about him - and your boys and your Joan, you know - he's one of the loveliest people they ever knew, but not for this.

HMJr: I see.

F: You know. He's got no guile, and he's got no toughness.

HMJr: Okay, that's enough. I'm ever so much obliged and I'll set - I'll try to find out today from the President if he's willing to let me talk to Garrison.

F: Well, just - you know - all I say is before you throw something that might be very good out, you should find out about it.

HMJr: That's right. There are not many around.

F: No. And for character and dependability, you know, you could go and leave your house and turn it over to him and never lock a jewel box.

RMJr: Now, do you want to get in on a nice fight?

F: (Laughs) What's the fight about?

RMJr: One like ... Well, there's a very able, charming Frenchman here by the name of Plevin.

F: Oh yeah.

RMJr: Have you met him?

F: No, but he wants you to recognize deGaulle?

RMJr: No, all he says is, "I want as much treatment or consideration for the Frenchmen who are fighting democracy's battle as you give to the traitors who sold out to the Germans."

F: Who - what answer do you make to him?

RMJr: Well, I tell him he's right.

F: (Laughs)

RMJr: So, he said, "I am here to fight the State Department."

F: Are they against that?

RMJr: He can't get to first base. They turned him over to Ray Atherton. Ray Atherton leaves town and just doesn't give him any consideration.

F: Henry...

RMJr: He - yes.

F: Go on.

RMJr: Well, I'm - I'm - I've written a letter to the President today urging him to see him, not on these grounds, putting it on the grounds that he knows more about Daker than anybody else. Now, what this man has done is a fairy tale.

- 11 -

- F: I heard about him through two people, both of whose judgment on such matters I have very high regard for.
- HMJr: Yeah.
- F: One of them is a very old friend of his, and, that's my friend, Monnet.
- HMJr: Yeah, Gene.
- F: Who thinks very, very, very highly of him.
- HMJr: Yeah.
- F: And the other person is Gene M'yer, who spent hours with him, and Gene, you know, isn't easily impressed.
- HMJr: No.
- F: And Gene was greatly impressed, and he said that he's the kind of fellow who - in whom you - in whose facts, you have confidence.
- HMJr: Well, you see, I knew him when he was second in command of the French Purchasing Mission.
- F: Oh.
- HMJr: And I know him intimately.
- F: Well, you share Monnet's opinion of him.
- HMJr: Oh, he's - I mean, it's like a breath of fresh air to talk to that kind of a Frenchman.
- F: But Henry, the reason I said what I said about he wants deGaulle recognized, you see, because that's the kind of thing they're saying about him, which is all wrong.

HMJr: No, that - he doesn't - he doesn't - he said, "All I want is" he says - he tells the things that they can do, the things that they have done and they've got one of the finest harbors there in the world - 33, 35 feet complete but with no derricks on it. I said, "Supposing your ships want to come in there, how are you going to get in there?" He said that there's nothing to unload them.

F: Well, he - on all those things he made a great impression on Gene.

HMJr: And if - it just - and go up against the man like Ray Atherton, and he can't even see Ray Atherton.

F: Henry, if you promise not to tell on me, I'd like to tell you something.

HMJr: Yes.

F: This wouldn't be the first time that the State Department is wrong.

HMJr: No.

F: That's very confidential.

HMJr: Oh, really now, I ask you? I think that that exaggeration isn't becoming to you.

F: (Laughs) Well, I know, I'm told I'm indiscreet and I don't want to be.

HMJr: Well, I'm telling you I've taken up his fight. I'm going to bat with him.

F: Good for you, because I don't see that there's an answer to that proposition.

HMJr: Well, I'm arrange - I'm calling up Hopkins as soon as I'm through....

F: Has Harry seen him?

HMJr: No, but I'm going to try to get him to see him.

-13 -

F: Well, you'll do a very great service.

HMJr: No, I'm going to bat with him because it's - it's just ludicrous.

F: And what could it amount to in dollars?

HMJr: Well, it's a - well, it's just to get these people in this little clique over there.

F: Yeah.

HMJr: Well, any way....

F: I - I wish you Godspeed on that because you're absolutely and completely right.

HMJr: Well, I'm going to town on it. I'm very choosy about my fights these days.

F: Well, I know. You can't fight on too many fronts and there be apt to choose the right one.

HMJr: No.

F: Henry?

HMJr: Yeah.

F: This thing yesterday was good, wasn't it?

HMJr: Oh, I had the thrill of my life. I was with the President when it happened at lunch. I was never so excited in my life or was he. Oh, it was the thrill of my life.

F: He's very happy about it, isn't he?

HMJr: Oh, that doesn't - happy isn't the word. We had a drink on it and everything. Oh, he's just thrilled. It's great stuff.

F: Oh, yes.

HMJr: Great stuff.

F: Tell me, any repercussions yet?

HMJr: No, everything's good.

F: Everything's good.

HMJr: Yeah.

F: And the British got the point. Their radio talk last night was very good.

HMJr: I didn't hear that.

F: Raymond Swing said that they were exalted.

HMJr: Good.

F: This is absolutely right.

HMJr: Yeah.

F: Absolutely.

HMJr: It's all - it's wonderful.

F: Your great buddy in the Cabinet has been grand about this.

HMJr: Who's that?

F: The other Henry.

HMJr: Oh, has he?

F: Well, you know, he's been right on almost everything any way.

HMJr: Yeah.

F: What?

HMJr: That's right.

F: I'll bet he'll be right on this other fight of yours.

HMJr: Well, he's seeing - he's going to see Stinson.

- 15 -

F: He is?

HMJr: Plevin is a great friend of McCloy.

F: Oh, yeah.

HMJr: And McCloy is arranging it.

F: Well, that's fine.

HMJr: He knows McCloy from his old days.

F: Oh, good. Well, good luck to you.

HMJr: Thank you.

F: Goodbye.

July 8, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: Herbert?

Gaston: We are about to recommend to you the discontinuance of Grand Rapids as a port of entry. We have already talked it over with Vandenberg and he makes just a mild protest as a matter of form. There is every reason why it should be discontinued.

H.M.Jr: Sold.

Gaston: Three transports commanded by Coast Guard officers returned yesterday to New York. They have been just out on a practice cruise, and they are scheduled to sail again on Saturday or Sunday with the information that it is to be a practice cruise, but I don't

- 2 -

know what the destination may be. That is all I have.

H.M.Jr: Edward Foley?

Foley: McGoldrick, the Comptroller of the City of New York, wants to come in and see you today about investing twenty million dollars of trust funds of the City of New York in Defense Bonds.

The "F" and "G" Series are limited to fifty thousand dollars for any one holder. We amended the regulations of January, 1940, to limit the holdings of Savings Bonds by trust funds to the trustee. Before that, they were regulated by the number of beneficiaries of the trust.

I don't see how without changing the regulations we can go along with what Mr. McGoldrick wants, but it is a matter of regulations, not a matter of law. Here is a memorandum on it.

H.M.Jr: How long is it?

Foley: One page.

H.M.Jr: Let me just ask a question. If we did this, is this money in the banks, do you suppose, on deposit?

Bell: It probably is.

Foley: He didn't - if he didn't buy Defense Bonds with it, he would buy some public securities of one of the public corporations in the State of New York, I assume.

H.M.Jr: Well, is this, Dan, do you think, the kind of money we want to get in?

- 3 -

Bell: It is the kind of money you probably want to get in, but I don't think you ought to do it. I suppose we have got a couple of drawers full of correspondence with various cities over the country on Savings Bonds. There are water funds and all that business. I think we ought to confine them to the limit.

H.M.Jr: Supposing it is for pensions. That is what this is, isn't it?

Bell: Yes. Well, they have got pension funds, the water funds, the sinking funds, they have got all kinds of funds. We let them invest each fund to the limit. What they want to do is separate their funds down into small units, just as small as they can, and invest each unit. You have got the same problem with the banks and corporations of all kinds, charitable institutions.

Graves: Trade unions.

Bell: I think we are getting into something we may not want to get into.

H.M.Jr: Let me just argue with you. Supposing you took a trade union or a union that had its members. I mean, I don't want the water fund, but where it is the funds which are being held - pension funds, retirement funds, why shouldn't they be invested here?

Bell: You mean take more than the limit?

H.M.Jr: Yes.

Bell: Well, it is making an exception.

H.M.Jr: Well, I mean - well no, we would write it into the regulations.

- 4 -

Bell: Well, that makes it an exception in that case. That is what we had in the old series and all of these pension funds came in and we considered each individual as a separate entity and he could invest ten thousand dollars for account of each individual and we got about forty-five or forty-eight million dollars in the course of a month.

Then we amended the regulations to call those pension funds an entity rather than the individual an entity. It is easily done, but I just question whether we ought to do it at this time.

H.M.Jr: Well, the discussion is open. Does anybody want to get in on it either way?

Haas: Mr. Secretary, if you do it in this case you would have to do it for insurance companies, because their funds represent accumulations of interest.

Foley: You could limit it to public money.

Haas: Well, that is public money. Well, pensions for some people are kept by insurance companies. They buy annuities and so on, too.

Foley: We are talking about public funds. I mean, teachers' retirement funds and employees' retirement funds and you could limit it in the regulations. You don't have to open it all the way up.

Haas: This isn't opening it up to insurance companies, but there is the same type of money in insurance companies. I think the difficulty, if there is any, Mr. Secretary, on that, is that there would probably be sales of other securities to buy these bonds, and that wouldn't get us anywhere. If you limit just the new savings

- 5 -

companies, O.K., but if they sell out what they have got to buy these, it is no good.

Blough: Won't these funds, on the whole, buy about as many Federal Bonds of other types as they would of these? They are pretty well limited and what they can put their money into, they can put it into state and local and Federal and that is about all, and I have some doubts as to whether you would get a great deal more in Savings Bonds than you would in the regular.

Haas: You cripple your open market. You leave it to the banks entirely.

Foley: But if you want to show popular sales of your defense bonds, this is a way of lifting your curtailment.

Blough: It has that function, of course.

H.M.Jr: How would it be to keep this as a card up our sleeve against a rainy day? We don't need it now.

Incidentally, Harold Graves told me this morning at the house at eight that the figures of the twenty-five dollar denomination bonds as compared with U. S. Savings Bonds - have you got those figures?

Haas: We gave them to Harold.

Graves: I gave a copy to Peter yesterday.

Haas: I don't have those here, but I have that other job you asked me for.

Graves: I can get that table in just a minute if you would like me to.

- 6 -

H.M.Jr: I would like somebody to get it.

Graves: I will get it.

H.M.Jr: well, I will tell you, you be here at ten-thirty and then I will shake hands with him and I will turn him over to you (Bell) but I think we will keep this against a rainy day. The day may come when we would like to have this kind of money, and we don't need it now.

Bell: You may want to do a lot of things. You may want to sell special obligations to insurance companies. I don't think you ought to do it now.

H.M.Jr: Let's keep it against a rainy day. I love what LaGuardia said. I talked to him on the phone. He said, "You can do this quietly or with publicity. If it is with publicity, I will handle it personally." (Laughter)

Schwarz: That sounds like the Little Flower.

H.M.Jr: There is nothing in it for me.

Foley: You sent around an article from the New York Times about --

H.M.Jr: Yes, what did you do about that?

Foley: Well, once the Maritime Commission requisitions these ships that we have our guards on, then they take over.

H.M.Jr: Yes, but you told me just as I was leaving the other day that between the time I signed the thing and the time that - that they had lost their case on this thing, taking over the boats. This is nothing --

- 7 -

Foley: Nothing to do with that.

H.M.Jr: We haven't stepped aside?

Foley: No, we haven't stepped aside.

H.M.Jr: O.K.

Foley: That announcement is a little premature, because they don't - they haven't taken over any boats which they haven't requisitioned, which the Maritime Commission has not requisitioned.

H.M.Jr: What else, Ed?

Foley: Here is that amendment of the law to permit the Secretary of the Treasury to buy obligations of the United States and that is the change that will have to be put in.

H.M.Jr: What did you slip that on?

Foley: Here is the way the statute reads now, and that is what you would drop out, in here.

H.M.Jr: Now, how could we get that done? Could What-is-his-name --

Foley: Sure, let Bernard talk to Barkley and to John McCormack and ask them how they would like to handle it.

H.M.Jr: But also the Republicans?

Foley: And talk to Charlie McNary and Joe Martin and see if they would have any objection. If there is no objection, it could go in as a bill and go right through.

H.M.Jr: Would you do it that way or as an amendment?

- 8 -

Bell: Why not attach it to the Federal Reserve Bill? They have a bill up there which is now on the floor of the Senate or House, I don't know which, which extends the time to --

H.M.Jr: I think that is better.

Foley: All right.

Bell: To put up Government securities as collateral.

H.M.Jr: I don't want it as a separate bill.

Foley: All right.

H.M.Jr: I only want it done if it will go through a hundred percent sure.

Foley: All right. Well, I will have Larry talk to them and see if they have any objection; and if they have no objection, then we will pick out a bill that we can put it on and --

H.M.Jr: Well, I don't want it as a separate bill. It is ridiculous that I can't buy United States Government Bonds.

I am signing a letter here to permit guide dogs to go in Government elevators.

Foley: This is a memorandum on that press notice that defense articles may be admitted free of duty.

H.M.Jr: Yes. Well, what about it?

Foley: Well, the War Department is in favor of it.

H.M.Jr: How about us?

- 9 -

- Foley: Well, we are going to say that it can be done without administrative difficulty.
- Gaston: I think we collaborated with the Army and Navy in the preparation of that.
- H.M.Jr: Come on, you are doing fine.
Next?
- Foley: Here is a memorandum on that contract. They aren't participating in the strike anyway.
- H.M.Jr: But Mrs. Klotz made a very good point, why wait? Why suddenly wake up in early morning to see whether they have struck?
- Foley: I think it might be a little embarrassing for you, because you have an exclusive marketing agreement with them; and if they agreed not to sell their milk because they think by going into the strike they can get a better price, that the court would say that they were using their best efforts to market the milk under those circumstances and you would have to participate.
- H.M.Jr: Even as a Federal officer?
- Foley: Even as a Federal officer.
- H.M.Jr: Are you sure of that?
- Foley: Well, you are participating as a private citizen and your contract requires you to do it. Otherwise, you would have to keep the milk and use it yourself or dispose of it, but you couldn't sell it.
- H.M.Jr: But there is nothing as a Federal officer?
- Foley: No.

- 10 -

H.M.Jr: Just stick by my contract?

Foley: You have to.

H.M.Jr: All right. We were going to make butter of it and come down and sell it to the nine-thirty group.

Foley: You could make butter out of it and give it away. I don't know whether you could sell it or not.

H.M.Jr: Our butter we could sell.

Foley: I could use that fellow here, but I don't have anything in Cleveland, Mr. Secretary.

H.M.Jr: Would you write to Henry direct in your letter?

Foley: Yes.

We haven't seen you yet on the arrangements in so far as investigations for Foreign Funds are concerned, and now that Herbert is back, John Pehle and Herbert and I would like to talk to you some time today.

H.M.Jr: Are you in agreement?

Foley: Yes, sir.

Gaston: Oh yes.

Foley: I have the memorandum. They are all in agreement.

- 11 -

H.M.Jr: Who did I say I wanted to see after ten o'clock this morning?

Bell: Foley, White, Cochran, and myself at eleven-thirty.

That is the only thing I know of.

Graves: You had my group down, but you postponed it until tomorrow.

H.M.Jr: What are we going to - when are we going to talk about financing?

Bell: Well, we ought to do that this morning.

I have had a report on the first twenty minutes of the market.

H.M.Jr: Well, we can talk about it then.

Look, I am seeing Gaston, Wiley, and Johnson at a quarter of twelve, and that won't run more than about five minutes; and as soon as that is over - who else sits in on it?

Foley: We ought to have Pehle.

H.M.Jr: Well, have Pehle in your office at a quarter of twelve.

And don't let me forget that they are waiting there, will you, Herbert?

- 12 -

Gaston: Yes. I don't think there is likely to be any development on that other thing today, but we will find out.

H.M.Jr: Well, they will be standing by from a quarter of twelve on.

Foley: All right.

I thought, as a matter of interest you would like to know that Herbert Feis called up yesterday and said that they wanted to get that eleven million of Yugoslavian gold back in the United States but the Central Bank of Brazil wanted to be held not responsible, and he couldn't figure out any way and nobody in the State Department had been able to figure out any way, but he was sure that Treasury might make some suggestion as to how it could be handled.

H.M.Jr: I don't know what it is.

Foley: Remember the Yugoslavian gold that was transferred down there. There was twenty-two million and eleven of it went down. The other eleven was kept in New York. Now they are anxious to bring it back.

H.M.Jr: Oh! Well, Ed--

Foley: We are working on it.

H.M.Jr: Can you work on it without me?

Foley: Yes.

H.M.Jr: Wonderful.

Is your docket clear?

Foley: Yes, sir.

- 13 -

- Cochran: Here is a statement for June. We are not buying much gold now. The profits are down. We got one little bit of gold in at San Francisco last week. The British brought it in. We think it came by warship. I am checking up. They didn't have it invoiced.
- H.M.Jr: Well, until further notice, until I can do it, I want Harry White to service Fox in the Far East. If there is something that you can't handle, Harry, speak to me about it, but it is your responsibility from now on. Somebody has got to take care of those cables that are coming in, and it is your responsibility, Harry.
- White: All right.
- H.M.Jr: Thanks for the memo.
- Kuhn: The round table of labor and industry that you suggested has been fixed for July 22 at nine fifteen p.m., and I hope the interlocutor is going to be free for that evening.
- H.M.Jr: Have you got them all?
- Kuhn: Apparently they have got them without any trouble. I haven't heard about that. I know that the time has been fixed.
- H.M.Jr: Does everybody know about it? Are you ready for a shock? Have you heard about it, Herbert?
- Gaston: No.
- H.M.Jr: William Green, Murray, the head of the Railroad Brotherhoods, the president of the United States Chamber of Commerce, the president of the National Association of Manufacturers, and H.M.Jr. are going to sit around a table and discuss defense bonds.

- 14 -

Gaston: As long as you keep them on defense bonds, that will be swell. (Laughter)

Kuhn: Well, I will have to check on the acceptances, but the date has been fixed, and they weren't expecting any trouble. Are you free on that night?

H.M.Jr: I am now.

Kuhn: Good.

White: I will venture to say that is the first time in history they have ever sat around the same table.

Kuhn: July 22, nine fifteen p.m. to nine forty-five.

H.M.Jr: Is the table here?

Kuhn: It can be here, if you want. It might be a good idea.

H.M.Jr: I think it is good stuff to do it from the Treasury.

White: I think so.

Schwarz: It is ideal.

White: It adds to the dignity and prestige of it, rather than the radio station.

H.M.Jr: Listen, how long have you worked for me? Never use the word dignity, please.

White: I was thinking of the labor leaders. (Laughter)

H.M.Jr: The first thing, you are going to talk about my-- (indicating stuffed shirt).

Kuhn: Our radio people would like to ask Senator

- 15 -

Norris a week from Sunday. They have got somebody they like better than Senator Norris for this Sunday.

H.M.Jr: Who is that?

Kuhn: Mr. Gaston. They think it is very important to have a Treasury man open this series, and Herbert would do it well, and Herbert is willing.

H.M.Jr: Fine, swell.

Kuhn: They will ask Norris a week from Sunday.

H.M.Jr: Good.

Gaston: That means Ferdie will write a good speech.

Kuhn: You were asking about the Irving Berlin sheet music. It will be ready Friday.

H.M.Jr: Cheap music?

Kuhn: Sheet music.

H.M.Jr: I think I can tell that story about Mrs. Berlin, don't you think so? Sure, it is good for all of them.

Klotz: Well, I don't know. I mean, it is--

H.M.Jr: Well, it is a good story.

Mrs. Irving Berlin was down at Arthurdale - I should preface my remark in the first place, being married to Irving Berlin, she is very pro-Jewish and very sensitive about any criticism. So somebody - a man down there that met her came up and said, "You know, Mrs. Berlin, I much prefer 'Any Bonds for Sale'

- 16 -

to 'God Bless America', because I think 'God Bless America' is nothing but a steal. Whereupon she looked at him and said, "You are nothing but an anti-Semite."

The man felt so upset he sent her some flowers and she threw them out of the window. He wrote her a letter. She tore it up and went up to her room and had hysterics.

He is a perfectly nice man, and nobody could do anything about it. I think it is a wonderful story. Don't you think it is a wonderful story?

Gaston:

Yes.

H.M.Jr:

Where were we?

Kuhn:

That is all.

H.M.Jr:

I think it is a marvelous story.

Blough:

When I bring in this report on the Ways and Means tomorrow, I would like to have copies for all the members of the group.

H.M.Jr:

I think it would be fine.

Blough:

I will have some detail and a little short statement on top.

H.M.Jr:

And may I say, my dear Professor Blough, that where you and Sullivan are falling down, and you can come back at me one hundred percent, you don't let this group know what is going on.

Now, the purpose of this thing tomorrow is to let them know what is going on in the tax bill, but this is the kind of thing I want you to do.

- 17 -

Blough: May I come back, Mr. Secretary.

H.M.Jr: Yes.

Blough: I think when I came into the conference first, you said I might report on anything except what happened on the Hill, but you had that taken care of otherwise.

H.M.Jr: Well, all right. And having waited for "Otherwise" and she not having produced, I now refer to you. "Otherwise" is falling down on the job.

All right? Do you want to come back on that?

Blough: Not at all.

H.M.Jr: O.K. Anyway, somebody from that section connected with the Treasury should let these people know, you see.

Blough: I will be very happy to do it every day. I will report this morning, if you wish.

H.M.Jr: No, tomorrow.

Incidentally, are you all right now?

Blough: Yes, thank you.

H.M.Jr: You are all over that--

Blough: All over it and feeling fine, thanks.

H.M.Jr: George?

Haas: You asked for the number of people that are buying these bonds.

H.M.Jr: Yes. Now tell it out loud. Everybody wants to know.

- 18 -

Haas: You asked for the number of people who are buying defense bonds and our estimate, which I think is on the conservative side, for the E Bonds in May, it was four hundred seventy-five thousand. In June, four hundred fifty-six thousand.

H.M.Jr: Is that more in June?

Haas: No, it is somewhat less.

And the F Series is five thousand in May and four thousand in June, and the G Series, thirty-nine thousand in May and twenty-five thousand in June, and the total of the two months for the E Series is nine hundred thirty-two thousand. Total for the two months for the F Series is nine thousand. Total for the two months for the G Series is sixty-four thousand. Add them all together and it is a million. Each series is taken separately, so there may be some duplications when you add the three series together.

H.M.Jr: Now, have you got the one on the number of twenty-five dollar bonds?

Foley: What is the dollar amount?

Haas: Oh, the dollar amount--

H.M.Jr: Seven hundred million.

Want to give us something on that subject, Harold?

Graves: Yes.

This compares sales in May and June '41 of the E Bond with sales in May and June last year of the D bond. In May, total dollar sales in May

- 19 -

1940 were fifty-five million. In May of this year, one hundred fourteen million. It is just about double.

Now, on the twenty-five dollar bond, sales a year ago in May were ninety-six thousand and this May, three hundred seventy-eight thousand.

As I said to you this morning, it is four times as many twenty-five dollar bonds sold in May.

The fifty dollar bonds, fifty-five thousand a year ago in May and one hundred eighty-two thousand in May of this year.

The hundred dollar bond, a hundred thousand in May a year ago, two hundred and ninety-four thousand this year.

In June a year ago, the sales of the D Bond, eighty-six thousand twenty-five dollar denomination. Four hundred seventeen thousand in June of this year.

The fifty dollar bond a year ago, June, sixty thousand; this year one hundred eighty-five thousand.

The hundred dollar bond a year ago, ninety-two thousand, issued two hundred eighty-five thousand.

So that the sales of the small denomination bonds in terms of the number of units sold are from three to four times greater this year.

H.M.Jr: That is the best news I have had yet.

Graves: Whereas the dollar volume in total is just about double.

- 20 -

H.M.Jr: Now, Chick, have that for me Thursday morning and have a dozen copies for the boys, will you? That is good stuff.

Anything else, George?

Haas: I have nothing.

H.M.Jr: George, you know I asked for the list of the manufacturers of the State of Michigan, didn't I; and we were going to check off those who had put in the plan?

Graves: You asked me for that.

H.M.Jr: Who is running that?

Graves: I am.

We had that set up in our office in Detroit. We can get that here in twenty-four hours, if you care to have it.

H.M.Jr: Don't you want George to run that for you?

Graves: Well, I think it would be much easier for us to run it in the field.

You see, that is the Social Security Title 8 List which we had anyway in the field.

H.M.Jr: Could I get a little report for our meeting for tomorrow on it?

Graves: Yes.

H.M.Jr: If that is too difficult, then next week, and then each week thereafter.

Graves: I will try tomorrow, and in any case we will have it a week from tomorrow.

- 21 -

H.M.Jr: Are you all right, Peter?

Odegard: Yes.

H.M.Jr: Are you and Ferdie going to read the script for tomorrow night? And incidentally, I will be here at eight tomorrow night to listen to the broadcast. You and your wives or husbands are invited to join me, or sisters, and then at nine o'clock, if you (Klotz) will tell Sammy Klaus, we are going to show that German picture on the Western Front. It is the war on the Western Front.

Gaston: The Victory of the West, it is sometimes called.

H.M.Jr: It is purely one of these things, come or not, just as you please. I mean, don't feel it is - I mean, it is for your entertainment, and only come if you feel like it.

How many have seen that picture besides Gaston? (Mr. Kuhn and Mr. Odegard raised their hands.)

Have you seen it?

Odegard: Yes.

H.M.Jr: Is it very exciting?

Odegard: Yes, I think so.

H.M.Jr: Is it in English, the script?

Gaston: No, all German.

H.M.Jr: But it is all pictures?

Gaston: Yes, it is German with a running commentary, and there is sometimes the incidental local sound of gunfire and so on.

- 22 -

H.M.Jr: I would like to see it.

Schwarz: It is exciting because of the realization it is actual warfare.

Kuhn: Some of it, Chick. The impression they give is that it is actual warfare, but some of it isn't.

H.M.Jr: Well, I am going to be here at eight, and anybody that would like to come is welcome, and then we will see the picture afterward; but, as I say, only come if it amuses you.

Schwarz: There is an interesting list of this Citizens' Emergency Committee on non-defense expenditures. Some of the members of the group might like to look at it.

H.M.Jr: Let Harry White. There will be a lot of Harry's friends on there. Give it to Harry. Don't give it to me.

Schwarz: It mentions your statement on savings.

H.M.Jr: I saw it.
Anything else, Chick?

Schwarz: That is all.

H.M.Jr: Harry?

White: The chief is a friend of mine, Wristin, President of Brown.

- 23 -

Bell: He has just written a new book.

White: He specializes in getting in on the band wagons. Keynes sent me a note that I think would interest you. He said that he is much interested in your new Defense Anticipation - Tax Anticipation Bonds. He thinks they would like to do something like that in England and he wanted as much information as we had. I am just getting press releases together and I am going to suggest that he talk to Dan about it.

H.M.Jr: Dan is the man. While on that, Dan, would you have ready for me Thursday or Friday morning at the latest an outline of how we are going to proceed on this, the publicity and the money and everything, with Friday the deadline, please.

Bell: Yes. Do you want something for release or just want to tell the press?

H.M.Jr: No, no, I want it for my education and edification and criticism and suggestions. I will give you a time now. 10:30. And then you invite who you want to have come in with you.

Bell: 10:30 Wednesday?

H.M.Jr: Friday. That will give you plenty of time. And you bring the people that you want. I want a complete program on how we are going to take this to the country.

Bell: All right. We are sending out today or tomorrow the mimeographed statement that went out plus a schedule of the prices on these different denominations to the Collectors of Internal Revenue, so they can begin to familiarize

- 24 -

themselves, with the suggestion that they might raise any questions that come to their minds, so that we can put it in this question and answer booklet we are writing.

- H.M.Jr: Well, will you give me a complete sales program please?
- Bell: O.K.
- H.M.Jr: Anything else, Harry? Harry, is anybody going to Keynes' tonight for supper? I am. He said he is leaving - he is returning shortly to Europe. It is sort of a farewell. Is nobody going?
- White: I am having lunch with him today.
- H.M.Jr: Anything else, Harry?
- White: The - Mr. Coyne of the - the Canadian delegate, I think, is back. Is it your suggestion that he not be included in further meetings?
- H.M.Jr: Yes.
- White: All right, that is all.
- H.M.Jr: And the English brought a couple of fellows I wasn't counting on the other day, too.
- White: I transmitted your message but they rather insisted and they didn't even ask permission.
- H.M.Jr: Tell it to them again, will you please? Purvis will be back. I will tell it to Purvis. He is back.
- Bell: Those men handle different --
- White: They know about it and the others don't.

- 25 -

Bell: Whenever you ask questions concerning those matters, they usually turn to those men.

H.M.Jr: Well, they bring too many people.

White: You have a meeting at 3 o'clock, and there is a meeting at two in Dan's office to prepare preliminary agenda to go over the matters that we have been going over during the week. I am having some various committee meetings which are meeting in between the meetings, and I contacted Henderson's group with respect to prices of wool and cocoa and sisal, and I am also going to get in touch with the Maritime Commission to find out what they can do about shipping on cocoa and so forth, all tentatively, without making any commitments or final requests. I take it that that is satisfactory.

H.M.Jr: Entirely. Anything else?

White: That is all.

H.M.Jr: Harold?

Graves: This is the letter to Stephenson at Philadelphia.

H.M.Jr: Where was it? Chauncey said she didn't have it.

Graves: Well, she brought it to me.

H.M.Jr: Send it out airmail, Mrs. Klotz.

H.M.Jr: Have you got Dick Jennings fixed up?

Graves: Yes, we have. We put him yesterday in our Field Division across the street and he is going to be useful to us, and he will also

- 26 -

learn about this thing so that when he goes out to Arizona he will really be an asset to them out there.

H.M.Jr: Fine. Anything else?

Graves: Nothing.

H.M.Jr: Bell?

Bell: The market went off about three thirty-seconds last night on the long-term bonds after that announcement about Iceland, but this morning it has recovered and it is firm and quiet.

H.M.Jr: Well, if you - I am ready to go - sit down with you right after this meeting.

Bell: All right.

H.M.Jr: Right after this meeting.

Bell: Everybody up there thinks that you ought to go ahead and it would be reassuring if you did go ahead. There is only one question raised, as to whether the reaction from Germany might be stronger than you expected.

H.M.Jr: Well, I was planning to do it Thursday.

Bell: Thursday, and not tomorrow?

H.M.Jr: No, that will give Germany a chance to speak.

Bell: It is all right.

H.M.Jr: That is my guess. I would do it Thursday.

Bell: But you would still send it out tomorrow afternoon?

- 27 -

H.M.Jr: Oh, yes.

Bell: Then you don't have to do anything on it today; you can do it tomorrow.

H.M.Jr: All right. Are you still thinking of January '45?

Bell: Yes.

Haas: Yes.

Bell: It is a very good place. One and an eighth.

H.M.Jr: All right. My hunch is to do the January.

Thompson: I have nothing.

H.M.Jr: The President always says a little robin in the grass outside twitted in my ear. He said that you have not got space for Pehle and his crowd.

Thompson: No, we are working on that. We are trying to get the Raleigh Hotel, but the RFC apparently are unwilling to buy it. They don't think it is a good proposition.

H.M.Jr: All right, what is the alternative?

Thompson: An apartment building on Park Road off Sixteenth Street.

H.M.Jr: Step on it, will you, Norman?

Thompson: I ought to hear from it today.

H.M.Jr: Is there a penthouse on it there? I am losing my house this fall. Maybe you could fix me up a penthouse on top there.

- 28 -

Thompson: Pehle and Foley would like to get the Raleigh Hotel, but it looks as though it is impossible. I don't know whether you want to speak to Jesse Jones or not.

H.M.Jr: No, I don't.

Thompson: We will go right after that.

H.M.Jr: All right

July 8, 1941
10:31 a.m.

45

Frank
Knox: Hello, Henry.

HMJr: Yes, Frank.

K: How are you?

HMJr: I'm alive.

K: Well, you ought to be more cheerful
than that.

HMJr: I'm very cheerful.

K: Things are breaking a bit our way.

HMJr: You bet your life.

K: Say, Henry, what about having - coming down
to the Sequoia tonight, and then help me
eat up a beautiful salmon that Arthur Purvis
sent me?

HMJr: Well, I had one of his salmon last night.

K: Oh, you did?

HMJr: And I'm dining tonight with Mr. and
Mrs. Maynard ~~Kings~~ ^{Kings}.

K: Oh, yes.

HMJr: They're leaving shortly.

K: Well.....

HMJr: Otherwise I'd love to.

K: Well, we'll try it again some time.

HMJr: Will you try me again?

K: Yeah.

HMJr: I'd love to, but I'm going to the Kings'
tonight.

- 2 -

K: I see. Well, I'll call you again then Henry. What else do you know?

HMJr: Nothing except I had the great privilege - pleasure of being with the President at lunch when the thing broke.

K: Yeah.

HMJr: And I got the thrill of my life watching him get the thrill of his life.

K: Yeah, uh huh.

HMJr: It was wonderful.

K: Yeah, it was. I had seen him just before he had lunch.

HMJr: Oh, he was all - just riding on the waves.

K: Yeah, well, of course what he got and what I'm awfully glad he got was the demonstration of how far the people will follow his leadership.....

HMJr: Yeah.

K: If he'll exert his leadership.

HMJr: Yeah.

K: Because this thing has received a lot of qualm.

HMJr: Yeah.

K: And it just shows that if the President says that it's necessary, the people are going to believe him.

HMJr: That's right.

K: And he mustn't be so careful that these damn isolationists are going to grab the ball, they can't grab anything.

HMJr: That's right.

- 3 -

K: What?

HMJr: You're right.

K: I'm sure I'm right.

HMJr: Well, I'm ever so much obliged for your invitation. Give me a rain check.

K: I'll do that, Henry.

HMJr: Thank you.

July 8, 1941
10:38 a.m.

48

HMJr: And I didn't have any chance to do any of my own business.

Grace Tully: Iceland sort of interfered.

HMJr: Yeah, kind of froze me out.

T: (Laughs)

HMJr: How's that? Now, in the case of Jim Landis -

T: Yes.

HMJr: I went up to see Senator Walsh -

T: Yes.

HMJr: - of Massachusetts -

T: Uh-huh.

HMJr: - and he said that under no circumstances would he let him be confirmed and he would fight it to the last ditch.

T: Oh, stupid!

HMJr: And he said I could name any other person in the United States and he'd say yes, but this man was obnoxious, so forth and so on, because he'd opposed him for his fight.

T: Opposed him when he ran for the Senate last?

HMJr: Yeah.

T: Well, that was good. A lot more people should have opposed him -

HMJr: I know but -

T: But can't he get by any way if -

HMJr: No. Well, look what happened to the President on that judge that he put into an appointment in Virginia?

T: That's right, yeah.

HMJr: And then Glass said, "He's obnoxious to me."

T: That's right, and we had that awful fight.

HMJr: Yeah. And what's the use of tying ourselves

up for three months -

T: Yeah.

HWJr: and get this fellow Walsh even more down on us -

T: Uh-huh.

HWJr: So I talked to Jim and he and I agreed that we'd drop it.

T: Yes.

HWJr: I mean - if Walsh said, "I'll take it on the floor of the Senate" and he said, "I'll fight it to the last ditch".

T: Well, is there any question of a man being helpful in these times that it might be necessary to forget personal petty things?

HWJr: No.

T: Could you put it on that basis? Patriotism?

HWJr: No.

T: Wouldn't get anywhere with that thick head, I guess.

HWJr: No. And this is for you. Knowing that we were going to have a hard time, before I went up there Monsignor Reedy had lunch with Walsh -

T: Yes.

HWJr: - and told him how much the church was indebted to the Treasury for what we'd done.

T: Yes.

HWJr: And he didn't say anything and when Walsh came up he said, "I never heard anybody talk so beautifully about you". And so forth and so on.

T: Well, maybe you could work from that angle.

HWJr: Well he had that and he said - let me see now - he put it this way, "Don't put too much pressure on me."

T: He said?

HWJr: Yeah.

- 3 -

T: But did he feel that with a little pressure he could do it? (Laughs)

HMJr: No. So I've given it up.

T: 'Cause I know Ready well enough so I could -

HMJr: Oh, Ready was swell.

T: I mean he could work on Walsh.

HMJr: No.

T: But you think it wouldn't do any good.

HMJr: Absolutely no good.

T: Uh-huh.

HMJr: Now, here's the thing. I got two other names.

T: Yes, sir.

HMJr: Felix Frankfurter called me up. I mean I believe in going into a fight if you've got a fifty-one percent chance of winning.

T: Yes.

HMJr: But you haven't got one chance in five on this.

T: No.

HMJr: Because, after all, look what they did to the President.

T: Yes. Who is the other Massachusetts Senator?

HMJr: Lodge.

T: No. You wouldn't get any help there either.

HMJr: No. Now, Felix Frankfurter called me up this morning and said at lunch Sunday with the President he brought up the question again of Lloyd Garrison.

T: Yes.

HMJr: And, according to Felix, the President seemed to think - well, it would be all right for me to talk to him.

T: I see.

HMJr: Now, I don't know. But I'd like -

T: He did turn him down once but he may have changed his -

HMJr: Well, Frankfurter saw him Sunday -

T: I know he did. I was there.

HMJr: - and - did you hear it?

T: No, I didn't hear that conversation but I was there on Sunday. I know that he had a chance to talk with him.

HMJr: Well, anyway, would you mind bringing it up once more? Now, I'm no more anxious to get somebody that isn't a hundred percent for the cause.

T: Uh-huh.

HMJr: But would the President, after listening to Frankfurter, was he sufficiently sold to let me talk to Garrison?

T: Yes.

HMJr: And the other man is somebody that the President knows intimately and that's Lindsey Rogers of Columbia...

T: Yes.

HMJr: who is a hundred percent on everything as far as England goes.

T: You haven't brought him up before, have you?

HMJr: I've never mentioned Lindsey Rogers but -

T: I see.

HMJr: You know Lindsey?

T: Yes, indeed. Uh-huh.

HMJr: And, of course, his record as far as what he's done -

T: Yes.

HMJr: - his record - it seems to me he would fit my work better than Garrison.

- 5 -

T: Yes.

HMJr: See?

T: Yes.

HMJr: So I'd put - I think I'd even put Lindsey Rogers ahead of Garrison.

T: Put him number one and then, if he says anything about that, go back to Garrison.

HMJr: That's the idea.

T: I will do a thorough -

HMJr: You know Lindsey Rogers.

T: Yes, yes indeed.

HMJr: Isn't he an easy man to get along with?

T: Huh? I would think so.

HMJr: Wasn't he sort of put out? Didn't Moley sort of crowd him out?

T: Well, yes. And I suppose - a little jealousy there. I think that was probably nothing serious.

HMJr: Well, will you have a chance during the day?

T: I will, sir. I probably will see the President sometime between now and luncheon.

HMJr: That will be wonderful.

T: And when I do, I'll ask him about it, and call you back and let you know.

HMJr: Thank you.

T: All right, Mr. Secretary. Goodbye.

July 8, 1941
10:45 a.m.

Henry
Hookins: I'm pretty good, Henry.

HJr: I'm glad to talk to you after you've had a bath.

H: (Laughs) Good.

HJr: I heard the sleep you got was punk.

H: That's right.

HJr: Henry, two things, if you've got nothing better to do tomorrow I'd love to have you for lunch.

H: Fine. Now, wait a minute, Henry. (Talks aside.)

HJr: Wednesday.

H: Yes, I am free. I'd love to come over for lunch, 1 o'clock.

HJr: Well, that's that. Now the other thing; I asked Plevin for supper last night.

H: Who?

HJr: P-l-e-v-i-n.

H: Yeah, I've heard about him.

HJr: Well, now you ought to see him. He's over here for General deGaulle.

H: I'll do it today.

HJr: And I knew him when he was second in command of the French Purchasing Mission.

H: Yeah.

HJr: And he's a swell guy, and what they're doing to him over at the State Department is just terrible.

- 2 -

H: Well, now how about this afternoon, Henry?

HMJr: You fix the time. If you want me to call him, I'll call him.

H: Now, let's see, I've got to see some of the British at 5 - how would 4 o'clock be?

HMJr: Well, he'll drop everything to come to see you.

H: I'd love to see him. And will see him at 4 o'clock.

HMJr: And he wants my office to tell him.

H: Well, I wish you would arrange it.

HMJr: I'll arrange it and I went all through the thing and at - this is what he says, all I'm asking for is to get equal treatment with that traitor, R. E. A.

H: Yeah. Well, I tell you, I'll talk to him, you see, and then at lunch tomorrow we can plan some devilment perhaps.

HMJr: Wonderful. You'll like him, he's a straight shooter.

H: All right.

HMJr: And incidentally....

H: Who's dealing with him over at the Department?

HMJr: They turned him over to that great liberal democrat, Ray Atherton.

H: Uh huh.

HMJr: Who won't even see him.

H: He hasn't even seen.....

HMJr: Well, he saw him and then he left town and left this poor fellow high and dry.

- 3 -

H: I'll see him without fail.

HMJr: 4 o'clock?

H: Yeah, if that's not convenient to him, we'll do it tomorrow morning.

HMJr: He'll be there.

H: All right.

HMJr: Thank you.

H: Goodbye, Henry.

July 8, 1941
10:47 a.m.

HMJr: Hello.

Operator: Mr. Plevin.

HMJr: Hello.

Plevin: My respects, Mr. Secretary.

HMJr: Hello. Good morning. Mr. Plevin?

P: Yes.

HMJr: Mr. Hopkins will be delighted to see you at 4 o'clock this afternoon at the White House.

P: Oh, I'm seeing at 3:30, Secretary Knox.

HMJr: What's that?

P: I am seeing Mr. - Colonel Knox at 3:30.

HMJr: Oh.

P: I don't know whether I can make the two together.

HMJr: No.

P: Or perhaps I could ring up the secretary of Colonel Knox and find out...

HMJr: Why don't you see whether they couldn't adjust it, you see....

P: Yes, because I know how busy is Mr. Hopkins.

HMJr: Yes.

P: I will try to do it like that, you see.

HMJr: And leave word with my Lieutenant Stevens what you do.

P: Very good.

- 2 -

HMJr: But maybe Colonel Knox could see you earlier or later, you see?

P: Yes. I'm most grateful, Mr. Secretary.

HMJr: Now, I've also written a letter to the President asking that he see you.

P: Thank you very much.

HMJr: But whether that will happen, I don't know but I urged him very strongly to see you.

P: Thank you very much, Mr. Secretary.

HMJr: And - but Mr. Hopkins at 4, and you leave word with Lieutenant Stevens..

P: Yes, I will do my best to manage it.

HMJr: Right.

P: Thank you very much.

HMJr: Goodbye.

P: Goodbye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

PERSONAL AND STRICTLY CONFIDENTIAL

DATE July 8, 1941

TO Secretary Morgenthau
FROM John C. Wiley

Edgar Mowrer knows René Fleven very well. He spent four hours with him last Sunday, and has already written one rather lengthy article which I have clipped from the Chicago Daily News of July 3. It is attached and I think you will be interested in looking it over.

Mowrer is putting Fleven in touch with various people in Washington, including Captain Kirk of ONI. He is going to see Fleven again and explore the possibility of further publicity. Indeed, Mowrer seems most eager to be as helpful as possible.

JCW
me

THE CHICAGO DAILY NEWS
JULY 3, 1941

'FREE FRENCH' ASK WASHINGTON FOR RECOGNITION

But State Department Is
Cool to De Gaullists,
Prefer Vichy Ties.

BY EDGAR ANSEL MOWBRER.

Special Dispatch from a Staff Correspondent.
Copyright, 1941, The Chicago Daily News, Inc.

Washington, July 3.—Representatives of the Free French government of Gen. Charles de Gaulle are now in this country trying to obtain from the American administration full moral support and the permission to establish here a Free French delegation through which matters that affect the Free French can be transacted.

Undeterred by lack of success in the past, the Free French representatives continue to hope that one day the Americans will accept their contention that while Vichy-France and North African-France are the "creatures" of the Germans, De Gaullists are the nucleus from which a new and democratic France will some day arise—and act accordingly.

Although the Free French movement counts but a few tens of thousands who are actually fighting, the De Gaulle people point out that their contribution to the war has not been insignificant. Not only are Free Frenchmen fighting with the British on land, in the air and at sea, but it is thanks to them that the United States and Great Britain are able to utilize French Equatorial Africa for the rapid transportation of airplanes across the "waist" of Africa to Egypt without going clear around the Cape of Good Hope.

De Gaulle Strong in Africa.

It was thanks to the influence of Free-Frenchmen that the hesitant Belgian government of the Congo decided to continue fighting on the side of Britain rather than to follow their King into submission to the Germans. Were the Germans to start southward upon the conquest of the Dark Continent, very conceivably the Free Frenchmen in the Sahara, around Lake Chad, would put up the toughest resistance.

In contrast with this will to win for the democracies, the Vichy authorities are preparing the world with the following spectacle:

Young Frenchmen who volunteer to fight beside the Germans against the Bolsheviks receive Chief of State Marshal Petain's blessing, while young Frenchmen who flee their country in order to fight beside the British against the Germans are tried and condemned and deprived of their property and often of their nationality as well.

Urge Break with Vichy.

The Free French simply cannot believe that the American government should, despite the way the Vichy French are fighting against the British in Syria, break diplomatic relations with Marshal Petain. But they feel that the Americans ought to be willing to help them directly and publicly—and that "all aid to Britain short of war" ought to mean that the Americans would be proud to help arm those Frenchmen who have refused to submit to Adolf Hitler. If Vichy then—under German pressure—chose to break relations with the United States it would be little loss to the United States.

So far as can be learned, the American State Department does not see the matter exactly in this light. The State Department officials have never thought any too highly of the De Gaulle movement or attributed much attention to it. At the moment of the French collapse they adopted a policy of friendship to Vichy and they see no adequate reason to change it. For the State Department people are proud of their "successes." If this be appeasement then appeasement, as these officials see it, is working.

The State Department takes full credit for having prevented Vichy from having gone much farther in embracing Germany. It thinks it has delayed the process of co-opera-

tion. It thinks that even at the present time the stern, upbraiding finger of Secretary of State Cordell Hull (as he showed it to Vichy Ambassador Gaston Henry-Haye) is a brake upon Vice-Premier Darlan's ideas of taking France into the AXIA as a full partner, replacing, if possible, Mussolini's Italy.

'Appeasers' in Government.

The State Department lends a credulous ear to Gen. Maxime Weygand, upon whom it is counting for support to Britain, at some future date. If—as American observers on the spot attest—Gen. Weygand has not permitted the Germans to take his African territories away from him, nor allowed the Germans to utilize them against Great Britain, nor even to come in any large numbers into North Africa, nor to get into touch with the various native tribal leaders, the State Department takes credit.

For this reason American policy, to the great chagrin of the British is still committed to sending oil and other supplies to French North Africa, just as it did to Mussolini until he went into the war, just as it is still doing to the Spain of Gen. Francisco Franco.

From this policy to the public support of Gen. Charles De Gaulle is a long way. Yet the Free French emissaries do not at all despair. They are convinced that Vichy will ultimately—in order to please Germany—come into full hostility with the British. They are expecting Vichy France soon to make a serious military effort to reconquer French Equatorial Africa from Free France and Britain together.

Therefore, they believe that the present American policy will, like all the appeasement policies that have preceded or still accompany it, be revealed as a fallacy and that on that day solidarity between the United States and all that remains of French democracy will inevitably be re-established.

July 8, 1941
10:55 a.m.

WJr: Hello.

Operator: Stinson. Go ahead.

WJr: Hello.

Henry Stinson: Frank s - I mean....

WJr: Henry.

S: Frank is here.

WJr: Hello, stranger.

S: I was going to say.

WJr: I say, hello stranger.

S: I haven't talked with you for so long that I forgot your name.

WJr: Well, you know, you fellows get all head up and going strong and then you forget about your....

S: Old friends.

WJr: Yeah, yeah.

S: (Laughs) Like hell, like hell we do.

WJr: Yeah.

S: Well, here's something that reminds you of original friendship.

WJr: Please.

S: I want to say a word to you again about this embargo. Have you any objections to it?

WJr: Oh no, no, we are with you on it. You mean on this - materials coming in.

S: No, I mean against Japan.

WJr: You mean, am I for or against it?

- 2 -

S: Yes.

HMJr: Well, I'm like Coolidge, I'm against sin. You mean, do I want to keep oil from going to Japan?

S: Exactly.

HMJr: Well, I've been - I - I'm of the

S: You're still virtuous.

HMJr: As far as that goes...

S: I know you've been virtuous for 11 months.

HMJr: Not only that but I - I got some stuff that just came in about - they're going to load 60,000 barrels of lubricating oil in New Orleans and I was just dropping a line to Harold Ickes about it.

S: Have you got the figures?

HMJr: You mean on the weekly

S: On the whole thing and what they've been doing.

HMJr: Oh yes. I've got it right up to the minute.

S: Well, I think we're - both Frank and I think that we ought to take it up with the - on the military side with the President at once.

HMJr: Well, I think it's just - it's the height of asininity that we've let them stock up the way we have.

S: So do I.

HMJr: And you could count on me 100% for anything on that.

S: Well, how....

HMJr: You want the latest figures?

- 3 -

S: The present set-up has mixed me up so that I don't know what in God's country you've been doing - not what you've been doing, but what this country has been doing in regard to the exports for the last year or so.

HMJr: Well, I can give you...

S: I mean that the State Department has so muddled the damn thing, I don't know what they do.

HMJr: Well, look, Harry, I could get over into your hands in 15 or 20 minutes the latest information.

S: So that I can understand it even in my head.

HMJr: So that you can understand it and can explain it to Frank Knox.

S: All right.

HMJr: What?

S: Do it.

HMJr: I'll do it.

S: Thank you.

HMJr: Now, - hello?

S: Yeah.

HMJr: While I've got you, I know there's this man Rene Plevin, who's in town - the Frenchman...

S: I hear he's a good man.

HMJr: Oh, he's wonderful, and he had supper with me last night. I hope you'll see him.

S: All right, I want to see him very much.

HMJr: Will you put it on your pad?

S: Yeah, I've got in my memory even more than my pad just at present. How do

- 4 -

you spell his name?

HMJr:

P-l-e-v-i-n.

S:

Yeah.

HMJr:

I knew him, you see, when he was here with the French Purchasing Mission and he's a very fine gentleman and a very brave one.

S:

Yeah.

HMJr:

And he knows all - this whole business about Dakar and everything else.

S:

Has he got ideas about North Africa and Casablanca?

HMJr:

He knows how to - he knows the only way - how to take Dakar.

S:

Yes.

HMJr:

He knows how to do it and he's got the making.

S:

Is he a Casablanca man?

HMJr:

No. No, he's.....

S:

As a means of Dakar?

HMJr:

No. He wants to come up from the South.

S:

Oh.

HMJr:

With his troops.

S:

Yeah.

HMJr:

Some of the....

S:

The trouble is - he's proposing just the opposite.

HMJr:

Well, he's just come from there and he wants to come up from French Equatorial Africa and do it that way.

S:

Yeah.

- 5 -

HMJr: And they've got the troops down there.

S: Yeah.

HMJr: French troops.

S: Yeah.

HMJr: So, he tells quite a story.

S: Well, all right. Will you get those figures over?

HMJr: A

S: Because we're thinking of making an onslaught today. Of course, we are going to meet with hell from the State Department as usual.

HMJr: Well, you can count on me 101%.

S: Well, there's been some wonderful information coming in about what the Japanese and the Germans are doing to each other.

HMJr: Yeah, well, that I don't know much about. Nobody tells me anything. Well, I'll get you the stuff on Japan.

S: All right. Thank you very much.

HMJr: Always glad to hear from you.

S: Well, fine. Glad to hear you...

HMJr: Goodbye.

S: Goodbye.

July 8, 1941

•

My dear Mr. President:

I am enclosing herewith the latest information from our Customs Agent in New Orleans, which indicates that four Japanese vessels are in the process of loading considerable quantities of lubricating oil for Japan.

I have passed this information along to the Secretaries of State, War, Navy and Interior.

Yours sincerely,

H. Magawatha Jr.

The President,
The White House.

Reference: Letter of July 3 from Acting Customs Agent in Charge at New Orleans.

"The SS KIRISIMA MARU of the Kokusai Line is scheduled to leave Boston, Mass. today (July 3, 1941). This vessel was originally scheduled to proceed to New Orleans, Louisiana via the port of Tampa, Florida. This itinerary was later cancelled and the boat will now proceed direct to New Orleans and is expected to arrive here on July 9, 1941. The vessel will take on a cargo consisting of 7,000 bbls. lubricating oil, and 1,500 tons bulk lubricating oil. According to the agents the itinerary will then be Yokohama, Kobe, and Osaka, Japan via Los Angeles, California.

"The SS ANAGIRAN MARU of the Nitsui Line is also scheduled to arrive at this port on July 9, 1941. This vessel will take on a cargo of 15,000 barrels lubricating oil, and 1,000 tons bulk lubricating oil. Originally the vessel was scheduled to clear for Japan via the port of San Pedro to take on bunkers, however today the agents received an air mail letter from New York cancelling the sailing for San Pedro and instead will load bunkers at New Orleans and then proceed direct to Karatsu, Japan.

"The SS TOKAI MARU of the Osaka Shosen Kaishi Line is scheduled to arrive at this port on July 6, 1941, to take on a cargo consisting of 25,000 barrels lubricating oil, and 1,000 tons bulk lubricating oil.

"The SS AZUMA MARU of the Nippon Kaiyua Line is now at the port of New Orleans, and is expected to sail sometime this afternoon for Yokohama, Osaka, and Kobe, Japan via Los Angeles, California. The vessel took on a cargo consisting of 4,000 wooden barrels lubricating oil destined for Kobe, Japan; 7,000 unlined wooden bbls. motor lubricating oil M-80-A destined for Yokohama, Japan; and one case personal effects destined for Yokohama, Japan."

Totals 49,500 barrels lubricating oil.
7,000 barrels motor lubricating oil
3,500 tons bulk lubricating oil.

Most of this oil coming from Cities Service, Phillips Petroleum and Gulf Oil.

July 8, 1941

My dear Sumner:

I am sending you herewith, for your information, a copy of my letter to the President.

Yours sincerely,

Hon. Sumner Welles,
Acting Secretary of State.

July 8, 1941

Dear Harold:

I am sending you herewith confidential information about proposed shipment of lubricating oil from New Orleans to Japan.

Yours sincerely,

Hon. Harold L. Ickes,
Secretary of the Interior.

July 8, 1941

My dear Henry:

In compliance with your telephone conversation, I am happy to send you the following information.

From July 26, 1940 to May 31, 1941, inclusive, the United States exported almost 4,000,000 barrels of high octane gasoline.

During the same period we shipped 1,437,000 barrels of lubricating oil.

For the same period we shipped 10,076,000 barrels of crude oil, approximately half of which was of high octane content.

I am enclosing herewith a confidential memorandum which we have just received from our Customs Agent in New Orleans, giving the latest information as to proposed shipment of lubricating oil on four different Japanese vessels. The figures are of sufficient size that I should think the Army and Navy would view them with a larm.

Yours sincerely,

Honorable Henry L. Stimson,
Secretary of War.

(Copy to Secretary of the Navy)

Treasury Department
Division of Monetary Research

70

Date..... June 24, 19 41

To: Mr. White
From: Mr. Ullmann

Export Control - Shipments to Japan
Week ending June 21

Gasoline: 211,000 barrels - - all high octane.
Crude oil: 70,000 barrels - - all high octane.
Lubricating oil: 2,000 barrels.
Fuel and gas oil: none.

6/24 - Or. to Mr. White.

MR. COE
Branch 2061 - 210

Exports of petroleum products to Japan in the first ten months they were under export control (July 26, 1940 - May 31, 1941), compared to the whole year 1939

Confidential

	¹⁰ <u>9 months: export control</u>	<u>12 months: 1939</u>
<u>Gasoline</u>		
High octane (licensed)	3,778,000 bbls	<u>1/</u>
Unlicensed	<u>681,000</u>	<u>1/</u>
	<u>4,459,000 bbls</u>	<u>1,200,000 bbls</u>
<u>Lubricating Oil - Total</u>	<u>1,437,000 bbls</u>	<u>480,000 bbls</u>
<u>Crude Oil</u>		
High Octane (licensed)	5,516,000 bbls	<u>1/</u>
Unlicensed	<u>4,560,000</u>	<u>1/</u>
Total Crude	<u>10,076,000 bbls</u>	<u>16,000,000 bbls</u>

1/ Breakdown not available

Source: Report by the Office of Merchant Ship Control, U. S. Treasury Department.

WLU/Drl
6/5/41

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

July 8, 1941.

FROM J. J. O'Connell, Jr.

For your information

The regular weekly meeting of the Price Administration Committee was held in the conference room at the Federal Trade Commission this morning at 11 o'clock. All agencies which are members of the Committee were represented.

Mr. Henderson reported that for the first week in a long period of time the forward movement of prices has been halted, according to practically all of the available statistics on the subject. He stated that he felt the work of his organization had been at least in part responsible for this, but also stated that he feared the check may only be temporary.

He pointed out that recent developments have made it more and more apparent that in the absence of price legislation his job will become an increasingly difficult one. He expects to see the President within the next few days on the subject. It is his hope that the President will recommend such legislation, and that it will be done within the next week or so.

A substantial portion of the discussion revolved around the shipping situation in general and the impending oil shortage on the Atlantic Coast in particular. Sumner Pike suggested that it is not realistic to measure the prospective shortage in terms of the deficiency which will result from our turning 50 tankers over to the British, in view of the fact that in all probability we will be called upon to turn over another 150 or more tankers to them within the next few months. It is his view that we should not only do a number of things which will help to correct the situation but should also realize that whatever we do will not be enough to prevent the shortage from causing a real pinch. Among the things that can be done are the construction of additional pipe lines (not nearly

Secretary Morgenthau,

2.

enough new ones are projected as yet); encouragement of the conservation of gas and oil; and the rationing of gas and oil for civilian use. All three projects are being worked on, but it seems reasonably clear that the combination of all the things that can be done will not be sufficient to prevent a real shortage of gas and oil this Fall.

Mr. Clayton, of the Federal Loan Agency, reported on the efforts of that agency to build up a stock-pile of various strategic materials such as copper, tungsten, chrome, zinc, lead, etc. He pointed out that in the most important of these materials it will be literally impossible to build up any reserve supply at all unless there is a very substantial curtailment of the existing civilian demand. He pointed out that in the case of copper the existing demand here exceeds the total amount being produced in the entire western hemisphere. Obviously, then, it will not be possible to build up any stock-pile of copper without drastic reduction in civilian demand. In the case of chrome ore, the problem is one of transportation rather than of any absolute shortage of the material desired. So far they have been unable to import enough chrome to take care of existing defense and other needs, and in the absence of drastic priorities being imposed it is just physically impossible to acquire a reserve supply.

In rubber the situation is much more satisfactory, because in that case a substantial supply is available in the Far East, shipping is bringing it in at the rate of 100,000 tons a month and the use of rubber is being curtailed to such an extent that now or shortly the total amount being used will not exceed 50,000 tons a month. In this situation it can be seen that so long as the shipping remains available we can build up a stock-pile in rubber at the rate of about 50,000 tons a month, which is very good, particularly in view of the fact that we have a pretty good supply on hand in this country at the present time.

Mr. Morgenthau,

3.

Mr. Henderson and his aides discussed in detail many of their day to day problems. One of the most serious situations confronting them in their program for the allocation of civilian supplies of materials as to which a shortage exists is that OPM is unable to tell them how much of the existing supply is available for civilian allocation. To put it another way, OPM and the service organizations together have apparently been unable so far to determine what the defense needs are for any important commodity for any given period of time.

The meeting adjourned at 12.30.

Joseph J. Canine

July 8, 1941
11:39 a.m.

75

HMJr: Hello.

Operator: Mr. Cox. Go ahead.

HMJr: Hello.

Oscar
Cox: Yes, Mr. Secretary.

HMJr: Yes, Professor.

O: I want to bother you on two thumb nail sketches; one, on that flight delivery through the South Atlantic to Takoredi, I think we figured out a way by which we can use Lend-Lease dollars instead of British dollars.

HMJr: Wonderful.

O: Secondly, at the meeting this afternoon they are going to raise a point which you might want to stew about just a little bit.

HMJr: Yeah.

O: In the new budget for Lend-Lease which is probably going up the end of the week, the British put in a figure of 450 million to take out contracts placed prior to March 11, and Harry said that he wasn't going to do anything about it or present it in the budget unless you were willing to take it up and present the thing to Congress because he didn't know anything about the financial effect.

HMJr: Well, my horseback opinion is, I'm not going to do that.

O: Well, I think you're right.

HMJr: I'm not going to do that.

O: Well, I thought I'd put it up to you because they are going to raise....

HMJr: No, I don't expect to testify. I mean,
and then dig up all that stuff.

C: No, I think you're right.

HMJr: No.

C: Well, I thought I'd pass it on to you
for your information.

HMJr: That's good.

C: And the meeting is at 3, I gather?

HMJr: That's right.

C: Right.

HMJr: Thank you very much.

C: Thank you. Goodbye.

July 8, 1941
2:00 p.m.

RE AID TO BRITAIN

(Conference held in Mr. Bell's office.)

Present: Sir Frederick Phillips
Mr. Cochran
Mr. Thompson
Mr. Archer
Mr. Brown
Mr. Kades
Mr. Childs
Mr. Keyes
Mr. White
Mr. Keynes
Mr. Bewley

Bell: Well, what have we got to discuss? I understand the Secretary's conference was canceled.

Childs: So I just heard.

Bell: Yes, so that we can have - do whatever we can here.

Childs: Have you got a signed list for Mr. Bell?

Keyes: Yes.

Bell: The first item is modification of the seven hundred fifty Brewster Bermudas, eight million seven hundred thousand. Oh, that is re-submitted.

- 2 -

Brown: Unfortunately, we went into that a little bit more carefully and discovered there is a definite commitment for that whole job and it had been made before the eleventh of March.

Bell: You will have to turn that down.

Brown: Yes.

Childs: I don't want to argue the point here, but the question about its being a definite commitment, of course, is a thing which is going to run through a whole lot of our situations on modifications because nothing is really signed on this yet and --

Brown: That is right. The final mock-up from which the article was built - they said, "Here is what we want, go ahead and do it." That happened in January. I mean, when they went ahead and took the job is the date that counts.

Now, there is a practical consideration when the company came down and got hold of Mr. Buckley over in our office and told him about it, and he checked with Mr. Boddis who apparently agreed and told the Brewster representatives that the model was out of Lend-Lease, so as a practical matter it has gone beyond call.

Phillips: Well, as a practical matter, what is the answer to this amendment proposition?

Childs: I am wondering about that, because this becomes a principle of very wide application. The thing was never thought of until after March 11.

Brown: No, I think when you are proceeding with your

- 3 -

negotiations and you still haven't come to a final conclusion as to what is to be done, nobody has been instructed to go ahead and do the job finally determined on, that you are not committed.

Phillips: But I am thinking about the money point. How much does this leave out of that list of modifications, I put it?

Childs: I think about thirty all together, and I imagine most of it would be in this category.

Bell: You mean where the negotiations were started prior to March 11?

Childs: Yes, because that same sort of principle would apply there.

Brown: I talked that over with Robinson yesterday, and he seemed to feel that the principle that we go on is that somebody in authority has said that a particular piece of work is to be done, so that you are committed to pay for it when it is done, and apparently that is a commitment.

If you are dickering with the fellow and saying that maybe we can put this modification in and maybe put that one in and you don't get the thing passed by your Supply Council and signed up until afterward, this is a commitment which can be under Lend-Lease.

Bell: Is that the most liberal interpretation you can put on that?

Brown: That is the most liberal we can put on it. This particular one, the language of the sheet that came in here was --

(Mr. Keynes and Mr. Bewley entered the conference.)

- 4 -

- Brown: The language of the requisition as it came through to our administrative side indicated a pretty definite commitment in January, and Mr. Keyes and I didn't have a chance to get at this thing on the paper before it came to the committee and went through. I think we might have been able to work something out.
- Bell: You mean it had come to you originally?
- Brown: Being the first item of wool, we haven't got our machinery set up for it; but right now this particular contract - I am afraid there is nothing we can do about it. The company has been told that it won't be Lend-Leased and they have all gone home.
- Bell: How many of the other items have you been over that - of a similar character, prior to March 11?
- Brown: None of - well, Keyes and I have been over all these things now since that first meeting before they are presented to the committee, and when there is any question we check up on it and frankly, put the requisition in the most favorable light.
- (Mr. White entered the conference.)
- Bell: I just wondered, are there any items prior to March 11 that now can come in under the Lend-Lease?
- Brown: Oh yes, there are a lot of contracts where the negotiations were started long before March 11, but which --
- Bell: I didn't get that.

- 5 -

- Brown: There are a lot of contracts where the negotiations started prior to March 11, but it never formulated into a definite article or a definite commitment to have the work done.
- Bell: Have they been passed upon by you and determined that they can come in under Lend-Lease or are they yet to be submitted?
- Keyes: Well, we have submitted a whole list of contracts.
- Brown: And we have told them to go ahead and put in requisitions.
- Bell: You have?
- Brown: Yes.
- Bell: That amounts to a substantial sum?
- Keyes: Twenty million dollars.
- Brown: Over that. That is that group one in the large list, Sir Frederick.
- Phillips: Oh, the list of contracts, yes. This is amendments, isn't it?
- Childs: Yes, these are the ones that were not in the list of categories of commitments of any nature. Now it turns out that --
- Bell: Does this represent a large group?
- Childs: I don't know. I should think so.
- Keyes: I should think it would.
- Childs: It just means for the purpose of consideration here, number one, we will have to take that

- 6 -

March 11 list, twenty odd millions. I rather hope that none of those are in the same category. And then any modifications of the same kind which are put up hereafter, we will have to examine their history to see at what stage we reached an agreement as to the nature of the specification, mock-up and that sort of thing. That is all it means.

Brown: That is the machinery that is being followed now.

Childs: Yes. These are the only two ready today, aren't they?

Archer: There were three others on the first sheet.

Brown: Yes, there were two Lockheeds, weren't there, which we put through and they are all right.

Archer: They are all right, two Lockheeds, and then there is a General Motors one.

Phillips: Were they modifications?

Archer: Yes.

Childs: The Lockheed was. The modification of General Motors, I think --

Bell: How do they differ from these two?

Brown: Well, they differ in that the decision as to just what was to be done and the instructions to go ahead and do it weren't given until after March 11.

Bell: I see. It is just a question of the date of those instructions?

- 7 -

- Brown: Yes.
- Kades: When you speak of instructions, do you speak of a letter of command or intent or verbal instructions?
- Childs: Simply oral from our man in the field.
- Brown: Whatever you consider an authority to go ahead and do it.
- Childs: You see, the man in the field would be out here in the Brewster plant and say, "Sure, that is what we want, get on with the job."
- Brown: Isn't the test, could Brewster sue you for it?
- Childs: I frankly doubt if they could, because this man in the field has no authority to commit us to any money obligation, and Brewster is really taking the risk in spending the money, but that is not unusual. They often take a risk of spending money in getting on with some work. They have gone through a formal and binding commitment.
- Keyes: Certainly Brewster cannot sue us on a contract price list.
- Brown: Oh no.
- Bell: But you don't want to discourage them from doing just what they are doing.
- Childs: That is exactly right. We don't want to discourage them. As a matter of fact, they have been very liberal. All of the aircraft companies have been very liberal that way. But a field man quite obviously has no authority for that at all. He is a technician on the job.

- 8 -

Brown: We don't know - I mean, I don't know who told Brewster to go ahead, but I do know that the requisition came in and said the whole thing was agreed on and there was a final mock-up conference in January and instructions to proceed with the work were given.

When that comes in in the form of a requisition, our people down the line said, "Well, what the devil do you let us get a requisition like this for?" It is obviously prior to March 11.

Childs: Yes.

Bell: Maybe they shouldn't be so frank on the requisition form.

Childs: Maybe we could be more accurate.

Bell: Well anyway --

Brown: But the machinery has been established for combing that kind of stuff out and putting it in proper form.

Childs: Well, I raise this, are we going to dispose of these two items definitely today or is there any chance of reexamination?

Brown: I think you would have a very difficult time getting number one through our people; and number two, they raised the question about number two, also.

Bell: In the same category?

Brown: Yes.

Phillips: Who was that?

- 9 -

Brown: Mr. Buckley.

Phillips: Is he in the War Department?

Brown: No, he is in our Lend-Lease.

Cochran: Who was the second man? Did you mention two?

Brown: No, sir.

Now, he also asked about Lockheed and I satisfied him that Lockheed was all right, so that is going through.

Bell: That isn't on here.

Brown: No, but that is another one of the same type which was previously passed on by this committee.

Bell: Do you put Consolidated in the same class as Brewster on this statement, disapproved so far as Lend-Lease is concerned?

Brown: Yes.

Bell: You do? I feel discouraged when I start out with the two big ones and have them disapproved.

Childs: Well, are we taking these as dollars, is that it?

Bell: I guess we will have to. That is the decision. Is there any appeal from the decision of the Lease-Lend?

White: Well, there is when they don't seem to be reasonable. We appeal to their better natures.

Brown: That has been very successful so far, sir, hasn't it?

- 10 -

Bell: Those are two nice sums.

White: Yes, we are willing to swap you about ten small ones for those big ones.

Brown: Well, I have taken that up with Mr. Cox, and we tried to - I am afraid we can't see anything else for it.

Bell: O.K., let's go on.

Springs for quick detachable gun mounts. That is a small item. Does that represent a series or group of those things, or is that just one?

Keyes: We have requested cash on that.

Bell: Dollars?

Keyes: Yes.

Bell: Dredging of the Demorara River.

Brown: That is also prior to March 11.

Bell: And can't be approved?

Brown: No.

Bell: Transport and packing of propellers.

White: Well, may I stop a moment? Why was it included here if it was prior to March 11?

Childs: The payment money is coming up now. Wasn't the agreement between you, Alec, and Win, that you wanted things of this sort put up here?

Brown: They thought it would be more convenient for

- 11 -

you if you had all of these items that come in to you on these sheets, so they are all gathered together in a central place, and we didn't feel that we needed to bother the committee. If we clearly say no, we say no; and it doesn't take up any of your time.

- White: Then there is no thought on your part that that might be susceptible of being taken over?
- Childs: No.
- Bell: Transport and packing of propellers for Curtiss-Wright.
- Keyes: That is dollars.
- White: Because of the urgency?
- Keyes: Yes.
- Bell: The British Purchasing Commission, reconditioning, painting, et cetera., of rifle and cannon powder containers.
- Brown: That is all right for Lend-Lease.
- Bell: We have found one. Next one, cost of inspection and test of ten thousand Mossberg 42 m. rifles.
- Brown: The War Department says they don't see how the contract could be amended to increase the price of the rifles sixty-five cents each.
- Now, I can't see why the Ordnance Department feels that way. On its face it seems unreasonable.
- White: You mean their position?

- 12 -

- Brown: Yes. The guns in question were got under Lend-Lease originally, and this is to pay for a much stricter inspection and the cost is sixty-five cents a gun to do it.
- Now, we can't see any earthly reason why that can't be taken care of under Lend-Lease and why the contract couldn't be amended.
- Bell: As far as you are concerned, it is approved for Lend-Lease?
- Phillips: What about the urgency?
- Childs: The only suggestion on urgency was that we just undertake to guarantee to the company that they get the money in case it didn't come through Lend-Lease, wasn't that it?
- Keyes: Yes.
- Childs: Which I take it would be O.K.
- Keyes: Yes.
- Bell: Seven hundred and five thousand ignitors, number seven.
- Brown: That could all be done under Lend-Lease.
- Bell: Approved for Lend-Lease.
- Thompson: With adequate urgency.
- Brown: When I say it can be approved for Lend-Lease, I mean that there is no legal objection to its being done that way. It is really for you gentlemen to decide whether the practical procurement problem involved will tie you up.
- Thompson: Because we may have to ask in some of these

- 13 -

cases for the committee's help in getting them pressed through if the decision for Lend-Lease is given. The urgency may still be such --

Brown: If you tell us that you have got a requisition coming over that is in a terrible hurry, we will get right on its tail and chase it.

Thompson: Yes.

White: I thought they had given you that assurance before.

Brown: Yes.

White: That wherever you had anything that was urgent, if it was under Lend-Lease they would give it priority.

Thompson: Yes, it is not a committee matter, it is a matter for the Lease-Lend.

Brown: If we know that the particular requisitions are very urgent, we can give them a push. We can't do it with a whole volume of them. If you will just let us know.

Thompson: Yes.

Bell: All right. Thirty thousand bags, empty, for exploder shells.

Brown: I can't understand why this came up anyway, because that is under a thousand dollars.

Bell: Sixteen fifty.

Brown: Oh, I beg your pardon.

Thompson: Dollars are recommended.

- 14 -

Bell: Dollars?

Childs: Yes.

Brown: The next one is all right for Lend-Lease.

Bell: Packing crates.

Childs: Lend-Lease.

Bell: The next one, gauges for propeller shaft, twelve torpedos. It is a small amount.

Brown: That again is Lend-Leasable if you want to do it that way.

Thompson: We recommend that if the Lend-Lease can get it through quick enough, we shall take advantage of that. Otherwise, it will have to be dollars.

Bell: That is up to you to decide?

Thompson: Yes.

White: Why don't you try them on some of these urgent things and see what success you have?

Thompson: It is with that object that we are releasing this for Lend-Lease.

Bell: Tooling equipment, thirteen billing, automatic.

Brown: That again is properly subject to Lend-Lease if your urgency is not too great.

Keyes: We asked for Lend-Lease on that.

Brown: All right.

Bell: Recording device, measuring machine, and mounting motors and controls, and four gear shapers.

- 15 -

Keyes: We asked for dollars.

White: Because of urgency?

Keyes: Yes.

Bell: Automatic chucks for ninety-eight lathes.

Brown: Well, here is seventy-one out of the ninety-eight chucks which have already been shipped.

Thompson: And the other shipments are proceeding.

Keyes: We requested dollars.

Bell: You requested dollars?

Keyes: Yes, since the shipments are in progress right now.

Brown: Let me say that legally just because it has been shipped it wouldn't stop you, but it presents an awful problem to go around to the Army and say, "We want you to negotiate a contract for certain articles which have already been delivered." The next one is all right.

Bell: Single station --

Childs: Is that Lend-Lease?

Bell: Surface hardening machines is O.K.?

Brown: Except that the Ministry of Supply may --

Thompson: London has asked particularly that cash should be applied in this case, owing to the extreme urgency.

Bell: All right. Next one is spark plugs.

- 16 -

Brown: That has got a five-day delivery schedule, and they want dollars.

Keyes: Yes.

Bell: Spare parts for motor boat engines.

Brown: The same.

Bell: Same thing?

Keyes: Yes.

Bell: For Australia, four short-wall coal cutters.

Brown: This is the first requisition from a Dominion for a non-armament article, and we see no legal objection to its being handled by Lend-Lease. There may be a policy question which can only be raised by having this come in, and we will be glad to have it come as quickly as possible.

Bell: You haven't discussed the policy question, I take it, with Hopkins?

Brown: We thought we hadn't better do it without the specific requisition.

Childs: Lend-Lease.

Keynes: What is the answer?

Keyes: Lend-Lease.

Bell: Approved for requisition.

Cochran: It is really a test case on the policy.

Childs: As a matter of interest, since we are getting into what is going to be a large policy area, there will be no policy decisions on these things?

- 17 -

Brown: We will have to get Mr. Hopkins to review it.

White: You haven't had your first requisition on that?

Brown: No, this is the first one, and we welcome it, because we want to take the matter up with him right away and legally it is O.K.

White: Maybe you can take that a little ahead of the others so they will know what is ahead in the future.

Brown: Now that we have got the - I mean, now that we know it is in the works.

Bell: It is coming. Cleveland single spindle automatic, stock number 7122.

Brown: Again, this will probably be all shipped before our Procurement people could get started on it.

Phillips: You say the order has been placed?

Childs: No, I say there will be an order placed by today.

Keynes: Dollars?

Bell: It can't be Lend-Lease --

Brown: It can.

Thompson: But that means it must be Lend-Leased from the outset. I mean, they can't place an order and then be bailed out on their order under Lend-Lease.

Brown: They can, surely.

White: Well, they can and that relates to something

- 18 -

that we are going to talk about later, which is a whole class of that type.

Thompson: There is a very interesting type of facility there.

Bell: Why not approve it for Lend-Lease? They can put a requisition in and get it in time.

Archer: You have to have the dollars as well, don't you?

Thompson: Yes, but they want to be bailed out of it later.

White: Oh, they want to pay for it first and then be bailed out?

Thompson: Yes.

White: I take it it would either fit under the kind of transactions which we may be considering later in the meeting. I don't think there has been anything of that character considered under the Lend-Lease arrangements to my knowledge, has there been, Mr. Brown?

Brown: Well, we have taken a number of contracts which have - existing contracts and said that requisitions could be put in to have them handled under Lend-Lease.

Now, I would see no difference in principle.

White: Here dollars will have been already paid.

Thompson: It is not absolutely certain, but it may be necessary if they want to ship the things.

Brown: Well, on these existing contracts which were subsequent to March 11 which it is proposed to take over under Lend-Lease,

- 19 -

there may have been advance payments made, some of which would be returned.

White: Yes, that is true. This would be in the nature of an advance payment. You would treat it similarly, wouldn't you?

Brown: I can see that - I don't know that the Procurement will have such an easy time.

White: You are speaking of Treasury Procurement?

Brown: Yes, when the whole thing is already shipped and delivered.

White: Well, let's --

Brown: There is no objection in legal principle.

White: Let's postpone that particular one and raise it with them, if you have doubts about it.

Brown: I have no doubts about the legality of doing it under Lend-Lease.

White: Well then, go ahead and submit it.

Bell: Why don't we approve it subject to whatever administrative difficulty it runs into in the machinery.

Two sets of first-class warship moorings.

Brown: What is the hitch on that, Tom, is it that the appropriation --

Childs: No appropriation, as I understand it. They have been trying to get these for a long time.

Brown: Well now --

- 20 -

Bell: You can make an allotment for that, can't you?

Brown: What do these consist of, anchors and things like that?

Childs: I don't know what they are. I take it the chain and the whole works.

Brown: Why couldn't that be called an industrial or other commodity which - and therefore put it into a category in which there is still some money left.

Childs: I understood there were some talks about that one time or another with Mr. Smith. Sure, you can get anything under that category. Is there anything wrong with that? Have you had talks on that?

Phillips: No.

White: Which category was that?

Childs: The general category, agriculture, food and other commodities.

Brown: This says industrial and other commodities.

Archer: All you have got to do is to route the requisition down to the Treasury Procurement.

Brown: Can you buy anchors?

White: I should think we could buy anchors just as easily as we could buy a lot of other things that they buy.

Bell: We have anchors in the Coast Guard.

- 21 -

- Childs: You don't have to send it to Treasury Procurement just because it happens to be a different appropriation. You can send it to the Navy just as well as not.
- Bell: Oh yes. You can make an allotment out of that.
- Brown: The only hitch, as I understand it, on this previous requisition is that the particular category, naval vessels, water craft and so forth, has been exhausted.
- Childs: That is right.
- White: But you can regard those moorings as not a part of the ship but as a part of the dock, in which case it would --
- Thompson: They are.
- White: Oh, they are part of the dock.
- Bell: Approved?
- Brown: Yes.
- Thompson: The principle again arises on that one, they ask that they may place the contracts as soon as possible in order to avoid further delay, on the understanding that the contracts will be taken over by the appropriate Procurement Department of the United States should it be decided that Lend-Lease funds will be made available. It is the same thing again.
- White: Well, it bears some resemblance to that. I am not sure that it is identical in principle, but in any case I take it Mr. Brown thinks that it is all right to submit a requisition on it.

- 22 -

Thompson: Yes, but of course, he is simply saying this is all right for Lease-Lend. He is not ruling at all on the principle of whether the Australians may place an order, saying this will be settled either by us or by Lease-Lend, which is what they are doing.

They say, "We will give you a guarantee that this will be paid, but we don't say who will pay it."

White: Who could object to that, the producers?

Thompson: No, because it might be thought that the Lease-Lend ability on those terms would be affected.

Brown: No, it wouldn't, because we have already ruled that any contract which is placed subsequent to March 11 could be taken over with Lease-Lend funds. We don't say that the supplier will get the same price.

Thompson: Yes. That is to say, in effect we are guaranteeing when we place an order like that that payment will be made of a certain sum. It may be that later you will bail us out of the whole of that sum or part of it, in which case if it is only part, we have to make good the difference.

Brown: That is right.

Thompson: That is a very interesting principle.

White: That is, it may not be a bailing out process in the sense that they will pay for it after you have paid, but a bailing out process in the sense that before you pay they will take over either whole or part of the liability.

Thompson: Yes.

- 23 -

- White: There is no objection, is there, Mr. Brown, to the liability being greater than that which you are willing to take over?
- Brown: No --
- White: And letting the British pay in dollars for the remainder?
- Brown: No, because all we are concerned with is that the Lend-Lease funds are not spent at too high prices.
- White: In other words, then, under your investigation, if you feel that the same commodity could have been purchased at ten percent less, then that ten percent differential comes out of the pockets of the British Treasury in dollars?
- Thompson: Yes.
- White: All right. I think that answers your question.
- Thompson: Yes. I think it is a very interesting principle to establish for this purpose.
- Brown: All of these things are subject to there being enough money in different categories, of course.
- White: Yes, and if the Treasury Procurement buys it, there are certain other conditions that would have to be met, if you are placing the order with a particular concern. The various conditions which they set forth with relation to the purchases on private account which would apply to this too, the labor legislation and so on.
- Kades: Such as the Walsh-Healey Act, for example.

- 24 -

- Brown: Oh surely. Incidentally, that brings up - suppose this article, anchors, could be procured at a much less price from some other concern. Wouldn't Treasury have to get it?
- White: No, I understand - oh, you mean where they would actually have to make the purchase, coming back to your original statement that all you are concerned with is to see that Lend-Lease monies are not employed in ways which are contrary to the standards which you have adopted, so that I think that could be taken care of, but I am troubled by another thought.
- Supposing the order has been placed with a corporation in which the conditions of the sale, the conditions of the production, do not meet the other conditions. Then there is no longer a question of price. They may not be able to reimburse them at all if they buy from that concern. I don't know whether the conditions are such that you would meet with that frequently, but there may be some such conditions.
- Bell: In other words, you are afraid they couldn't meet even part of the contract because of those conditions?
- Brown: That is right, they might be a concern that wasn't complying with those terms.
- Childs: The safest way to meet that is to have the person who was going to procure for Australia check with Procurement that the firm is all right to begin with.
- White: They would do that, and I think the Treasury Procurement Division could probably give you

- 25 -

quick service on that in special cases of emergency.

- Kades: If we have other orders with a concern, there wouldn't be any difficulty at all. All we have to see is whether we have to have another order.
- Childs: Undoubtedly a person building moorings for the Navy would have been approved by this Navy, anyway. I think the most interesting fact is that you may be able to throw this into the agricultural and other group.
- Brown: We have rendered an opinion to our department that an article such as, for example, drop forgings, which could probably be classified as an industrial commodity, could be paid for out of funds allocated from 2A7, even though it was ultimately destined to be incorporated in an aircraft engine or in a tank. The ultimate article comes within 2A3 --
- White: In other words, there is no difference between buying a part which is incorporated as a part in an airplane and buying a part of a machine which is used to produce the part which goes into an airplane, because eventually the use of that machine is equivalent to a part, is that the position you take?
- Brown: It is just the reverse, isn't it? If you buy a part which if standing alone came in one category, the fact that it might ultimately be incorporated into something which belonged to a different category would not prevent it from being charged to the first category.
- White: I see. What is the legal force of "other"? Does that mean anything, or does it have to bear some similarity to what preceded the

- 26 -

other? Is it further descriptive or is it a basket clause?

Brown: Well, do you feel generous, Mr. Kades?

Kades: That is an "iffy" question.

Bell: I take it it is subject to a further consideration.

White: That is the lawyers' playground.

Bewley: The principle is accepted, is it, that the Procurement Division would place an order for the particular firm and not by tender? I mean you can be sure of placing the order with the particular firm?

White: That, too, depends on some things I think we will discuss later. That raises a question as to whether you can place orders without getting bids.

Kades: Oh.

Bell: Supposing the British did place an order with a firm and then the Procurement Division found that they could get that same article cheaper from some other firm? Can you give the British reimbursement for the --

Brown: For the difference?

Bell: No, for the amount that the Procurement would have spent with the other firm, let them pay the difference to the firm with which the order was placed.

Brown: Well, I think the way it would work would be the firm with which the British had placed the order in the first instance would sell

- 27 -

to the Procurement at the Procurement's price and then the British would have to make up the difference.

Bell: I see. But it can be done?

Brown: Given the fact that that firm did not violate other standards which Treasury was bound by.

Archer: Would you have to have the contract to sign, presuming the British were not ready?

Childs: It would be a brand-new contract. We would cancel out and just not collect all we pay, that is all. We have done that already, as a matter of fact, in four contracts that I know of.

White: You may run into a producer who is a little bit recalcitrant about undertaking that additional trouble, in which case the Procurement can be of some assistance if they are a firm from which they buy other things.

Bell: Let's go on to the next one.

Electric cable. What is the matter with that one?

Thompson: It raises the same principle, but it is such a small sum that it is hardly worth cluttering the channels by which we are going to get the larger sums.

Bell: Any orders to follow which might set the precedent?

Thompson: . Not in here.

Bell: Dollars then, is it?

Twelve hundred fifty radio transmitter parts.

- 28 -

Thompson: Dollars recommended.

Bell: Seven hundred ninety-two thousand hooks and seven hundred five thousand eyes; uniforms, thirty-six hundred dollars.

White: Hooks and eyes?

Bell: Yes, soldiers' uniforms, collars.

White: Are they that expensive? I thought they gave them away.

Bell: My God, you have got a million and a half of them.

White: Oh yes. (Laughter)

Brown: Yes, but I should think that could properly be considered a --

Thompson: We should like to treat it on this new principle.

White: Have the contract awarded and --

Thompson: Yes. It is a New Zealand thing, and it will please them if we can get it through and the same principle as suggested before. It is the largest of these three New Zealand orders.

Bell: It is O.K., is it, Brown?

Brown: Yes, sir.

Bell: All right.

I don't know whether you knew that the three o'clock conference is called off.

- 29 -

White:

Yes, the Secretary asked me to explain to Sir Frederick that it wasn't at his request that it was called off, but rather that Mr. Cox couldn't possibly be there.

They have got something to get ready at the Hill, and therefore there would be no point in having a meeting since Cox might have to be there to decide something important, so he said he is ready if it is convenient with you folks to have a meeting Thursday at the same time, three.

Phillips:

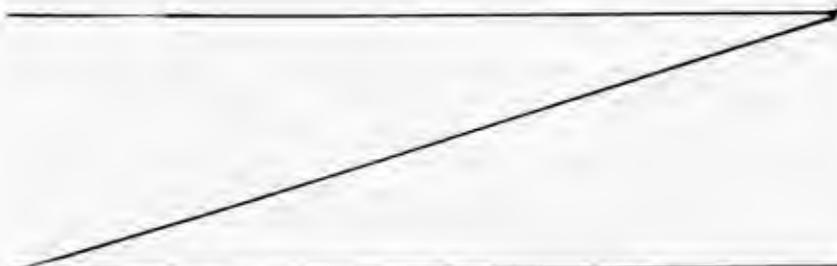
Well, we have some rather urgent business this afternoon, mainly in connection with what I have described as schemes of Mr. Cox' for taking over some of our old contracts.

White:

Well, some progress on that has been made, and when we come to that I will discuss it and then after the meeting if you want to - I mean after we get to that point, if you want to raise further questions --

Bell:

Yes, surely.



-30-

Phillips: On this list, just before we pass away from these lists, I should like to mention one case where Mr. Brown might give us the Lend-Lease view. This is a case where the Australian Government, not the British, the Australian Government, is seeking to procure Canada - procure aluminum from Canada for munitions purposes and the amount of the order is approximately seven billion dollars, I think.

White: Seven billion dollars?

Phillips: Seven million dollars. The point is, I am not making a serious proposition at the moment, is it a feasible course for the United States Departments to buy that aluminum from Canada and Lease-Lend it to Australia?

White: Well, there has been some discussion of that from the point of view of policy, partly as a means, possibly, of aiding Canadians in their dollar position.

Phillips: But only in connection with goods which were going to the U.K.

White: That is right, and this is a question of going to the Dominions. I don't think the matter has been discussed from that angle, and there is a further consideration that it is aluminum, which we very badly need, and there would have to be probably some question as to the relative urgency if it is going to come out of Lend-Lease funds. They might take the position that if this aluminum is available for American dollars, that they would want to measure the Australian need as against the American need, and they may end up with the Australian need, so I think there are two points to be considered and I think that there are points that

-31-

might well be brought up before the Secretary which relate to a large area, possibly, of transactions.

- Bell: I take it there is no objection from a legal standpoint, Brown.
- Brown: As far as the terms of the statute are concerned, it could be done.
- White: I will put that on the agenda.
- Cochran: Is this for military purposes?
- Phillips: I am told it is exclusively for munitions purposes.
- White: A purchase --
- Bell: For what purpose?
- Phillips: Exclusively munitions.
- White: A purchase by Australia in Canada of a - of seven million dollars' worth of aluminum --
- Phillips: It is manufactured stuff, extrusions.
- White: I see. Manufactured aluminum for the purpose of manufacturing munitions.
- Phillips: Well, armaments.
- White: And the question is whether that might come under the Lend-Lease.
- Phillips: As indeed it might have done if it had been U.K. stuff.
- White: Or as it might have been done if it was Australia purchasing it in the United States.

-32-

- Brown: That can be done legally. The statute would specifically cover a situation of that kind as a matter of law. If there is a matter of policy, that is another matter.
- White: The second one, Dan, is something that was sent to the Secretary a little while ago and he asked to have it brought up at the meeting.
- Bell: This is from Arthur Salter. Shall I read it?
"We have a very considerable program of shipments of pebble phosphate from Port Tampa, Florida, during the month of July. I have during the past few days received several messages from the operating staff of the British Ministry of War Transport in New York expressing anxiety lest there should be no phosphate there to load as the ships come in, the difficulty being the transition between direct purchase and Lend-Lease. We have already run into difficulty over a ship called the Tesbank, which had to load with triple superphosphate in the absence of any pebble phosphate, and even so, was unable to secure a full cargo. Another ship is due the middle of this week, and already sixteen more have been allocated for July loading. Purchase of pebble phosphate under Lend-Lease is being handled by the Treasury Procurement Department. I understand that contracts have now been placed, but should be most grateful if you could reassure me that cargos will actually be forthcoming as the ships come in during the month. You will, I know, appreciate as much as I do the extreme desirability of avoiding all possible delay in turn around in these stringent days."

Was this entirely a Treasury Procurement matter?

-33-

- White: Yes, and I was going to contact them before the meeting to see what they might have to say about it. Unless somebody has some additional information on it here, we can just pass.
- Archer: Well, I heard about this on Saturday or Sunday and I immediately got in touch with Mr. Mack yesterday morning and found that the contracts have not been placed. Possibly there is some administrative difficulty. I spoke to him and explained the shipping position and they got busy yesterday and I was assured yesterday afternoon that everything would be all right and that they were making satisfactory arrangements to meet these ships.
- White: And this letter was sent before you had that information?
- Archer: I don't know about the letter.
- Bell: That was the 7th.
- Archer: That was yesterday. It was yesterday afternoon when I had heard about it. I didn't know that Sir Arthur Salter had taken any action. But I would be glad if you would check up with Mr. Mack on your side.
- White: All right, I will do that.
- Archer: If I might explain what the difficulty has been, it is this: Up to the present our purchases of this rock have been made through an export association, and the Treasury Procurement find some difficulty in dealing with them, and are going to the individual producers to make their contracts, and this switch over from buying through one central

-34-

organization which has been used to allocating the orders amongst all the firms, arranging all the shipments in close contact with the avenues of shipping, all that has gone, you see, now, and the new organization has got to be set up. It is rather a pity that they have been doing it for twenty years and know the ropes.

White: Well, I presume they do that because either they can save money or it doesn't violate some condition which they have established. I take it that that shift is, in their opinion, justified either by buying the material at lower cost or because it doesn't violate some principle which they have --

Archer: They seem to have an impression they can buy at lower cost that way, but I very much doubt it because they will have to pay for all the services which these people give them.

White: I take it they would take that into consideration in their evaluation of the net price, not that they may not be mistaken, but isn't it your thought, Chuck, that they --

Kades: Our experience in dealing with those export associations has been quite different from yours. We have always had great difficulty with them in price and service both.

Archer: We found excellent service and very good prices from them. Of course, they are only really associations of manufacturers. It is the export house of a number of manufacturers.

White: Did you already have a price for that particular contract of material?

-35-

- Archer: We had been paying a price before.
- White: Was there any reason to believe that the price on the next shipment would be any different?
- Archer: I don't know what the price would be.
- White: No, I don't mean in the transaction in which the Procurement Division is negotiating, but in a continuation of your own purchases from the same concern, would they have been at the same price?
- Archer: Oh, yes.
- White: Therefore, there is a basis for comparison?
- Archer: Oh, yes, but there would have to be the comparison with the addition of the costs of moving the stuff down to the docks.
- White: I mean, we might be interested independent of this particular transaction, in the comparison.
- Kades: When you speak to Mr. Mack, you ought to bring that up.
- White: Yes.
- Archer: I mention it merely from the point of view of the administrative machinery which is there for these people to ease up the work of the Treasury Procurement.
- White: Well, it would be of interest and a little bit surprising if a change were made unless there are adequate reasons for it.

-36-

- Bell: They like to deal with the individual companies and get competition in bidding instead of going to one concern which is virtually a monopoly.
- Kades: That is the purpose of the association, is to fix the price.
- Archer: They are perfectly legal associations.
- White: That is right, but that doesn't necessarily mean that they give a better price for export than might be obtained from the individual corporations.
- Archer: Quite.
- White: Because if that were true, they probably wouldn't set up an export corporation.
- Bell: Do you want to go over all these items?
- White: Yes.
- Bell: Is this intended for the 3 o'clock meeting?
- White: Well, both. I think some of these might well be threshed out here if you have the time, three particularly.
- Bell: Procurement on handling administratively difficult purchases.
- White: You remember there were some hundred and fifty million dollars a year of administratively difficult purchases by individual concerns from individual concerns here. There have been a couple of meetings which the Procurement Division has held with the Legal Division with a view to ascertaining whether some procedure could be developed. I think they

-37-

have something tentatively. It isn't definitive, but I think it should be raised now to see whether it fits in with the views of the other folks around the table, so Chuck will describe what their typical procedure is, which they have tentatively evolved.

Kades: I have a short memorandum here. I think probably the quickest way to handle it would simply be to read it. It is a suggested procedure for bringing miscellaneous manufactured goods under Lend-Lease procedure.

Brown: May I make a suggestion?

White: What is that?

Brown: Would it possibly save the committee's time if Mr. Kades and Mr. Thompson and Mr. Archer should get together on that, because Thompson and Archer are familiar with the practical problems that are confronting the British, and perhaps if the three of them could work - could go over this together it might save Sir Frederick's time, and Mr. Bell's and Mr. Keynes'.

White: Yes, that might well be, particularly since the Secretary's meeting is postponed, so that we don't have to bring it there. However, there are certain matters raised there which I think call for either some discussion or comment or certainly are of interest to everybody else.

Kades: I have a few copies of this, if you want me to distribute them.

Bell: How long is it?

Kades: One page.

-38-

- Bell: Read it, it isn't very long.
- Kades: I just have a few copies.
- White: I am generally in favor of that procedure, Mr. Brown, but in this particular case --
- Brown: I didn't realize those were all copies of the same sheet.
- Kades: One. The British importers - a certain commodity from an American firm, giving specifications, price delivery terms, etc. Simultaneously a duplicate original of this order is furnished the Procurement Division.
- Two. The Procurement Division examines the order with a view to determining
- A. That Section 3709 of the Revised Statutes does not apply. That is the section of the law which requires public bidding except in cases of public exigency.
- B. --
- White: Wouldn't you want to pause at each point to make it clear that that question of public exigency might be satisfied on the grounds of urgency, that where any purchase that you make under this category is regarded as urgent, it would satisfy the requirement that no public bidding need be necessary.
- Archer: With the priority system, public bidding becomes absurd, doesn't it?
- White: Well, the point is that so far as priorities are concerned and export control, that is something that you take care of in your purchase.

-39-

- Kades: B. That the order conforms to rules and regulations which will have been established by the Procurement Division governing such purchases. Mr. Mack is working now on such rules. As an example of what those rules might be, I might mention the Walsh-Healey Act requiring certain hours of labor and wages to be paid, possibly that dealings would not be through brokers unless the price were the same or less than dealings directly with the source of supply, and similar provisions.
- White: None of the provisions there would seem to constitute an obstacle from your purchasing, for most of the articles.
- Archer: This A applies to transactions in the United States?
- White: I hadn't thought - it would apply to purchases outside the United States?
- Archer: We might want to use our merchants and brokers on the other side.
- Kades: Oh, no, that applies simply within the United States and would go simply within the price. I mentioned that because that happened to be discussed in Dr. White's office the other day. I don't recall who was present at that meeting.
- C. That the United Kingdom has granted permission to import the goods --
- Phillips: When does the ILD issue a license, before or after?
- Thompson: Normally, a man makes sure that he gets his license before he places his order.

-40-

- Kades: And D. The British Purchasing Commission certifies that the goods ordered by the British importer are for the Government of the United Kingdom.
- Brown: Why do you --
- White: Well, there is some further consideration there --
- Brown: Wouldn't a Section Four consent --
- Kades: Surely.
- Brown: Obviate the necessity of that?
- Kades: That is right.
- Brown: For example, if the British should certify that it was for distribution to a firm within the United Kingdom which had been selected and approved by the British Government, I think that --
- Childs: I think all Mr. Kades wants to do is to prove in the first place that the British Government gets it. The second thing then follows because obviously the British Government has to get it or it couldn't come under Lend-Lease, and then the distribution begins.
- Brown: Not necessarily.
- Childs: How could you supply to anybody but the Government under the Lend-Lease Act?
- White: I gather there is an exception. If the President is willing to except that condition.

-41-

- Childs: You mean to say you would supply from the U.S. Government directly to an individual or a firm?
- Kades: If it is for the use of the British Government, I understand that we can.
- Brown: The British Government has undertaken that it will not transfer any of these goods --
- Childs: But the British Government must acquire in the first place --
- Thompson: We in discussing this at the other end suggested that if this purchase could be brought under Lease-Lend, it would be very easy for us to arrange the Import Licensing Department, appoint as the importer for this transaction an agent of the British Government.
- Kades: Then there would be no question at all.
- Thompson: But that doesn't prejudice the future distribution which might go through many channels not Government.
- White: I gather that they don't go behind the British Government's assertion that it is being sold to the British Government or its designated agent.
- Keynes: The kind of words that Mr. Brown is suggesting would help us a good deal, I should think. They are much better than these words.
- Brown: I think we would have to have them anyway because if the British Government is taking title to these articles with a view to distributing them to somebody else, you would have to get a Section Four consent, which would be easy enough. For example, if the

- 42 -

requisition said that goods were to be distributed by the British Government to certain manufacturers or distributors within the United Kingdom which are selected for uses deemed essential to the - deemed essential, I am sure that it --

- White: Deemed essential, because it might be for export. Period.
- Brown: I am sure that the consent could be obtained. In fact, the approval of the requisition would in itself constitute such consent.
- White: How are you handling the cotton that the British Government is contemplating buying or has bought?
- Brown: That I don't know.
- White: Could you tell us, Sir Frederick? Is that cotton coming under the Lend-Lease?
- Phillips: Oh, surely.
- Archer: A requisition has just gone in for cotton.
- White: Well, now, what happens to that cotton? That cotton is no different, I gather, than any one of the other items. It is cotton to be used in textile mills as well as other mills, right? It goes into the making of textiles. Some of those textiles may take the form of uniforms or canvas for ships or soldiers. Other portions of those textiles might be used domestically in clothing. Another portion might go into export markets. Well, if it is possible, then, to purchase cotton under the Lend-Lease, I can't see any difference in principle between any one of the other items which might find its way into this miscellaneous group.

-43-

- Brown: I don't see any difficulty either. It is just a question of getting the right form of words.
- White: And it would be handled, I take it, the same way. There must have been some guarantee or some statement by the British Government to meet the requirements which you are setting up on cotton.
- Archer: Yes. The cotton is distributed by central control, all the cotton going to the United Kingdom being bought by one organization and then distributed.
- White: It is sold by the British Government?
- Archer: That is right.
- Keynes: Didn't you have something to the effect that the title of the goods will be - you see, these goods would be sold by the British Government for sterling, and until that sterling is paid over by the importer, the title will be in the British Government's hands and therefore it can be honestly certified that the title at one point is in the hands of the British Government.
- Childs: Do you need that certification? Won't we have a requisition in for this stuff? It will be just like any other stuff. We will simply hand in a requisition for the U.K. and indicate how it will be distributed. We have done that in many cases.
- Brown: There is no problem.
- Rades: This wasn't intended to be as rigid as that. I didn't think the British Government was going to take title to all these goods and that the title might go directly to the importer.

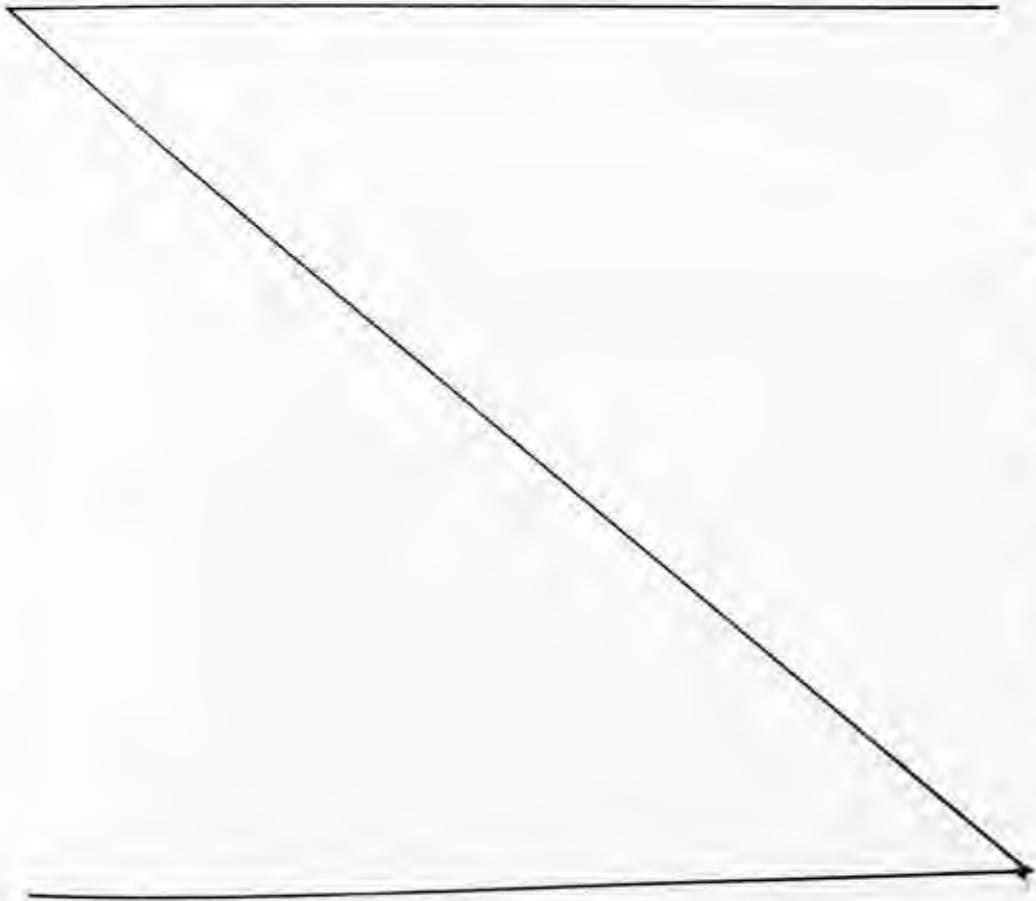
-44-

The Act states that we might manufacture or procure commodities for the Government.

Now, I don't think that it all turns on the question of where title is. However, if title is going to be in the British Government, it eliminates that difficulty.

Childs:

I think it will be found to be to the Government. There is no problem on Mr. Kades' language.



- 45 -

- Kades: I have no objection to changing the language. This is purely tentative, but I didn't understand either that this was always going to be covered by a requisition.
- Keynes: The I.L.D. will be the requisition. That is all there will be.
- Kades: But not a requisition in the ordinary sense in which it has been used.
- Brown: There must be some paper coming in to us so we can allocate funds for the purchases.
- Kades: You already allocated funds to the Procurement Division?
- Brown: No, we allocate them as each requisition comes in.
- White: Couldn't you allocate a given amount, let us say, ten millions a month, to handle goods of a certain description?
- Brown: I should rather think not, offhand.
- White: Well, that may not be necessary if it can be worked without it. I don't know whether it is an essential part of the mechanism, but the intent here is not to interfere with the flow of, or the ordering of these minor items, of these large variety of miscellaneous items, and if that flow can remain uninterrupted, then I don't think any one is concerned with what kind of arrangements you want to make on that.
- Brown: Well, I didn't see any difficulty from our point of view with this item two.
- Kades: Well, where do you put - I am not clear, I am

- 46 -

simply asking the question. Where would you have the requisition come in in the course of this procedure?

- Brown: The British would put in a requisition for a whole list of orders.
- White: You mean along with the duplicate order there would be a requisition automatically filed, is that it?
- Bewley: The order wouldn't be sent by the English importer to the Procurement Division. It would be sent to the Supply Council, and they would send it in with an O.K.
- White: Then the duplicate order would be accompanied by a requisition?
- Brown: Let's put it this way. The British Supply Council knows what is being bought.
- White: By receiving the duplicate invoice.
- Brown: Correct, and therefore all they have to do is transcribe that onto a requisition and whip it in to us and we approve it and allocate the funds.
- White: Without interfering with the progress of the original order going to the American producer.
- Thompson: This is the invoice, after we have placed the contract?
- White: No, this is the order.
- Thompson: With the specification, really.
- White: The order.
- I take it when you give an order it is either

- 47 -

accompanied by a contract or by specifications. The other step that you speak of, he hasn't yet come to.

Brown: Let's go on to number three.

Kades: Is it your opinion that you could not have--

Brown: A blanket requisition?

Kades: Won basic requisition for all miscellaneous manufactured goods in accordance with this procedure?

Brown: Yes, I don't think we could, offhand. We would have to consider it some more.

Archer: But isn't it the same as doing it, where you get a blanket requisition and then we specify the particular items against it?

Brown: The same what?

Archer: You get a blanket requisition of spare parts for airplanes. Then you specify against that particular parts, week by week or day by day. Is there any great difference of principle between that and this? The general heading would be machinery or it could break up into a number of groups, machinery and textile goods or whatever they may be. Then specify against that so many individual items that they have.

White: Except that might not be necessary. If they are willing to do the other, they may not even have to go that far since it will not interfere with the placing of the order and the filling of the order, that their work of presenting the requisition and the Procurement's work of checking up on it would be concomitant with the filling of the

- 48 -

order.

- Kades: What would you check on the requisition?
What would be the basis of your approval?
- Brown: We would just get a list that you want so many bits of machinery for distribution to such and such people and then we would, just like any other requisition - and then we would allocate the funds and send it on--
- Kades: Where would - I am not - the reason I am confused now is because I don't understand at which point the Procurement Division would begin to function, when we got the requisition approved from you.
- Brown: This is precisely the reason I made the suggestion that you sit down and talk out the thing beforehand, because I didn't see any reason for taking up the time of a number of these gentlemen and discuss questions such as this that are raised. I think we could--
- Kades: You don't see any difficulty in our working it out?
- Brown: I see no difficulty in it at all.
- White: Well, the extent of our interest is that there is no difficulty in this procedure. From that point, you will have to - it is taken for granted that you will have to whip something in--
- Brown: Which pieces of paper we sign don't bother or concern you.
- White: No, or what details you find necessary to work out, it doesn't matter, provided the main objective is not obstructed, namely,

- 49 -

the flow of goods from private individuals to individuals abroad of a miscellaneous character, taken under the Lend-Lease. If that can be taken care of--

- Brown: Our position right along has been that if the Procurement Division could be satisfied to accept an order which has already been negotiated by the British importer, that the scheme was perfectly workable.
- White: Well, then, I agree with you there is no need to take up the time of this committee any more beyond stating that it looks very hopeful.
- Kades: Now this has been - I might say this, that this has been submitted only tentatively to Mr. Mack, the Director of Procurement, and he is satisfied with it excepting that he has certain misgivings about the way he would administer a purchase by the Procurement Division of goods that were actually in transit.
- Thompson: There is a very interesting sentence lower down.
- Kades: That is right.
- Thompson: Well, I am at your disposal any time to discuss it.
- Kades: Well, I am - I am also ready at any time.
- White: Then we can pass on that and then Mr. Kades will get in touch with Mr. Brown and with your organization and with Procurement possibly at a meeting tomorrow.
- Kades: After this meeting, if you want to.

- 50 -

White: I don't know whether you will have time, but you will have a meeting before tomorrow night?

Kades: That is right.

Bell: Before the one Thursday.

White: That is right.

Bell: "4. Discussion of British memorandum on cash expenditures for modifications and urgent purchases."

White: Yes. That may not need much comment. I imagine there is an agreement with respect to the type of transactions that should be excluded from Lend-Lease. Do you want to state that briefly, Sir Frederick?

Phillips: Well, let me have a copy of the last one.

Childs: Here is a copy.

Phillips: Well, we will start off with certain articles which are required by the British Air Commission under circumstances which point to extreme urgency. The airplanes are grounded and we want to buy some spark plugs or something to start them going. We can't wait to put that through Lend-Lease. Our recommendations on that are, in regard to the Air Commission, that the British Air Commission should have the power to deal with really urgent cases where they fall below a limit of five thousand dollars individually and in order that the thing shouldn't become too big and represent too large a volume of dollar expenditure kept outside the purview of this thing, we have made a weekly limit of fifty thousand dollars for the British Air Commission. Then there is the case of

- 51 -

the really tiny orders, something under five hundred dollars, which we propose as not worth even putting in except for cash. Then under the Air Commission still, there are very important cases of modification of designs. Where the modification is not really a modification of design so much as ordering something new such as a new type of wireless apparatus. That new type of apparatus is a separate commodity bought under Lease-Lend already and the proposal is that it should continue to be bought under Lend-Lease. But suppose the case is one of an alteration to a wing design or something of that kind. Then we propose certain rules to deal with those.

In the first place, all these cases are difficult and troublesome, and we think that the first thing to do is to shut out the small ones so only the important matters come before this committee, and the limit we propose there is ten thousand dollars. Where it is a modification which costs less than ten thousand dollars, the British Air Commission would have authority to deal with that themselves subject to being reported in arrears to this committee.

Now, in the bigger cases, I should say where the modification is more than ten thousand dollars, it must be reported to this committee, and we think that every effort should be made to put it under Lease-Lend.

Now, there are two methods for bringing it under Lease-Lend which we have discussed in the previous meetings. The first was a modification contract and the second was the device by which you reduced the volume of your contract to provide the money necessary to pay for the modification. I needn't go

- 52 -

into that. We hope that when we do bring these cases up, the committee will give us all the assistance they can to get the cases dealt with under one or the other of those procedures.

There is still a further matter, namely, that we do want help with the actual U. S. Departments handling these matters, and therefore we suggest that wherever the committee is concerned, the size of the case is suitable to make it applicable under Lease-Lend, some sort of instruction might be issued to the appropriate branch of the War Department or the Navy Department asking them to cooperate with us in making the contractor comply. That is all on the Air Commission.

On the other British purchases, we propose substantially the same set of rules, but there is one tiny variation. They aren't quite so important. But we do propose to restrict cases of urgency. In cases of urgency, we would authorize them to pass expenditures up to a thousand dollars, or fifty thousand dollars weekly totals. I think that is all it comes to.

Thompson:

There are two very small points, sir. One was that this five hundred dollar cash expenditure, we were asked not to make that exclusive of all, because in some cases it is much easier to put in some things which are under that for Lease-Lend which might be suitable, that it shall not be taken that nothing under five hundred dollars should be Lease-Lend. It might be possible on some cases.

The other was the wording is slightly altered, the aim should be to keep this within fifty thousand dollars a week, so that if it does go slightly above it, we will simply report

- 53 -

it to you so as not to come up to Friday night and find we are short fifty thousand dollars or that it is much over fifty thousand.

Bell: Approximately fifty thousand.

Thompson: We are anxious to say the aim so as to keep a wide range.

Bell: That seems to me a good program. Do you see any objection to that, Brown?

Brown: No, sir.

Bell: O.K.

White: The next item is possibly just a word - just a word need be said about that unless there is something you want to bring up, Sir Frederick. The possibility of the Army taking over large contracts totaling about three hundred fifty million.

Can we just report some progress on that. It looks a little more hopeful, and Mr. Cox is going ahead with that last--

Bell: With those pre-Lend-Lease contracts, some of those we talked about today.

Brown: That was - you see, those contracts were going to come within that billion three limitation. As I understand it, a very substantial part of that billion three has already been allocated to aircraft or - and to the British Supply Council; and, as a matter of fact, there isn't three hundred fifty millions left in there.

White: No, but I understand there may be a couple of

- 54 -

hundred million left.

Phillips: Therefore, you are proposing to extend the--

Brown: We can't do that.

Well, yes, I am thinking of the existing statute. The new Lend-Lease appropriations bill is in the fire right now.

White: So a definitive decision can't be made right now, but the fact that the money isn't available under the past allocation, doesn't preclude the possibility.

Phillips: That limits the amount of goods which can be handed over by U. S. Government departments to the British.

Brown: As I understand it also, there is about eleven hundred million that has already been allocated to be handed over to you.

Keynes: What is our final estimate?

Phillips: That figure was ten, three, I think.

Keynes: I think the difference between those two figures is that Sir Henry Self's figure will be pared down in practice a bit.

Phillips: Then there is another point I shall have to mention to you about further schemes.

Keynes: How difficult would it be to make that thirteen hundred to fifteen hundred?

Brown: It would be impossible. We would have to get a new statute.

Keynes: Yes, how difficult is that?

- 55 -

- Brown: Well, I don't think there is any question but what the large appropriation will be made. I am not familiar with that.
- Keynes: It would mean altering the Lend-Lease Act itself, quite apart from the new appropriation.
- Cochran: Has the Lend-Lease figured on a percentage? That is the way it was.
- Kades: A billion three is in the Lend-Lease Act itself.
- Bell: That is right, it is in the basic loan.
- Keynes: Now, you would have to alter that.
- Bell: I expect it would take another act to do it. The Appropriation Committee probably would object to amending that provision of the basic law of the appropriation act anyhow. That is something for you fellows to consider. I understand progress has been made. The one billion three is allocated to other purposes, probably. Where is the progress being made if the money is all gone?
- White: I didn't know the money is all gone.
- Brown: Neither did I until yesterday.
- Bell: There is still two hundred sixty-five million.
- Phillips: The difficulty is this one. The limit is one billion three. To the best of my knowledge, everything that has presently been decided which could be charged against that sum is one billion thirty-five, leaving about two sixty-five, but I have heard later there were other projects which might involve some further charge on that one billion three, and I am not sure that they wouldn't require an amendment, even if this question of taking

- 56 -

over contracts was considered.

- Bell: So there might be a hundred and fifty to two hundred million there for the moment.
- Phillips: For the moment there ought to be two hundred seventy millions.
- Bell: Well, there is a balance of two sixty-five, but you said you understood there were a few other items that could be charged against it.
- White: Well, Mr. Cox was going to take this up with McCloy, I gather, tomorrow.
- Phillips: I think we had better try and get in touch with Mr. Cox this evening.
- White: Well, you will do that?
- Phillips: I will. But Mr. Brown hasn't told us anything about the one I am very interested in, the National Maritime Commission, this ninety-seven million.
- Brown: As I understand the situation there, there is no - nothing left in the Maritime Commission's appropriation which they could use to do that.
- Phillips: Well, can't you give them more?
- Brown: We are trying to. They are asking for quite a substantial sum.
- Keynes: That is the news we have been looking for.
- Phillips: But you are giving them an extra billion.
- Brown: That is what they are asking for.
- Phillips: Can you arrange that out of this extra billion,

- 57 -

ninety-six or ninety-seven million go for this purpose?

Brown: I would think so.

Phillips: Hasn't this all got to be settled before--

Brown: Yes, I know Cox is waiting on that.

Cochran: How far along is it? Is it a new appropriation?

Brown: It is a new appropriation; but Maritime Commission, I understand, likes to spend their money before they get it on lots of things, so that we put in a caveat on that ninety-six million so that they will leave room for it in allocating the billion if they get it, so they have been warned that this item is coming up.

Kades: Who is actually drafting the appropriation language? Are you working on that, because with a few choice phrases you could take care of this question of 3709, too?

Bell: Subject to a point of order. But they could get a rule and put it through.

Kades: When they get it through the House, they usually get a rule.

Bell: The Senate doesn't raise points of order, but in the House it is very often raised, but you could get a rule, I take it, and put it through as a combination legislative and appropriation bill. There is always a rule on the relief bill, because it is both appropriation and legislation.

White: Well, this could be used for other purposes.

- 58 -

Kades: Sure.

Keynes: It would be a great comfort to raise that one three to one five or some other figure

White: Well, you can check up on that point, too, with Mr. Cox and make sure that he isn't forgetting it.

Bell: All right.

White: The next item, the - again Mr. Cox reported, and he will doubtless report in detail, that he thinks they can take care of all of that, that next item.

Phillips: I see.

Cochran: They haven't a copy of this.

Bell: The expenditures of South African ferrying.

Keynes: That was the eleven million, wasn't it?

Bell: As I recall it, it was eleven or fifteen million.

White: But that isn't a definitive statement. He will report himself.

Bell: Well, that is pretty good news.

White: Now, seven, do you have anything--

Bell: "Overall picture of British armament production and purchases."

Brown: That is what the Secretary asked for at the last meeting.

Phillips: Well, how that stands is that we found out

- 59 -

after the Secretary put a question to it that tables of this kind were, in fact, in preparation. I don't know that they are quite the tables you want. His tables might be in quantities in some cases, and we might perhaps have to put the values on them; but, anyhow, this table is being done on the basis of this thing.

- White: I am inclined to think that the tables that the Secretary wanted were a little more specific and comprehensive.
- Phillips: I should like to know exactly on what points.
- White: Well, I take it that the one the Secretary asked for was the total production at home and the purchases in the United States and in Canada.
- Phillips: Yes.
- White: Now, I didn't gather that Mr. Stimson's request related to purchases in Canada, but I may be wrong.
- Phillips: The latest version did.
- White: I didn't see that.
- Childs: U. K., Canada, and U. S.
- Phillips: He also set out the Navy.
- Childs: As I see it, it covers all armaments.
- White: Then it is your feeling that that report would cover everything the Secretary wanted, and so all you would need to do would be to duplicate it?
- Phillips: Yes.

- 60 -

Bell: Did Stimson ask for this same information?

White: Just a day later. It is a very curious coincidence.

Bell: It is nice that they can cover the same points and not ask for two different reports.

Phillips: Any other points you had on Canada?

White: No, I think that is all.

Childs: Shipping is in there. Merchant ships and many raw materials.

Archer: Principal raw materials.

Childs: They are in there too, aren't they, the principal ones?

Archer: Yes.

White: When do you think that will be ready?

Childs: I have no idea.

Phillips: Wasn't it some date like the fifteenth of July?

Childs: Oh, I had it on the fifteenth, that is right.

White: So that it will be ready sometime within the week?

Phillips: Oh, yes.

Childs: Is that this week?

Bell: No, that is next week. Tuesday is the fifteenth. Eight is proposal for the Army to take care of the cost of the Civilian Technical Corps.

- 61 -

- Childs: That is item thirty-three in our list, Civilian Technical Corps which we passed over.
- Bell: Yes, that was on the list, that is right. We called it training.
- Keynes: That is a very large sum.
- White: Would you take it in the form of a requisition?
- Keyes: It is in here, yes.
- Keynes: The decision last time was that it wasn't known how it was to be handled, but it was going to be reconsidered. I think it was - prima facie you couldn't.
- White: We were going to take it up with the Secretary. This was merely for his--
- Keynes: It is very similar, of course, to item six.
- Brown: Wasn't it something that could not be done by Lend-Lease, but might be done by some other department?
- Bell: By the Army and the Navy.
- Brown: If they felt the desirability.
- Keynes: That you might regard this as a course of training for technicians.
- White: I don't think that that aspect of it was brought to the Secretary's attention. Am I correct? It was something that we had discussed, and I thought that I would put it down here in order to suggest that possibility to the Secretary.
- Bell: We said that we would take it up with the

- 32 -

Secretary of War if the Secretary approved.

White: That is right.

Bell: That was our decision last time.

White: And this is to bring it to the Secretary's attention.

Bell: All right, we will put it on the next agenda, too.

Phillips: Might I ask, can anyone tell me anything about the status of Iceland? I am getting cases where something is being lease-lent, for instance, and they are asking me to provide dollars for labor.

Brown: I remember that item, sir, and I wondered if it might not be something that could be re-submitted in view of recent developments.

Phillips: That is rather my feelings.

Childs: We have a two million dollar item on that first list.

Bell: Was it turned down, disapproved?

Brown: Yes.

Bell: Then it should be resubmitted.

Brown: On a question of policy rather than law.

Bell: But it should be resubmitted in view of the last few days' development.

Brown: It is certainly worth doing.

Bell: All right, number nine.

- 63 -

- White: We did succeed in getting the exports from the United States to South Africa. We had some compilations made, and we have them here. We obtained them both from the Maritime Commission and from the Department of Commerce. The Maritime Commission gave us the data, the monthly data, and the Department of Commerce gave us the annual data. Supposing we just let you have that.
- Bell: Relating to the cargo of the torpedoed ship Robin Moor.
- White: Weren't there any tanks in there?
- Childs: Isn't that extraordinary? All of them different items.
- Bell: Ladies hosiery.
- White: That is a dangerous item.
- Bell: Handbags, accessories, animals, Post Toasties, rubber goods, door closers, cardboard containers, automobiles, dresses, letter - shotguns. That is for the wedding. Laces, commercial sound equipment, electric washing machines, soup in tins, spaghetti. That was probably going to the Italians.
- White: Imagine the work in deciding to order this, ordering it, filling the order, shipping the goods, loading it.
- Bell: Imagine the New York Times printing it, four columns.
- Childs: And it all went to the bottom of the sea.
- Phillips: Well, there is a certain amount of luxury goods going across.

- 64 -

Bell: Where was that headed for?

Childs: South Africa.

White: This list is probably more comprehensive than the one we have.

Keynes: Are you thinking of handing this in to the Procurement Division for replacement under Lend-Lease?

Childs: We will just write up a requisition on it.

Bell: All right, Number Ten, any additional information with respect to cocoa and wool?

White: Oh, I should like to report on the developments with respect to cocoa; the price committee feels that the price of cocoa is possibly a little higher than might be and they are interested in seeing either that it may go down or that it doesn't go any higher. They haven't decided which. They are going over the price situation. There is an interdepartmental cocoa committee here --

Bell: Cuckoo.

White: That would be plural. And they are going to take up the matter with a view to seeing whether they can make a good case to bring to the attention of the Maritime Commission to encourage them to make shipping available in order to attain two objectives, one, to provide dollars and two, to prevent the cost of living, as far as cocoa was concerned, from rising. Now, whether that will involve some further negotiations with the British Government with respect to the price at which that cocoa will be offered on the market, I don't know, but that is now being considered. With respect to wool, it appears that the price of wool is

- 65 -

not, in the opinion of the price group, unduly high. Therefore, there is a reluctance to add to the market supply on the grounds that it is necessary to prevent the price from getting higher. So that there isn't that argument in favor of releasing the wool at the moment. But the matter is not closed. That was the first step which was taken.

Thompson:

That is releasing it to the market?

White:

Yes. that still leaves open the possibility of either loans on it or sales or other things, but we had first thought that there might be some justification for altering the policy with respect to holding it in the bonded warehouses on the grounds that price of wool was rising unduly.

Bell:

Is this the Australian wool?

White:

Yes.

Bell:

Is the question still open as to whether we buy it as a stock pile?

White:

Yes, but the first step, our approach would be on the basis of price because if we could make a good case on the grounds that the price considerations demanded an increase in the supply of wool, I think our task would have been easier, but that being closed, apparently, we will have to move on the other possibilities.

Phillips:

Have you been in touch with the State Department or has the State Department been in touch with you?

White:

On wool?

Phillips:

Yes.

- 66 -

White: No, because the first question we wanted to consider was merely one of price, and then we were going to approach the other Departments.

Phillips: I think the following things have happened. In the first place, they have announced their intention of buying the Argentine wool, which may increase somewhat the supply of wool to the United States, but probably not very much, because that purchase has been taken for the civilian trade, or most of it. That purchase of the Argentine clipped wool was not an isolated transaction by itself, but was part of a rather extensive bargain dealing with things like economic warfare and exports and so forth. When they told us that, they sent us a note in which they said notwithstanding all this, of course we still have the same intentions as regards Australian wool, and if we buy Argentine wool under such and such circumstances, we will see that Australian wool is taken care of, but the undertaking is a little vague in some spots and we thought it wants clearing up. But when we approached the State Department yesterday with the object of getting it cleared up, they gave us to understand the matter was under consideration in Treasury.

White: Well, I don't know where they heard the latter. It is true that we are represented on the committee of commercial policy when those matters were being discussed and where the effort was being made to do what might be done in order to facilitate the broad program with the Argentine, and at that time one of the objectives definitely was not in the picture, namely, to increase the dollar exchange of the British Treasury. That has been injected into the picture subsequently and they may have heard of it through some other channels, but I take it,

- 67 -

the approach on our part would be to get as many reasons as we can to see whether it can't be converted into dollars. Now, one of the important reasons that we thought might play a role was price. That is ruled out. Then we will go to the other considerations, and sometime in the contacting of the various departments, the State Department will be in the picture because it does raise the question of their Latin-American relations.

Phillips: Then I shall send you a copy of the document they gave us.

White: I think we just - did we just get a note on wool? No, I guess we didn't. I didn't receive one from you.

Phillips: I will send you a copy. You might kind of like to look at it.

Bell: Is there anything further?

White: That is all there was on this agenda.

Keynes: What about the position of our right to transfer? Are you still worried about that?

Phillips: Well, Childs is the expert. It is the question of Section 4 transfers.

Keynes: There have been a good many telegrams from home. They are worried because we haven't got the formal right of transferring articles to traders and so forth. This arises particularly with the dominions, you see, because all these civilian things will need the right of transfer, first of all from us to the dominions, and then from the dominions to their civilian suppliers.

- 68 -

The Government position is that we haven't the right to transfer to commercial suppliers - the President has given, one, written consent to the transfer of goods to another Empire Government in the case of machine tools to India, but we have no general approval yet to transfer. We are proceeding on the assumption that it is coming, but as we haven't received any such official approval, people at home are worried about it, and they have got the additional reason that all this dominion business assumes it, you see.

Therefore, it is perhaps prudent to raise the issue and call your attention to the fact that we haven't got any formal position on that.

- Bell: What is the machinery, Brown, for approving transfers?
- Brown: The machinery so far is that the President's consent is gotten in specific cases.
- Phillips: You will find, Mr. Brown, there is a lot of work behind this. Various people have worked on the subject. The point Mr. Keynes is making is the pressure on us from the other side with the dominions coming in, and we are being urged to try and get it settled.
- Brown: Does our office know already the type of transfers on which it is desired to get consent?
- Phillips: Oh, surely. There are three types, the transfers from the U. K. Government to the - transfer from the U. K. Government to the governments of the dominions and colonies, and, thirdly, the transfers from governments of dominions and colonies to firms and businesses in those places.

- 69 -

- Brown: I will just have to check up on that and see what can be done and what is being done and what can be done.
- Phillips: As I say, the pressure on us is unpleasant.
- Keynes: We were particularly concerned because in the case of oil certain special conditions were attached which we believe on this side attaches only to oil. On the other side, they were wondering whether this was a precedent. If it was, it would be a very great trouble. In the case of oil, we can do only certain things.
- Bell: Well, Mr. Brown will look into it.
Is there anything else?
- Childs: Yes, you wanted - I will simply report. The Secretary asked about this material - a list of materials for which we had filed requisitions.
- White: Yes.
- Childs: I simply wanted to let you know so that the Secretary wouldn't be restive on that request, we are necessarily bound in in getting up material for that information with General Burns' office which is going to be revised three to four weeks before they will all be made up. Neither office has been set up on that yet. It is a matter of working out categories. Unfortunately, that will take longer than this other list.
- The other matter, is it possible to get a record of these meetings for the purpose of our people on various points that come up? We don't have any form of that.

- 70 -

Phillips: Would you object if we brought some kind of secretary with us?

Bell: I don't think there would be any objection to that. We keep just one copy of the record for the Secretary's personal files, but I will be glad to take it up with him.

Phillips: There are so many things mentioned that we really ought to have some record.

Childs: We don't want to bother getting your record, especially, if we could just have somebody come along and make notes on it.

Bell: I should think that will be possible. Let me ask the Secretary.

White: We have everything down.

Bell: There is no harm in asking.

White: No.

Sir Frederick, the last statement we have of you on the British dollar position was as of June 20. Have you anything further on that?

Bewley: No, the telegrams have just come in.

White: Will we have them for the meeting?

Phillips: Yes.

White: Fine.

AGENDA FOR 3:00 MEETING

1. Requisitions examined by Committee at meeting July 3, 1941.
2. Shortage of phosphate for shipment during transition period between direct purchases and Lend-Lease.
3. Report of Procurement on handling of the administratively difficult purchases.
4. Discussion of British memorandum on cash expenditures for modifications and urgent purchases.
5. Possibility of Army taking over certain large contracts totalling about \$350 million.
6. Report on possibilities of aiding in expenditures on South African Ferrying Route.
7. Overall picture of British armament production and purchases.
8. Proposal for Army to take care of cost of Civilian Technical Corps -- to be submitted to the Secretary on Tuesday.
9. U. S. exports to South Africa by important commodity groups, July 1940 - March 1941.
10. Any additional information with respect to cocoa and wool.

July 8, 1941.

**SUGGESTED PROCEDURE FOR BRINGING MISCELLANEOUS
MANUFACTURED GOODS UNDER LEASE-LEND PROCEDURE.**

1. The British importer orders a certain commodity from an American firm giving specifications, price, delivery terms, etc. Simultaneously a duplicate original of this order is furnished the Procurement Division.

2. The Procurement Division examines the order, with a view to determining (a) that section 3709 of the Revised Statutes does not apply, (b) that the order conforms to rules and regulations which will have been established by the Procurement Division governing such purchases, (c) that the United Kingdom has granted permission to import the goods and (d) the British Purchasing Commission certifies that the goods ordered by the British importer are for the Government of the United Kingdom.

3. If the Procurement Division is satisfied as to (a), (b), (c) and (d) the Procurement Division will execute a definitive contract with the American firm, or if the contract has already been executed, the Procurement Division will execute a contract with the British importer for the purchase of the goods in question.

Thus the Procurement Division may enter into its contract for the purchase of the goods at any point from the negotiation stage to delivery in England.

The rules and regulations governing such purchases will set forth standards required by law and by governmental procurement policy. In the event that a British importer is unable or unwilling to comply with such regulations, the Procurement Division may waive the objectionable provision if circumstances warrant.

C
O
P
Y

BRITISH PURCHASING COMMISSION

8th July 1941.

Dear Mr. Bell,

As promised at today's meeting, I now write to let you know that the figure of our available gold and dollars at the close of business on June 30th, comparable to the figures given you for previous months, is \$161 millions.

Yours sincerely,

(Signed) F. Phillips

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

COPY - dm - 7/8/41

July 8, 1941

At dinner tonight with Keynes and Sir Arthur Salter, they both mentioned the fact that they are worried that Treasury's Procurement might be holding up their overseas shipments on account of their slowness in buying supplies. I just can't believe that this is so and I want to see Cliff Mack to talk the matter over with him in the morning without fail.

Last night Keynes was quite positive that the war has turned the corner and Germany was going to be licked. He felt that the things which had happened in the last couple of weeks had definitely turned the tide in favor of England. He was very optimistic. Sir Arthur Salter was present and did not share his optimism because, he said, he could not see on what it could be based.

I told Keynes and Salter of my ideas that after the war is over we should use our gold to buy up the munitions plants in the world and destroy them and then let the various countries use our gold under our prescription or limitations as to what purposes it would be used -- to buy food, start up international trade and for reconstruction purposes. I told them I had given the suggestion to the President the day before. They thought the idea was a very interesting one and was novel to them. They raised a very interesting point. They said, "Well, on account of the munitions plants being concentrated in Germany and Czechoslovakia, what will we do, for instance, with a country like Denmark that had no munitions plants." I said, "Well, that was something I had not thought of and which would have to be given consideration." But they liked the idea.

Keynes also told me he liked my tax anticipation bonds but asked Bell to give him the details as he wants to take it back with him. He said there had been considerable demand for such kind of certificate in England.

July 8, 1941

My dear Sir Arthur:

This will acknowledge, with my thanks, the receipt of your letter of July 7th containing information on the shipping situation for July.

Yours sincerely,

(Signed) E. Bergentzen, JWD

Sir Arthur Salter,
British Merchant Shipping Mission,
Box 680, Benj. Franklin Station,
Washington, D. C.

TELEPHONE: REPUBLIC 7860

Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

BRITISH MERCHANT SHIPPING MISSION

7th July, 1941

Dear Mr. Morgenthau,

In accordance with our arrangement,
I am sending you the attached statement
giving particulars for July loading of priority
programme from North America.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Arthur Salter'.
Arthur Salter

Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington.

	<u>No. Ships</u>
Ships required for July loading	190
Ships now allocated for July loading	<u>159</u>
Deficiency	31
Deficiency of ships in U.S.A. for General Cargo - nil tons	Nil
Deficiency of ships in U.S.A. for Steel 100,000 tons	14
Deficiency of ships for Grain, U.S.A. and Canada - nil tons	Nil
Deficiency of ships for General Cargo in Canada - 115,000 tons	<u>17</u>
	31

N.B. - 1 ship 7000 tons.

July 8, 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 4:00 p.m., July 8, 1941, attended from time to time by the following:

Messrs. Foley, Gaston, Cochran, Bernstein, Pehle, Coe, and Aikin for the Treasury, Messrs. Acheson and Luthringer for State, Messrs. Shea, Rosenwald and Jurenev for Justice, Dr. Goldenweiser and Mr. Knapp for Federal Reserve.

Mr. Pehle explained several New York Federal Reserve applications for licenses to debit the account of the B.I.S. and pay the Bank of England, Sveriges Riksbank, Banque Nationale Suisse and the National Bank of Egypt various amounts representing dividends on B.I.S. shares. He pointed out that similar payments had been allowed last year. Mr. Cochran observed that the B.I.S. had not made any dividend payments to occupied countries. Until a check has been made to determine what the Swiss franc balances of the B.I.S. are and consideration given to the payment of these dividends in Swiss francs, it was decided to take no action on the pending applications.

There was considerable discussion concerning the Presidential Proclamation of a Black List. Mr. Bernstein stated that the List would contain the names of those acting for or on behalf of Italy and Germany, and that the effect under the Freezing Order of its publication would be that no transaction could be entered into with anyone whose name appears on the List without first obtaining a Treasury license. In other words, the List, which Mr. Acheson pointed out is a Latin-American one but, in effect, the beginning of a world-wide List, subjects transactions with anyone appearing on it to the licensing technique. Consideration was given to some of the practical problems which publication of the List will raise.

Mr. Acheson mentioned that a confidential List will also go forward simultaneously with the published one and raised no objections to the former being given to principal New York banks as a guide to them in blocking accounts.

- 2 -

Mr. Pehle outlined an application which had been received from General Motors to pay \$300,000 in free funds to Amadeo Barletta, an undesirable Italian representing that Company in Cuba. The application indicated that General Motors was getting rid of Barletta at the request of the State Department. Mr. Pehle stated that when the Rockefeller Survey was made (on the basis of which the State Department had apparently approached General Motors), there was no Freezing Order. Accordingly, consideration must be given to this fact in reaching a decision on the present application. It was agreed that Mr. Luthringer would discuss the application further with appropriate parties at the State Department.

Mr. Pehle outlined an application which had been received from Libby-Owens-Ford relative to the sale for \$360,000 of their interest in Deutsche Libbey-Owens Gesellschaft fur Maschinelle Glasherstellung A. G. Delog, Gelsenkirchen, Germany. According to the application, payment will be made in free funds. Following considerable discussion, it was decided that the Company should be asked to state specifically where and in what name the funds to pay for the German property were being held. If and when this information is received, further consideration will be given to the application.

Mr. Pehle stated that a General License for Spain was about ready to be granted. It is similar to the Swedish General License because Spain also has a central Foreign Exchange Control.

Mr. Pehle explained that a General License for Portugal presented many more difficulties. It was agreed that two tentative licenses should be drawn up, more or less along the lines of the Swiss General License and the proposed Swiss Trade License. These will be designed to take care of the Portuguese Government and central bank transactions. It should be suggested to the Portuguese Minister that a technical expert of the central bank come to this country to facilitate the functioning of these General Licenses.

Mr. Bernstein stated that applications for licenses in respect to patents came within two categories: first, those of a routine nature involving payment of fees by Europeans for patents registered in this country, and payments by Americans to European countries for fees in connection with patents registered

abroad; second, those involving individual contracts relating to patents. The latter, such as the assignment of patents, present many complex problems. Mr. Bernstein pointed out that four Government agencies (Treasury Department, Department of Justice, Export Control, and Patent Office) are presently interested in such cases, and that it is desirable that some coordinated policy be established. He suggested that the best way to accomplish this would be to set up an Inter-Departmental Committee. After Justice has had an opportunity to study this problem further, the matter will be taken up again for consideration.

The German Charge d'Affaires, according to Mr. Acheson, has given the State Department a list of all Germans who are leaving this country, together with a statement of the bank accounts of each. With two or three exceptions, the amounts involved are small, and it was agreed that each should be allowed to take with him a maximum of \$2500. Amounts in excess of \$2500 will be turned over to the German Embassy for payment of the counter value on the other side or, alternatively, application can be made through the Federal Reserve to purchase Reichsmarks in this country. It was also agreed that the Germans would not be permitted to take any securities out of the country. Mr. Acheson said that the Italians had refused to give the State Department a list of their officials' holdings and, accordingly, it had been decided to permit Italian Consuls to take out of the country a maximum of \$1,000, Vice-Consuls and other employees, \$250.

Mr. Pehle read an application submitted by the German-American Bund which made, under oath, categorical statements the authenticity of which were seriously questioned. It was the opinion of the meeting that this application be turned over to the Department of Justice to study what action might be taken in view of the assertions made.

July 8, 1941

Secretary Morgenthau

Mr. Folsy

It is proposed that the President issue a Proclamation providing that the Secretary of State, acting in conjunction with the Secretary of the Treasury and the Administrator of Export Control, prepare a list of certain blocked nationals, to be filed pursuant to the provisions of the Federal Register Act.

Such list will contain the names of persons acting for the benefit of Germany or Italy and persons to whom the exportation of articles or materials is deemed to be detrimental to the interest of national defense. Additions to and deletions from such list shall be made from time to time. So long as the name of any person appears on such list, all the terms and provisions of the freezing control Order shall be applicable to such person and to the property interests of such person, and the exportation to such person from the United States of articles or materials covered by the Export Control Act shall be prohibited except in certain cases of unusual hardship to American interests.

- 2 -

A list has already been prepared for publication and will contain the names of various Latin American persons and firms. The list will include most of the names on the British statutory list as well as many more besides. Most of the information on which the list is based comes through our embassies and legations in Latin America.

(Initialed) E. H. F., Jr.

JED:BB:nrd - 7/8/41.

July 8, 1941
4:11 p.m.

HMJr: Hello.

Operator: Miss Tully.

HMJr: Hello.

Grace Tully: Hello, Mr. Secretary.

HMJr: In person.

T: Huh, in person?

HMJr: Yeah.

T: Mr. Secretary, the Chief would like you to get a copy of Garrison's speech. He said he discussed it as you know with Felix and Felix said, "Well if you had read the whole thing, probably you wouldn't feel that way", I imagine, not having been there, but I assume that's what happened and he said for him to get the whole thing. Can you get that speech?

HMJr: I can.

T: Well, if you'll get the entire speech and send it over, then he'll decide between the two.

HMJr: Oh, between...

T: Lindsay Rogers and Lloyd Garrison.

HMJr: I'll send out for it tonight.

T: All right, fine. It was about the time that we - it was about the time you first spoke to me about that...

HMJr: I'll try to get it to you in the morning.

T: All right, fine, Mr. Secretary. Then he'll let you know after that.

HMJr: Thank you.

T: All right, sir. Goodbye.

COPY

✓
160

THE UNDER SECRETARY OF STATE
WASHINGTON

July 8, 1941.

My dear Henry:

I am grateful to you for your kindness in sending me with your note of July 8 a copy of your letter to the President of the same date. The information contained in your letter to the President has been particularly useful to me.

Believe me

Sincerely yours,

(Signed) S. Welles

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

*original in
"Original document file"*

~~July 8, 1941~~

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Threat of old-age pension legislation.

For your information: Senator Downey of California introduced a resolution which passed the Senate, setting up a seven-man Senate Committee to study and report to the Senate on old-age assistance, old-age and survivors' insurance, and a minimum pension for aged persons.

The Committee has been set up with Senator Downey as Chairman and includes also Senators Connally, La Follette, Green, Brooks, Pepper and Thomas of Idaho.

It is believed probable that the Committee will recommend a \$30 a month flat pension, involving an expenditure of \$2 to \$3 billion. Senator Downey appears to believe that he has the President's support and that the Senate will pass the measure at this session.

It is understood that Hearings will begin next Monday, July 14. Mr. Altmeyer of the Social Security Board (who is now in Canada) has been asked to appear and a list of questions has been submitted to him.

My informant is Mr. Wilbur Cohen who is Mr. Altmeyer's personal assistant. He thinks Senator Downey's Committee should not be taken too lightly and that there is a real threat of some action by the Senate along this line.

RB

July 8, 1941

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Status of the Revenue Bill of 1941.

History

Congressional action on the measure might be said to have begun with the conference with congressional leaders in Secretary Morgenthau's office, Thursday, April 17. The Hearings before the Ways and Means Committee began with a statement by the Secretary on Thursday, April 24, followed by a more detailed statement by Mr. Sullivan. The Treasury was again heard on Monday, May 19, when Mr. Sullivan presented the Treasury recommendations on the excess profits tax. The public hearings were concluded Wednesday, May 28, and the executive sessions of the Committee began Monday, June 2. A tentatively adopted measure was turned over to the bill drafters on Wednesday, July 2. It is not likely that the bill will be ready for further action by the Committee before Monday, July 21.

Summary of bill as tentatively adopted by
Ways and Means Committee

The additional revenue from the measure for the first full year of operation is estimated at \$3,502.1 million. Changes are made in individual and corporation income taxes, excess profits tax, capital stock tax, estate and gift taxes, and numerous excise and miscellaneous taxes.

Personal income tax

Existing personal exemptions are retained. Compulsory filing of joint returns by husbands and wives is provided. Surtax rates begin at 5 percent on the first dollar of income above exemptions and are much higher than at present. The additional annual yield from individual income taxes is estimated to be \$1,154.5 million.

- 2 -

Corporation taxes

An additional corporation income tax in the form of a surtax is imposed at rates of 5 percent on the first \$25,000 of net income and 6 percent on the balance. The existing plan of excess profits tax was retained with the following modifications:

The excess profits tax is computed without deducting the income tax and is deducted in computing the income tax;

The percent on invested capital allowed as a credit is reduced from 8 percent to 7 percent for invested capital in excess of \$5,000,000. New capital is included in invested capital at 125 percent;

Rates of tax are increased by 10 percentage points, and a special tax of 10 percent is placed on the amount of current profits in excess of the average earnings credit and not exceeding the invested capital credit.

The increased revenue from corporation income and excess profits taxes is estimated at \$1,334.0 million.

Capital stock tax

The rate of the capital stock tax is increased from \$1.10 to \$1.25 per \$1,000 declared value of capital stock. The estimated additional revenue is \$12.5 million.

Estate and gift taxes

The existing estate and gift tax exemptions are retained and the rates increased. The estate tax rates begin at 3 percent instead of the present 2 percent. Gift tax rates are correspondingly increased to equal three-fourths of the estate tax rates. The estimated additional revenue is \$102.6 million from the estate tax and \$11.1 million from the gift tax.

- 3 -

Excise and miscellaneous taxes

Excise taxes are increased on numerous items and imposed for the first time on other items, as indicated on the attached detailed lists. The additional revenue from such taxes is estimated at \$887.4 million.

Differences of bill from Treasury recommendations

In its general structure and in a large number of details the measure in its present form follows the recommendations of the Treasury Department. However, it differs from the recommendations of the Treasury Department in a number of respects, chief of which are the following:

(1) Additional individual income taxes are lower than asked for by the Treasury, surtax rates being lower than in the Treasury proposal on the first \$12,000 of income. A married couple without dependents and with \$5,000 net income would pay \$506 under the Treasury proposal and \$308 under the schedule adopted by the Committee.

(2) The Treasury Department made no recommendation regarding joint returns of husbands and wives.

(3) The Committee rejected the Treasury excess profits tax plan and voted not to tax excess profits except when they were greater than the profits received during the base period. For most of the profits subject to the tax the rates adopted are much higher than were recommended by the Treasury. The total increased revenue from corporations is expected to be substantially greater than was asked for by the Treasury.

(4) The Treasury opposed increasing the capital stock tax.

(5) The Treasury proposed lowering the exemptions under the estate and gift taxes from \$40,000 to \$25,000 and proposed substantially higher rates so that the yield of those taxes would be increased by approximately \$347.2 million, instead of by the \$113.7 million provided by the Committee.

- 4 -

(6) The Committee rejected the Treasury proposals to increase the excise taxes on beer, tobacco and gasoline. It refused to impose the recommended tax on bank checks. It imposed a \$5 annual use tax on automobiles, yachts and airplanes, which was opposed by the Treasury. It adopted the original Treasury proposal to double the excise tax rates on passenger automobiles, voting not to adopt the revised proposal to increase the tax to 15 percent. The rates adopted on soft drinks are one-sixth of those proposed by the Treasury. The Committee imposed a number of other excise taxes not recommended by the Treasury, but not opposed by the Treasury.

RAB

TREASURY DEPARTMENT

166

INTER OFFICE COMMUNICATION

DATE JUL 8 1941

TO Secretary Morgenthau
FROM Mr. Foley

The measures to which reference is made in the attached report are S. 1613 and H.R. 5032. Those bills provide that no import duty or similar charge shall be collected or paid on the importation by or on behalf of a department or agency of the United States if the articles imported are certified by such department or agency to be "defense articles".

The bills are supported by the Department of War, and the Senate Committee on Finance and the House Committee on Ways and Means have asked for the recommendations and comments of this Department. The Department proposes to advise the Committees that the enactment of the bills would involve no unusual administrative difficulties. That advice would be in accord with the usual practice of the Department in reporting on measures affecting the rates of tariff duties.

E. W. Foley
General Counsel.

Attachment

-- IMPORT DUTIES

(C:10)

JUL 7 1941

167

WASHN - SECRETARY STIMSON IT WAS LEARNED TODAY HAS URGED CONGRESS TO ENACT LEGISLATION PERMITTING THE TREASURY TO ELIMINATE IMPORT DUTIES ON ANY ARTICLE CERTIFIED BY ANY DEPARTMENT OR AGENCY TO BE USEFUL FOR NATIONAL DEFENSE REPORTS ASSOCIATED PRESS

THE PROPOSAL HAS DRAWN CHARGES FROM OPPONENTS THAT IT WOULD GIVE THE ADMINISTRATION A FREE HAND TO ELIMINATE TARIFFS AT WILL - THE MEASURE PROVIDES THAT DUTIES MAY BE WIPED OUT ON GOODS IMPORTED -BY OR ON BEHALF OF- GOVERNMENT DEPARTMENTS OR AGENCIES - SOME LEGISLATORS HAVE CONTENDED THAT THIS LANGUAGE IS BROAD ENOUGH TO GIVE THE TREASURY VIRTUAL CONTROL OVER THE TARIFF STRUCTURE

ADMINISTRATION OFFICIALS ON THE OTHER HAND HAVE ARGUED THAT THE MEASURE IS DESIGNED ONLY TO PERMIT IMPORTATIONS BY VARIOUS GOVERNMENT AGENCIES - - SUCH AS DEFENSE CORPORATIONS UNDER THE RECONSTRUCTION FINANCE CORP - - WITHOUT THE PAYMENT OF DUTIES

STIMSON SUPPORTED THE LEGISLATION IN A LETTER TO CHAIRMAN REYNOLDS -D NC- OF THE SENATE MILITARY COMMITTEE

-0-



GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

JUL 8 1941

To: Secretary Morgenthau

From: E. H. Foley, Jr.

There is attached hereto a proposed bill to remove the present statutory restrictions with respect to the purchase of United States Government securities by you and Mrs. Morgenthau.

I shall have Bernard talk to both the Democratic and Republican leaders and ask them whether the proposed legislation would be agreeable to them and make certain that there would be no opposition to the bill if it were introduced.

E. H. F. J.

A BILL

To amend section 243 of the Revised Statutes so as to permit the Secretary of the Treasury to purchase securities of the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 243 of the Revised Statutes (U.S.C. title 5, sec. 243) is hereby amended by deleting therefrom the phrase "or of the United States".

Section 243 of the Revised Statutes (U.S.C., title 5, sec. 243) showing amendment suggested in Mr. Foley's memorandum of July 8 to the Secretary.
(Omit matter shown in brackets)

"§243. Restrictions upon Secretary of Treasury. No person appointed to the office of Secretary of the Treasury, or Treasurer, or Register, shall directly or indirectly be concerned or interested in carrying on the business of trade or commerce, or be owner in whole or in part of any sea vessel, or purchase by himself, or another in trust for him, any public lands or other public property, or be concerned in the purchase or disposal of any public securities of any State, [or of the United States,] or take or apply to his own use any emolument or gain for negotiating or transacting any business in the Treasury Department, other than what shall be allowed by law; and every person who offends against any of the prohibitions of this section shall be deemed guilty of a high misdemeanor and forfeit to the United States the penalty of three thousand dollars, and shall upon conviction be removed from office, and forever thereafter be incapable of holding any office under the United States; and if any other person than a public prosecutor shall give information of any such offense, upon which a prosecution and conviction shall be had, one-half the aforesaid penalty of three thousand dollars, when recovered, shall be for the use of the person giving such information."

TO:

171

See 2nd paragraph
on page 3

L. J. BERNARD

March 11, 1938

Mr. Magill

Mr. Oliphant

May the Under Secretary of the Treasury and his wife lawfully purchase United States Savings Bonds.

The Treasury Department was established pursuant to the Act of September 2, 1789, 1 Stat. 85. Section 1 of that Act created the following offices: The Secretary of the Treasury, a Comptroller, an Auditor, a Treasurer, a Register and an Assistant to the Secretary. Section 8 of the Act provided:

"That no person appointed to any office instituted by this act, shall directly or indirectly be concerned or interested in carrying on the business of trade or commerce, or be owner in whole or in part of any sea-vessel, or purchase by himself, or another in trust for him, any public lands or other public property, or be concerned in the purchase or disposal of any public securities of any State, or of the United States, or take or apply to his own use, any emolument or gain for negotiating or transacting any business in the said department, other than what shall be allowed by law; and if any person shall offend against any of the prohibitions of this act, he shall be deemed guilty of a high misdemeanor, and forfeit to the United States the penalty of three thousand dollars, and shall upon conviction be removed from office, and forever thereafter incapable of holding any office under the United States: " * * ." (Underlining supplied.)

Section 2 of the Act authorized the Secretary of the Treasury to "appoint such clerks * * * [as he] shall find necessary."(*)

Section 1 of the Act of March 3, 1791, 1 Stat. 215, specified that the provisions of Section 8 of the Act of September 2, 1789 (quoted above) should apply to "all and every of the clerks employed in the treasury department, as fully and effectually as if they and every of them were specifically named therein, * * *."

(*) The use of the word "clerks" in this statute indicates that all persons appointed in the Treasury other than those specifically named in the earlier Act were designated "clerks" even though their duties were not limited to the keeping of records, etc.

- 2 -

Section 12 of the Act of May 8, 1792, 1 Stat. 261, provided:

"That the restriction on the clerks of the department of the treasury so far as respects the carrying on of any trade or business, other than in the funds or debts of the United States or of any state, or in any kind of public property, be abolished, and that such restriction, so far as respects the funds or debts of the United States, or of any state, or any public property of either, be extended to the commissioner of the revenue, to the several commissioners of loans, and to all persons employed in their respective offices, and to all officers of the United States concerned in the collection or disbursement of the revenues thereof, " " " ."

Sections 243 and 244 of the Revised Statutes of 1878 (U.S.C. title 5, sec. 243) 254) and section 103 of the Original Code (U.S.C. title 10, sec. 192) codify the foregoing legislation in the same form as they now appear in the United States Code.

Section 243, as it appears in the Code, provides in part:

"No person appointed to the office of Secretary of the Treasury, or Treasurer, or Register, shall directly or indirectly be concerned or interested in carrying on the business of trade or commerce, or be owner in whole or in part of any sea vessel, or purchase by himself, or another in trust for him, any public lands or other public property, or be concerned in the purchase or disposal of any public securities of any State, or of the United States, or take or apply to his own use any emolument or gain for negotiating or transacting any business in the Treasury Department, other than what shall be allowed by law; and every person who offends against any of the prohibitions of this section shall be deemed guilty of a high misdemeanor and forfeit to the United States the penalty of three thousand dollars, and shall upon conviction be removed from office, and forever thereafter be incapable of holding any office under the United States; " " " . (Underlining supplied.)

Section 244, as it appears in the Code, provides:

"Every clerk employed in the Treasury Department who carries on any trade or business in the funds or debts of the United States, or of any state, or in any kind of public property, or who takes or applies to his own use any emolument or gain for negotiating or transacting any business in the department, shall be deemed guilty of a misdemeanor, and punished by a fine of \$500 and removal from office." (*) (Underlining supplied.)

(*) See footnote, following page.

Section 103 of the Criminal Code provides:

"Whoever, being an officer of the United States concerned in the collection or the disbursement of the revenues thereof, shall carry on any trade or business in the funds or debts of the United States, or of any State, or in any public property of either, shall be fined not more than \$3,000 or imprisoned not more than one year, or both, and be removed from office, and thereafter be incapable of holding any office under the United States." (*) (Underscoring supplied.)

It seems clear that section 243 of the Revised Statutes prohibits the Secretary from purchasing United States bonds, since making a purchase is obviously being "concerned in" the purchase. Moreover, such an interpretation is warranted by the evident purpose of the restriction, which was to eliminate the possibility that motives of private interest might influence the judgment of the Secretary in matters pertaining to the public debt.

The Under Secretary is required by law to "perform such duties in the office of the Secretary as may be prescribed by the Secretary of the Treasury or by law." Act of February 17, 1922, 42 Stat. 367, as amended (U.S.C. title 5, sec. 244). In case of the death, resignation, absence, or sickness of the Secretary, the Under Secretary is required to "perform the duties of the Secretary until a successor is appointed or such absence or sickness shall cease", Act of February 17, 1922, 42 Stat. 367 (U.S.C. title 5, sec. 245); and when the Under Secretary is so acting he is known as "Acting Secretary" and should sign as such ((1850) 19 Op. Atty. Gen. 133). It seems clear, however, that the Under Secretary is not "appointed to the office of Secretary of the Treasury" when he acts in the absence or sickness of the Secretary. In view of this and of the further circumstance that section 243 of the Revised Statutes is a highly penal statute which is to be

(*) In this connection it is of interest to note that section 244 of the Revised Statutes and section 103 of the Criminal Code apparently fail to carry out the intention of Congress embodied in section 12 of the Act of May 8, 1792. Prior to that Act the "clerks" in the Treasury were subject to exactly the same restrictions as the Secretary of the Treasury as regards being engaged in the business of trade or commerce and being concerned in the purchase or disposal of any public securities. The Act of May 8, 1792, eliminated the restrictions on clerks as respects the carrying on of trade or business but apparently did not intend to liberalize the restrictions on the "clerks" insofar as they were "concerned in the purchase or disposal of any public securities." The limitation on clerks dealing in public securities was at the same time extended to other persons. Section 12, however, was inartificially worded and apparently as a result thereof the revisers merely prohibited "clerks", etc., from carrying on "any trade or business" in the funds or debts of the United States.

- 4 -

strictly construed ((1873) 14 Op. Atty. Gen. 358), it appears that the restriction with regard to the purchase and sale of Government bonds contained in section 243 of the Revised Statutes does not apply to the Under Secretary. A similar view was taken by William T. Thompson, Solicitor of the Treasury, who advised John Skelton Williams, Assistant Secretary of the Treasury, on April 1, 1913, that section 243 did not apply to an Assistant Secretary so as to preclude his engaging in trade or commerce.

I believe also that section 244 of the Revised Statutes and section 103 of the Criminal Code do not apply to the contemplated purchase of Savings Bonds by the Under Secretary for the reason that a purchase of United States securities for investment does not constitute the carrying on of a "trade or business in the funds or debts of the United States." Cf. (1929) 36 Op. Atty. Gen. 12.

Section 161 of the Revised Statutes of 1873 (U.S.C. title 5, sec. 52) authorizes the head of each Department to prescribe regulations, not inconsistent with law, for the conduct of the officers and clerks of his Department. However, I know of no rule or regulation issued by the Secretary of the Treasury prohibiting officers and clerks of the Treasury from buying Government bonds.

Entirely apart from the question of the existence of legal restrictions, you will no doubt wish to consider the ethical aspects of the problem under consideration. The Solicitor of the Treasury in the opinion mentioned above said:

"But from an ethical standpoint I view the matter much the same as you do, as indicated in your letter. You will undoubtedly frequently act as Secretary and, at least while so doing, if you were not engaged or interested in any of the things within the restrictions laid upon the Secretary, no one would have an opportunity for any possible criticism in that direction."

With regard to this phase of the question, you may wish to give attention to the history and fundamental purpose of the legislation referred to, as shown above, and to the nature of the duties which have customarily been performed by the Under Secretary. You may also wish to give some attention to those features of Savings Bonds which distinguish them from bonds generally issued by the Government; for example, all Savings Bonds have been issued at the same rate of interest, the amount of such bonds issued in any one calendar year which may be held by one person is limited to \$10,000 maturity value, the present issues have not been allotted but are available to any person, are not transferable, are not subject to redemption by the United States, and may be cashed at the option of the bondholder on a definitely prescribed basis.

- 5 -

It is clear from the foregoing that there are no legal restrictions which would prevent a purchase of United States Savings Bonds by the wife of the Under Secretary. However, here too there may be a question of ethics to consider, depending in part upon the source of the funds used in making the purchase and the purpose for which the purchase is made.

(Signed) Herman Oliphant

JF:gwv:avp
Typed: 3/10/39.

JUL 8 1941

My dear Mr. Stevenson:

The Treasury is undertaking to bring about the establishment of a voluntary organization in each State, to promote public interest in the Defense Savings program.

It would be very gratifying to me if you could find it possible to accept the leadership of our Pennsylvania organization in the capacity of Chairman of the State Committee.

I would appreciate it if you could arrange to come to Washington within the next few days to discuss the matter with me and some of my assistants.

Sincerely,

(Signed) H. Morgenthau, Sr.

Mr. John A. Stevenson,
President, Penn Mutual Life
Insurance Company,
Philadelphia, Pa.

HNG/mff

File to Mr. Thompson



GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

✓
178

JUL 8 1941

To: Secretary Morgenthau
From: E. H. Foley, Jr.

The attached article apparently relates to an arrangement which has been worked out between Mr. Helmbold of the United States Maritime Commission and Admiral Waesche, whereby Coast Guard personnel will be freed from work of guarding vessels which have been requisitioned by the United States Maritime Commission.

The announcement in the article, however, seems to be premature so far as action today is concerned. Admiral Waesche states that, so far as he is aware, the arrangement has not been set into operation with respect to any vessel which has not been heretofore requisitioned by the United States Maritime Commission.

The matter is being checked further by the Coast Guard.

E. H. F. J.

MARITIME BOARD MEN TO GUARD 12 VESSELS

They Replace Coast Guard on Italian and Rumanian Ships

Captain Granville Conway, North Atlantic district manager of the United States Maritime Commission, announced yesterday that Coast Guard details on eleven seized Italian ships and one Rumanian vessel under protective custody now tied up here and in Boston, Philadelphia and Chester, Pa., will be replaced today by men designated to represent the commission.

The men who will board the ships are former officers of United States vessels. They will not be armed and the procedure of placing them on the ships is being followed merely because the craft are to operate under the commission when they are placed in service, Captain Conway said.

Six of the Italian ships are now in the Port of New York. Two are being repaired in shipyards and another in drydock. The Rumanian ship, the Mangalia, a 3,600-ton freighter, is moored at Hoboken.

The commission plans eventually to replace Coast Guardsmen on all Axis ships in United States ports. Captain Conway said that he did not know when the replacements would be made on vessels outside of this district.

Personal

JUL 8 1941

Dear Mr. Rockefeller:

I understand that on June 25 you and Mr. Acheson received Madame Genevieve Tabouis and that the possibility was discussed of her making a lecture tour of Latin America beginning next September.

From her journalistic work in France, Madame Tabouis is quite well known in Latin America. Before the fall of France she gained personal and tragic knowledge of German methods of infiltration. She is an experienced lecturer and I can only imagine, if the proposed tour can be made to materialize, that it would produce helpful results; particularly so since certain elements in the Latin American republics might be more prone to listen to the truth from a fellow Latin than from one of us.

I should be delighted to learn if this embryonic project can be perfected.

Yours sincerely,

(Signed) H. Morgenthau, SR

Mr. Nelson A. Rockefeller,
Coordinator,
Office for Coordination of Commercial
and Cultural Relations Between the
American Republics.
Room 5672, Department of Commerce,
Washington, D. C.

JCK:BJ 7/7/41

File to Mr. Thompson

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 8, 1941.

TO Secretary Morgenthau
 FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£59,000
Purchased from commercial concerns	£13,000

The Federal Reserve Bank of New York sold £15,000 in registered sterling to the American Express Company.

Open market sterling held steady at 4.03-1/2, and there were no reported transactions.

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

Canadian dollar	11-3/4% discount
Argentine peso (free)	.2380
Brazilian milreis (free)	.0505
Uruguayan peso (free)	.4380
Colombian peso	.5800
Mexican peso	.2070
Cuban peso	1-3/16% discount
Japanese yen	.2358

In Shanghai, the yuan declined 1/32¢ to 5-3/16¢. Sterling remained at 3.90-1/2.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

A price of 23-3/8d was again fixed in London for both spot and forward silver, equivalent to 42.44¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 34-3/4¢.

We made one purchase of silver amounting to 50,000 ounces under the Silver Purchase Act. This silver consisted of new production from various foreign countries, and was bought for forward delivery.

RESTRICTED

G-2/2657-220 No. 435 M.I.D., W.D. 12:00 M., July 8, 1941.

SITUATION REPORTI. GERMAN-RUSSIAN FIGHT.

Ground: In Finland Germans advance in Salla River region south of Kandalaksha. Finns gain in Lake Ladoga—Kexholm area.

The situation in Estonia is obscure. In the Baltic regions German columns are attacking in the region of Pskov—Ostrov towards Leningrad. From Polotsk to a point on the Dnieper eastward of Bobruisk, the front appears stabilized.

To the south of the Pinsk Marshes the German armies continue their attacks in the Novograd—Volynsk area. In Galicia, to the east of Stanislawow, a Hungarian army has established bridgeheads on the east bank of the Dniester River. In Bessarabia a German army has reached the Dniester River to the west of Mogilev—Podolsk.

Air: No change in the general situation.

II. GERMAN-BRITISH FIGHT.

Air: German. Light night bombing.

British. Normal daylight offensive over northern France. Strong night attacks on industrial Germany, particularly on Munster and Cologne.

III. MEDITERRANEAN FIGHT.

Ground: The British attack up the Syrian coast toward Beirut was renewed.

Air: Axis. Noticeable but slight increase in Axis activity over Cyprus. Harassing raids on Tobruk and on installations in Egypt.

British. Principal activity in Syria, where Beirut was bombed and close support given the coastal attack.

RESTRICTED

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: July 8, 1941, 10 a.m.

NO. 2736

Recently, an important development in regard to the relation between the occupied countries and Germany has been the progressive introduction of German taxation principles in these countries, particularly with reference to the excises and the other imposts which affect the sale of the commodities which are concerned as well as the costs of production.

The process referred to is practically complete reciprocity. It is understood that plans at the present call for its early effectuation in Belgium and it might effect other countries as well.

The purpose behind this policy apparently is to enable merchandise of German origin to compete in these countries and, in addition, facilitate adoption of their whole economic structure to the European economic unit which, it seems, Germany is trying to impose on the entire continent of Europe.

With no regard to whether or not Berlin finally intends to extend the customs union (already virtually in effect with the Netherlands) to other parts of Europe, it is quite evident that authorities of the German Government are forcing fiscal and other adjustments in countries that are under their control as soon as circumstances

-2-

circumstances permit, This is being done in order that the world may become conscious of the fact that Europe is inextricably bound in its economic life to the system of the Germans.

It is requested that the Treasury Department be informed of the above.

MORRIS

HA:PAK

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

23 JUL 1948

RECEIVED
TREASURY DEPARTMENT

C
O
P
YDEPARTMENT OF STATE
WASHINGTON

July 8, 1941.

reply refer to
860E.51/1044

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses paraphrases of the Department's telegrams no. 385, dated June 9, and no. 503, dated July 3, 1941, and of telegram no. 799, dated July 5, 1941, from the American Embassy at Rio de Janeiro, regarding funds of the National Bank of Yugoslav on deposit with the Bank of Brazil.

Enclosures:

Paraphrases.

C
O
P
Y

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Rio de Janeiro, Brazil

DATE: June 9, 1941

NO. : 385

The former Governor and Vice Governor of the National Bank of Yugoslavia have now been removed by the Yugoslav Government, which has appointed Mr. D. Lazarevich as Governor and Mr. R. Bichanich as Vice Governor. The appropriate authorities of this Government have received formal notification from the Yugoslav Minister of this change. The Minister says that the Brazilian Government and the Bank of Brazil have been given similar notification and that through its appropriate officials the National Bank of Yugoslavia has requested that the Bank of Brazil transfer to the Federal Reserve Bank in New York the sum of \$11,250,000. This request is being supported by the Yugoslav Minister in Rio de Janeiro, and the Yugoslav Minister at Washington also gives it his support. You are instructed to try to obtain the execution of the request of the National Bank of Yugoslavia.

RA:FL:MMM

Copy:bj:7-9-41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: July 5, 1941, 4 p.m.

NO. : 799

Reference is made to telegram no. 503, dated July 3, 5 p.m., from the Department.

This morning I again reviewed with them the matter of the Yugoslav funds.

If the funds are guaranteed against any ensuing loss which, for instance, might be the result of an award by an arbitration tribunal or court of justice, they are completely disposed to transfer the funds as requested.

It has been pointed out by them that the United States is in a much better position than Brazil to withstand possibly losing \$11,000,000 but, they have stated, the Federal Reserve Bank refuses to take the risk that the United States is asking the Bank of Brazil to take.

As outlined in the Embassy's previous telegrams, their stand is liberal and cooperative but they insist that they will not go any farther unless we guarantee them against the risk which we have requested them to take.

CAFFERY

EA:MM

C
O
P
Y

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy at Rio de Janeiro, Brazil

DATE: July 3, 1941, 5 p.m.

NO. : 503

You are requested to renew your inquiries into the matter treated in the Department's 385 of June 9 and to urge that action now be taken on the specific instructions which have been received by the Bank of Brazil from the President of the National Bank of Yugoslavia.

EA:FL:MOM

Copy:bj:7-9-41

CONFIDENTIAL

189

Paraphrase of Code Cablegram
Received at the War Department
at 15:36, July 8, 1941.

London, filed 18:50, July 8, 1941.

1. British Air Activity over the Continent.

a. Night of July 6-7. British bombers dropped upon Brest 131 tons of high explosive bombs, which included 63 armor piercing bombs of 2000 pounds each and 17 high charge bombs of 2000 pounds each; upon Munster were dropped 36 tons of high explosive bombs and 5700 incendiary bombs, 33 tons of H. H. and 2000 incendiaries upon Essen and Rotterdam.

b. Day of July 7. Shipping in the area of the Frisian Isles was attacked by 9 Blenheims and shipping off the Hague by 11 Blenheims. The chemical works and power station at Cheoques were attacked by 5 Stirling bombers, the Potos aircraft factory at Moulbe by 4 Stirlings, and Basebrouck by 1 Stirling. All of these operations were said to be successful. British fighters were employed as follows (during the period of twenty-four hours ending at 6:00 P.M., July 7th): 145 on interceptor patrols, 246 in the protection of shipping, 452 on offensive operations, and 109 on special patrols.

c. Night of July 7-8. British bombers were dispatched as follows: 72 to Cambrai, 114 to Cologne, 17 to Frankfurt, 5 to Boulogne, 40 to Ghent, and 49 to Munster. Leaflets were dropped over Chalons and Paris by four bombers. The weather was favorable and the majority of the aircraft dispatched were able to attack their primary objectives with good results.

2. German Air Activity over Britain.

a. Day of July 6. Defensive patrols were maintained by 500

CONFIDENTIAL

fighters. Against Britain, 10 reconnaissance aircraft and 10 long range bombers were employed.

b. Night of July 6-7. Germany dispatched the following: 20 mining aircraft, 10 fighters and 25 long range bombers.

c. Day of July 7. Offensive patrols were maintained in the Pas de Calais area and reconnaissance was carried out over the East Anglian and south western coasts.

d. Night of July 7-8. Principal German operations were in the area of Southampton. There was also some activity over Lyme Bay and the Thames Estuary.

3. Aircraft Losses Reported.

a. British losses. Five bombers were unreported from the raids of the night of July 7-8. Three Blenheims and four Spitfires were lost and two Spitfires damaged during the day of July 7.

b. Axis losses. For the day of July 7, these losses were as follows: 4 He-109's and 3 He-109's shot down, 3 He-109's and 1 He-109 probably destroyed and 3 He-109's damaged.

4. Axis Air Activity. Other Theaters.

a. Middle Eastern Theater. On July 5th the Germans made an unsuccessful attempt to mine the Suez Canal.

END

Distribution:

Secretary of War
State Department
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
G. H. Q.
~~Chief of Staff~~
Chief of the Army Air Forces
Assistant Chief of Staff, G-3
Air Corps

Secretary of Treasury

CONFIDENTIAL

INFORMATION COPY

July 9, 1941
8:52 a.m.

HMJr: Hello.

Operator: Mr. Hopkins.

HMJr: Hello.

Operator: He's on, go ahead.

HMJr: Hello.

Harry Hopkins: Hello.

HMJr: Hello, Harry.

H: Hello, Henry.

HMJr: How are you?

H: All right.

HMJr: Harry, you remember last week you asked me to do something on helping on this ferrying service to Africa.

H: Yeah.

HMJr: Well, Clif Mack is sitting here now and he says that he's not yet gotten the requisition from your organization to go ahead and do our end of it.

H: Well, I thought the understanding with Cox was that he was going ahead and purchase whenever - whatever the outfit was told him the names of the items....

HMJr: No, well, he hasn't got it yet.

H: Well, you mean he doesn't - he hasn't been told anything to buy. Well, my - Cox told me that Mack agreed to buy without a requisition.

HMJr: Let me ask him. Just let me ask him. (Talks aside) He says that Cox said to wait until he had further information. He's had no green light.

- 2 -

H: I mean the - he hasn't been told to buy anything?

HMJr: That's right.

H: Well, that's another matter. I - I

HMJr: I thought maybe when you came over at lunch time you'd have the thing because you made a special point of it. I made a special point.....

H: Well, I - I don't - I assumed the stuff was all being bought. It's all news to me, Henry.

HMJr: Well, I thought you'd like to know it.

H: Yeah, all right.

HMJr: And if it's - wherever the situation is when you come over maybe you can tell me about it.

H: All right.

HMJr: Because we are anxious to go to town.

H: All right. Goodbye.

HMJr: Goodbye.

July 9, 1941
9:30 a.m.

Rene Plevin: Hello.

HMJr: Mr. Plevin.

P: Yes.

HMJr: Good morning.

P: Good morning, Mr. Secretary. I was just going to ring you up myself.

HMJr: You were?

P: Yes.

HMJr: What did you have in mind?

P: Well, I wanted to tell you that I have been for one hour and twenty minutes with the gentleman and that he was awfully nice to me.

HMJr: Good. That's what I was calling up to find out.

P: You see, he did not give me any hope...

HMJr: Pardon.

P: I say that he did not give me any hope because he said it was a matter of high policy which would only be decided by highest possible authority.

HMJr: Right.

P: But, you know his manner, he puts you very penetrating questions and I had the feeling that it was not a man who was an antagonist to my views who was questioning me, you see?

HMJr: Oh, no.

P: And he told me they have full respect for the matter you have, "If you were only asking to get supplies you want without anybody knowing

- 2 -

it. That would be my province."

HMJr:

Yeah.

P:

"But I see that you want to get them so quickly." And I told him, "Well, precisely, because one fights ? ? ? and with equipment.

HMJr:

Yeah.

P:

And he said, "And there it is out of my province." And he said, "This is a thing on which I cannot give you an opinion because it's a matter to be decided higher up." But I have the impression that he is going to talk it over.

HMJr:

Good. Now, Mr. Plevin, if you will let me, I'm trying to adopt your cause.

P:

Well...

HMJr:

And Mr. Oscar Cox was here this morning.

P:

Mr.?

HMJr:

Oscar Cox.

P:

Oscar Cox.

HMJr:

Who is sort of lawyer for Hopkins.

P:

Oh, I see. Yes?

HMJr:

And he's going to call you and I suggested that he get in touch with you and invite you to spend an evening with him.

P:

Very good.

HMJr:

Now, he has great influence over there.

P:

Very good.

HMJr:

And he's very able. He's a Treasury man that we've loaned to Mr. Hopkins.

- 3 -

P: Oh, very good.

HMJr: He's one of my lawyers that I've loaned to Mr. Hopkins, but he has - he does all the legal work on the Lend-Lease.

P: Very good.

HMJr: And he's a very important and very able...

P: Very good.

HMJr: Now...

P: So, I don't make any move myself, I wait for him to ring me up.

HMJr: He'll call you. Now, another thing, would you think over, which I didn't understand - I had supper last night with Mr. Maynard Keynes. Hello?

P: Yes.

HMJr: You know who he is?

F: No, Mr. Secretary.

HMJr: Maynard Keynes.

P: Oh, Maynard Keynes. Oh, yes, yes. I had heard King. Excuse me.

HMJr: Keynes. And to my surprise, he is of the school, who believes that General Weygand should be supported.

P: Yes, I know that.

HMJr: And one of the reasons he gives is, he says that your very good friend, Mr. - oh, the former French financial attache in London.

P: Yes, Monnet.

HMJr: Monnet.

P: Monnet.

- 4 -

HMJr: Is assistant to Weygand.

P: Yes.

HMJr: And you know all about it, etc. and so on.

P: Yes.

HMJr: Think that over and next time I see you I want to talk to you about that.

P: Yes, well I - I will be able to give you...

HMJr: Because if Maynard Keynes - he's not friendly - you know that.

P: I know that.

HMJr: And I don't - and I'd like to know why.

P: I know that, you see, and I knew that he was very strongly of the belief that Weygand could be carried over.

HMJr: That's right. And he - and he brings Monnet in the picture.

P: Well, you see, I know all about it because....

HMJr: Well, you - you - I just wanted to register it with you.

P: Yes.

HMJr: And the next time we see each other, you explain it to me.

P: Very good.

HMJr: Will you do that?

P: Yes, I will, Mr. Secretary.

HMJr: And Mr. Oscar Cox will call you.

P: Very good.

HMJr: And he is very anxious to be helpful.

- 5 -

P: Very good.

HMJr: Good.

P: Now, Mr. Secretary, I don't call your secretary or anything unless you express the desire that I should do so.

HMJr: No, what you do is - today is Wednesday - get in touch with Mrs. Klotz on Monday and then we'll get together.

P: Very good.

HMJr: You call her Monday.

P: Thank you very much.

HMJr: Thank you.

P: Very good. Goodbye, Mr. Secretary.

HMJr: Goodbye.

P: And thank you again.

HMJr: You're welcome.

(COPY)

✓
198

THE WHITE HOUSE
Washington

July 9, 1941

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I cannot see Plevin. The
matter has been taken up before.

F.D.R.

(Original filed in President's folder)

July 8, 1941

My dear Mr. President:

Mr. Rene Pleven, representing General de Gaulle, is here in Washington. He dined with me last night. He has the best knowledge of French Equatorial Africa of anybody I have ever met. He gained this knowledge first-hand as General de Gaulle's representative in Africa and it was he and two other French officers who took over French Equatorial Africa.

He has some very practical ideas on how Dakar could be taken and I assure you that if you would see him and give him half an hour, you would find your time very well spent.

I know Mr. Pleven intimately from the time when he was second in command of the French Purchasing Mission here in Washington. He is a man of excellent character and real ability.

Yours sincerely,

Rog. H. Sargent

The President,
The White House.

July 9, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: I don't think I told you people yesterday, but it was one of the most interesting stories I have heard. It was this story of Plevin, who is second to DeGaulle - he told it to me.

They got in this little plane and he and a French colonel, and he said they put two machine guns inside the plane which had been smuggled out by a French soldier from this general who is in charge at Lake Chad, and I said, "Well, what did you take those back for, to fight?"

He said, "No, we thought the general had missed them so if we returned them to him he would be pleased," so this was sort of a coming home present to return the two

- 2 -

machine guns that this soldier had come out with to show that he meant business.

So he said, "We got there and we talked to all the people and won them over, but the French general, the governor, who was an ex-general, was up country somewhere," so he said, "we thought we would send word to him to come on down. So he came down to the palace, and the next morning," he said, "This colonel and I walked into the governor's palace and this man being an ex-soldier, the general, at the age of about seventy-three," he said, this colonel started to tell them what he wanted and what he expected them to do; so he said, "This man being an ex-general didn't like it, and he hollered for the palace guard," but he said, "my friend had a blanket with him," so he said he wrapped the general up in the blanket, threw him over his shoulder, walked down to the river where the governor's own boat was, stuck him in the boat, and he said, "We ferried him across the Belgian Congo, delivered him to the Belgians, said good-bye, and went back and took the whole Province over." It is amazing. (Laughter)

It is an amazing story. He tells it so. I mean, he tells it very well.

Well, how are my two scenarists? Do you call them scenarists?

Kuhn: Impresarios.

H.M.Jr: Do we sing "Louise" tonight or don't we?

Kuhn: I am afraid we do. The ladies insist on it.

- 3 -

H.M.Jr: You are no impresario. You are not even a French general. (Laughter)

She is going to sing "Louise", is she?

Kuhn: We will try to put other things in, put a spiritual in also.

H.M.Jr: Well, did you get any of your --

Odegard: Changes on the English songs.

Kuhn: The English thing is all changed.

H.M.Jr: Are you going to sing, "There'll Always Be An England"?

Kuhn: Yes, sir.

H.M.Jr: Wonderful. And the English Navy song?

Kuhn: Yes.

H.M.Jr: Wonderful. They go well together, with "Louise", don't they? (Laughter)

All right. And you (Klotz) have arranged for the movie tonight?

Klotz: Well, I gave the orders.

H.M.Jr: That is all right.

Harold, evidently in dictating that thing I told you about Mrs. Hull, but my memorandum didn't come off the machine. The disc or something was wrong.

Graves: Well, you told me.

H.M.Jr: Yes, but you would have gotten a memo that didn't come on the machine. They couldn't get it.

- 4 -

Graves: I tried to get Patterson --

H.M.Jr: I am not worried. I am just telling it to you now.

Norman?

Thompson: I have nothing important.

H.M.Jr: Wonderful. We will skip it then.

Dan, are you and I going to do any financing today?

Bell: I hope so.

H.M.Jr: Right after this meeting?

Bell: Fine. The Budget has some very large estimates which they are considering and which they are getting out piece-meal, and they are hollering for them on the Hill. They claim they want to get through up there by the twenty-third.

H.M.Jr: Of what?

Bell: July. Apparently they think they are going to be through with the tax bill and everything, and while the Senate works on it, they are going to recess.

These appropriations are quite large, and I am trying to get the Budget to hold them up until Monday. Since they don't know whether they can do it or not - they certainly will hold them up until tomorrow.

H.M.Jr: It is all right.

Bell: Well, I would hate to have them hit the market.

- 5 -

H.M.Jr: Oh, you mean for us to finance tomorrow?

Bell: Finish today and get it over with. The refunding certainly will be open tomorrow, so for that reason I am trying to hold the estimates up until Monday. They are very large.

H.M.Jr: Are they?

Bell: Eight billion.

H.M.Jr: How much?

Bell: Eight billion. That doesn't include Lend-Lease, which will be another eight, at least. It is estimated that this Congress will appropriate sixty billion dollars before they are through.

H.M.Jr: I didn't think Harold Smith's statement, which I read in the paper, was too good. The statement as I read it was that we had more money than we were spending and the implication was we really had more money than we needed. Did you see it?

Bell: Yes, I saw the Washington Post. I didn't interpret it that way. I thought what he was trying to explain was that the expenditures under national defense were really closer to their estimates than our figures indicated, because some of the departments have national defense money woven in or integrated with their other funds.

H.M.Jr: Well, by reading it, unless you have gone to school on it, it didn't make sense.

Bell: I think that was the purpose, but I don't know.

- 6 -

H.M.Jr: You think that was the purpose? It was very successful. (Laughter)

Bell: No, I mean the purpose was to explain the discrepancy in the estimates.

H.M.Jr: Anything else?

Bell: That is all.

H.M.Jr: You and I will do it immediately afterward.

Bell: All right.

Graves: Does that have any bearing on our meeting with you at ten-fifteen?

H.M.Jr: Oh no, Bell works very fast.

Graves: I have nothing.

H.M.Jr: We will clean this meeting up right away and give Bell fifteen minutes.

Harry?

Schwarz: I have a memorandum for you on tax publicity after talking with your impresarios.

H.M.Jr: Tax publicity? Meaning what?

Schwarz: The general tax program. It is supplementary to the previous one.

H.M.Jr: Oh, this is something you want to do, what?

Schwarz: I suggested it for the Treasury.

H.M.Jr: Oh.

Schwarz: You may want to take it home.

- 7 -

- H.M.Jr: Now here, "Keynes visits the White House, held implying consideration of plan for forced saving."
- Now, why wouldn't it be perfectly proper to say that it is quite the reverse, that he is very much interested in the plan that we are putting out and asked us for specifications so that he can take that back to England?
- Schwarz: Not only proper, but helpful.
- H.M.Jr: That is what he said. He is very much interested, and he asked the Treasury to furnish him with details so he can take the U. S. Treasury plan back to England with him.
- Schwarz: The only reason for that story is that nothing having been given out and being known as a forced savings exponent --
- H.M.Jr: You tell the boys that.
- Anything else?
- Schwarz: That is all.
- Bell: By the way, there is a good cartoon in this morning's Post on the tax notices.
- H.M.Jr: I saw it. It is out of the Tribune. I think it is the New York Tribune.
- Schwarz: I didn't put it there.

- 8 -

H.M.Jr: Will this be the last one, George?

Haas: That is the last edition.

H.M.Jr: When do you get my bomber stuff?

Haas: I have it.

H.M.Jr: Have you shown it to --

Haas: It has been checked by --

H.M.Jr: Lubin?

Haas: Yes.

H.M.Jr: Why only one copy? That has been checked?

Haas: It has been checked, yes.

H.M.Jr: Oh, you don't differentiate between the four and two-engine?

Haas: Yes, sir.

H.M.Jr: As flying boats?

Haas: No, what we did on the flying boats, we took the four and two-engine ones and assumed that was what you wanted, the larger ones.

- 9 -

H.M.Jr: Just to show you that here in the United States they still don't know what this war is about, I don't care how many millions they appropriate, you see - I mean, from January 5 to July 5, flying boats - just get this - the Navy received one hundred and the British eighty-seven; and, on order, flying boats, Navy, the huge figure of seven hundred forty-seven and for the English, seventy-five.

White: Is any amphibian plane called a flying boat?

H.M.Jr: Yes, it is a flying boat. That is the thing I want to send over to the President. You see, they have just gone haywire on the four-engine bombers and the stuff that we need - I mean, to do the kind of war that we are going to fight, they just haven't got the stuff.

Bell: Are they putting out the bomber in quantity?

H.M.Jr: They have gone haywire on the four-engine bomber.

Bell: Producing that very fast?

H.M.Jr: No.

Bell: Oh, they are not? I thought they were.

H.M.Jr: No, we don't get into any kind of production on the four-engine bombers for the rest of the year to amount to anything.

Bell: What kind of planes are we producing?

H.M.Jr: Nothing.

Bell: From all reports we are putting out a thousand to twelve hundred a month. Is it pursuit planes?

- 10 -

- H.M.Jr: Well, in the room here, the Army expects to take delivery of nine four-engine bombers in August; the Navy, none; and the British, twenty-one.
- Two-engine bombers; the Army, seventy-five; British Empire, two hundred and four. Flying boats for the Navy; thirty-one; and the British Empire, three.
- Bell: Well, it is the two-engine bomber that they are producing then.
- H.M.Jr: Yes, but the thing they are after - well, it doesn't show up here yet. Evidently they haven't placed the orders for four-engine bombers. But all this stuff about Knudsen and these bombers and all the rest of that stuff, wherever it is - it is all in the newspaper clippings. But I mean, I got this to send over to the President, and we will hope once more that some day they will get down to business. Get me another half dozen copies of this, will you.
- Haas: Yes, sir. Do you want me to right away?
- H.M.Jr: No, but don't anybody breathe these figures, because they are too discouraging. It is unbelievable.
- How far had I gotten?
- Did you show those to Lubin?
- Haas: Yes, sir, he checked those.
- H.M.Jr: You might tell Stephens to get them to you, because then I will tell you what to do with them when you get ready to leave here.
- Haas: All right.

- 11 -

H.M. Jr: Tell Stephens.
How long will it take you to get these?

Haas: To get the copies?

H.M. Jr: Yes.

Haas: Well, I think there are six of them available right now.

H.M. Jr: Please.

Blough: Do you wish to go into the tax bill this morning.

H.M. Jr: No. (Laughter) We will go around and we will come back. We might.
Ferdie?

Kuhn: Mr. Secretary--

H.M. Jr: Much rather talk about Louise and bombers and so on.

Blough: So would I. (Laughter)

H.M. Jr: That makes it unanimous. I know I am the bottleneck on the taxes.

Kuhn: Would you consider that invitation of the ABA to go to speak in Chicago on the first of October?

H.M. Jr: Yes.

Kuhn: B. M. Edward thinks it is very important, and I think there is a lot to what he says.

H.M. Jr: Yes, I will go.

- 12 -

Kuhn: Fine.

H.M.Jr: Now is B. M. Edward going to sit in with us on our tax certificates for the banks?

Bell: He hasn't been in on it; no, he has not.

H.M.Jr: Could you pull him in?

Bell: We could do it very well.

Is he back in town yet?

Graves: I am not sure. I think perhaps he is not here.

H.M.Jr: In our preparation of the plan, could you pull him in?

Bell: Fine, I will be glad to.

H.M.Jr: He is a good man.

Bell: Yes, very good.

Cochran: The Viscose transaction came up in the House of Commons, and Sir Kingsley Wood gave a very good statement, saying he took full responsibility for the transaction.

Gifford is still selling some securities every day. There were six hundred thousand for the week ending July 5.

H.M.Jr: I would think he would sell some yesterday and the day before.

Cochran: They said part of the strength of the market yesterday came from the knowledge up in New York that the British were withdrawing from their offers. Foreign purchasers of securities out-weighed sales yesterday by about sixty

- 13 -

thousand.

H.M.Jr: What is that, Swiss?

Cochran: Part Swiss, part Latin-American.

H.M.Jr: Ed?

Foley: Here is a memorandum for you to sign.

H.M.Jr: Is mine here?

Foley: I think they took it off.

H.M.Jr: Then the rest of them won't get to him. This is getting to be kind of a familiar matter.

Foley: Yes.

H.M.Jr: It is very amusing. I told him I didn't know whether you (Klotz) would think he would think it was funny, but he did. His letter was also funny.

What else?

Foley: There is a proclamation coming over from Welles this morning in connection with the blacklist. They are going to initial it first.

H.M.Jr: What do you do with the blacklist or with the proclamation?

Foley: Well, we send out instructions to the banks to freeze those accounts and--

H.M.Jr: I am listening.

White: That is all.

H.M.Jr: "Lack of Treasury form on foreign accounts."
Is that you or Bell?

- 14 -

Foley: That is us.

H.M.Jr: I want an answer.

Foley: The form isn't ready for filing yet, and we are going to extend it for forty-five days.

H.M.Jr: Give it to Chick Schwarz.

Foley: We announced that at the Federal Reserve meeting the other day.

H.M.Jr: Well, there is the New York Times.

Foley: I will give Chick a memorandum.

H.M.Jr: Merle, you might ask the State Department, in Istanbul, if they ever heard, "Nazi bankers begin business in Turkey using funds from occupied nations to purchase French holdings," and so forth. Ask them if they can get a report on that.

Does that clear you up, Ed?

Foley: Yes, sir.

H.M.Jr: Herbert?

Gaston: The State Department - I think I told you that the State Department asked us to prevent unauthorized travel on ships to Iceland.

H.M.Jr: Yes.

Gaston: I haven't anything else.

H.M.Jr: To go back, I don't understand - I mean, is this the thing that was worked on in your committee, Ed, about the blacklist?

Foley: Yes.

- 15 -

H.M.Jr: Is that cleared with Shea and Acheson?

Foley: Yes. Well, it is a proclamation for the President to sign.

H.M.Jr: And they put them on--

Foley: And it is some of the British blacklist and some of the others that are around.

H.M.Jr: Who talked to me about this recently? Somebody was complaining.

Foley: Well, I don't know. Dean Acheson has been carrying the laboring oar on this.

H.M.Jr: I guess he talked to me about it and wanted me to help him.

Foley: He has got it cleared with Maxwell now. He got Maxwell's initials on it--

H.M.Jr: He wanted me to help, and I said it was up to him to carry the ball.

Foley: That is right.

Well, he got it cleared with Maxwell, and he wants the administrative work on it to be done by Maxwell.

H.M.Jr: He wanted me to get in on it, and I refused to.

Foley: That is right.

Well, the upshot of it is that he recommends the administrative end of it be done by Maxwell.

H.M.Jr: Is that all right?

Foley: Well, we would rather have it done by ourselves.

- 16 -

but I don't see as there is very much we can do about it.

H.M.Jr:

What does that mean, administrative end?

Foley:

Well, Maxwell has got the force in so far as exports are concerned.

H.M.Jr:

It is exports?

Foley:

Yes.

H.M.Jr:

Why not?

Foley:

Yes.

H.M.Jr:

Can you do it in five minutes, Roy?

Blough:

What I can do in five minutes is distribute the literature and let people study it at their leisure.

H.M.Jr:

Fair enough. (Laughter)

Klotz:

That is marvelous.

Blough:

It is not as formidable as it looks. The summary is on top.

H.M.Jr:

The class is adjourned for study period. We will hold an examination tomorrow.

July 9, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Schwarz *CS*

After discussing the subject with Messrs. Odegard and Kuhn, I have the honor to submit the following supplement to my memorandum to you of June 24:

Of the money they are "forking over" to pay for their National Defense, the American people consider that there are two piles:

1. One is money they expect to get back in the future, with an increment. They expect it will come back to them personally, or be paid to their heirs.

2. The other is money that, from the point of view of the taxpayers, has gone "down the drain." They know rather vaguely that they are actually paying it out for a commodity they dearly wish to retain--the American way of life--but it is sometimes difficult for the busy citizen, daily subjected to all sorts of "noises" on the radio, stories in the newspapers, personal and family problems and pressures and appeals from every direction, to translate his drab income tax form into battleships and bombers.

- 2 -

For the money that the Government is borrowing from the people, a great, comprehensive campaign already is under way.

For the money that is the average citizen's share of the cost of self-government, very little educational work of a co-ordinated nature has yet been undertaken.

There is a definite distinction in the minds of these average citizens between the two kinds of money. This fact should constantly be borne in mind in any program undertaken by the Treasury to take advantage of the long-wished-for willingness to pay taxes that finally exists today, even if that spirit has been engendered by forces from overseas rather than from pre-war unity at home.

David Cushman Coyle approached the subject in the days of the recovery program in his little book, "Why Pay Taxes." But there was of course slight popular response to his salesmanship of Government services. Even in a fight against depression--or more probably, because of it--sectionalism and differences of income were responsible for continued dissatisfaction

with the nation's tax structure, Federal, State and local.

This year, however, the Secretary of the Treasury sounded the new keynote when he testified before the Ways and Means Committee of the House of Representatives and uttered this declaration of faith:

"The American people, I believe, have outgrown the old idea that taxes were exactions forced upon them by their Government. We have come to understand, especially in recent years, that taxes are payments for services rendered... Our daily lives would be insupportable if it were not for the necessities and the conveniences which our taxes have made possible.

"We are now about to pay for the greatest service of all: the safety and protection of our country... If we remember always the services we are receiving as individuals, the new taxes will seem a small price to pay. The American people are ready to pay that price."

But the hearings for an unprecedented 3½-billion-dollar tax increase, thus broadly inaugurated, soon assumed their old, familiar pattern. Special interests

were speedily on the job, loudly proclaiming their readiness to share in the cost of defense, but "please, Mr. Congressman, keep in mind our very special problems."

The recurring shocks from overseas have kept the tax authors at their task and, as the American people have awakened to the realization that that $3\frac{1}{2}$ billions and all that has been levied before must be paid, a demand has arisen for some method of saving ahead out of the income to be taxed against the tax bill to be met next spring.

The Treasury's answer has been the announcement of tax-anticipation notes to be initially issued next month.

Simple understanding of the mechanics of the tax system and of the services it pays for will have an important bearing on the reception accorded these anticipation notes this year and on the promptness with which tax returns are filed next year.

To achieve that understanding, I propose that a motion picture "short" be produced this year to explain the purposes of the tax-anticipation notes and how they may be purchased. This "short" should have blended into it shots of the weapons for defense

the taxes will pay for and shots of the free institutions we are defending and for which we tax ourselves.

Early next year there ought to be a second "short" practically drawing a diagram on how to file a tax return. Further simplification of this process is an important step on the road toward an improved popular acceptance of our tax system. This film could emphasize the "ability to pay" principle, bringing in a dash of what happens to major evaders to prove there is no favor to the wealthy and repeating the tie-in with defense armament and the institutions we are defending.

Built around these two themes should be radio programs, individually and in series, and educational programs through speeches in the schools and before civic organizations, such as the League of Women Voters and the General Federation of Women's Clubs. Evening forums should be arranged as community activities and luncheon discussions provided for service clubs.

Keyed to these two themes for their respective periods should be a steady flow of newspaper publicity, as little as possible emanating from the Treasury but coming direct from those who write the nation's

editorial opinions, encouraged and inspired where necessary by key men of the Division of Public Relations operating from strategic centers such as New York, Chicago, New Orleans, San Francisco and others. The very nature of the tax program demands regional treatment such as would be afforded under this proposal. Some phases of the new tax schedules will have a very different significance in Louisiana from their meaning to communities of the Pacific Coast and Middle West. A man in each section would present the program in the way most suited to his region.

And, of course, information presented in this way is of much greater interest to newspapers than that given out in Washington to cover the entire country. Such a system of presenting material also leads to a close relationship between the public relations man and his outlets. Newspaper and radio men grow to trust the man who supplies them with honest, intelligent news and they come to rely upon him as a source of information.

By recruiting such men, I propose that they work in close harmony with Collectors of Internal Revenue,

- 7 -

who also are familiar with local problems, and with the Supervisors of Accounts and Collections, who have good regional viewpoints.

-000-

July 9, 1941
10:00 a.m.

RE FINANCING

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

Bell: I haven't talked with New York yet this morning. I just got the note of that meeting. Apparently they are on January 45 at one and an eighth. The boys are all practically together on the pricing. New York probably is a little lower, about half a point, and we are about seventeen or eighteen.

Murphy: Seventeen.

Bell: Hadley, nineteen, and Federal Reserve is in that range too, so there isn't much difference on pricing in that area. This (exhibiting chart) shows the crowded area in forty-four. It goes through every month except August, October, and November. January and February are both open, April is open, and forty-three has also got something in July. In forty-four we have got seven billion nine. This year we have got five billion nine.

H.M.Jr: Couldn't we put it into February and get it out of my administration?

Bell: You are thinking a long way ahead. Are you sure?

H.M.Jr: Yes.

Bell: You might get a fourth term.

H.M.Jr: Not for me.

- 2 -

Hadley: That could be done very easily. It would make a difference of about a thirty-second.

H.M.Jr: There will be a change of administration and everything else in January, forty-five.

Bell: It is all right. One month, I don't think, makes much difference in pricing.

H.M.Jr: I am serious.

Murphy: Sure, it is a good point.

H.M.Jr: I mean, January we change and everything else.

Murphy: Yes, sir. A new Secretary would want time to look around.

H.M.Jr: Sure.

Bell: Well, January would be out of the way for the outgoing Secretary.

H.M.Jr: No, January 20th.

Bell: Well, of course, you could turn it over in December and have a clean slate.

H.M.Jr: Why not make it February?

Bell: Can just as easily. No harm.

H.M.Jr: It seems plenty sweet, doesn't it?

Bell: On the basis of those figures. The lowest estimate is sixteen thirty-seconds, which would bring it down to probably fifteen thirty-seconds.

H.M.Jr: Will the budget keep out of the way, do you think?

- 3 -

- Bell: I think so. Lauch said he would do everything he could.
- H.M.Jr: Where is Harold Smith?
- Bell: He is here now. He got back last --
- H.M.Jr: Why not tell him that I am going to do this financing?
- Bell: They know it. I have told them. He is going to call me again tomorrow afternoon. He knows it won't go up until Friday morning.
- H.M.Jr: Eight billion more?
- Bell: The statement for Lend-Lease is twelve billion, but they think that the categories when they get them down will run to about eight billion. But a memorandum is going to the White House today on the estimates and we are going to caution Early not to give out anything on the memorandum. They will try to hold the letters until Monday morning.
- H.M.Jr: We have got nothing in February. I don't see why we can't do it.
- Bell: No, it is all right.
- H.M.Jr: I think I will make everything from now on in forty-five. My decks are in pretty good shape.
- Bell: Either that or prior to November, forty-four.
- H.M.Jr: No, I mean afterward. We can announce this tomorrow morning.
- Bell: Yes.
- H.M.Jr: I think I will make Jones go out longer, too.

- 4 -

I don't want any of this short stuff back. It is silly, doing this short stuff. We ought to get it out further. I am just not going to do any more stuff in this period. We will get out as far as we can.

I think from now on we will crowd it out.

Bell: That includes everything, you see, Federal Land Banks and all.

H.M. Jr: How is that last RFC note selling?

Hadley: It is selling at par, twenty and twenty-two. It has held steadily for about ten days.

(Telephone conversation with Mr. Rouse follows).

July 9, 1941
10:12 a.m.

227

HMJr: Hello.

Operator: Mr. Rouse.

HMJr: Hello.

Robert Rouse: Good morning, sir.

HMJr: How are you?

R: First rate, I hope, you are.

HMJr: I'm fine.

R: Good.

HMJr: We are sitting here talking about this financing - what do you people recommend down there.

R: We recommend a $3\frac{1}{2}$ year, 1 and $1/8$.

HMJr: Let's see - that's January.

R: January.

HMJr: How would you feel if we made it into the next administration - made it February?

R: I think that would be all right.

HMJr: Yeah.

R: Yes, sir.

HMJr: I want to give the next Secretary of the Treasury a chance to turn around.

R: (Laughs) Well, the - you'd have a chance to finish it up yourself though.

HMJr: I might, but January - I'm serious, February is all right, isn't it?

R: Yes, I think so. We figure that - and fairly conservatively I think, that 1 and $1/8$ is worth between - around 17 to 19/32 premium.

- 2 -

HMJr: One month longer would make....

R: One month longer would make about 1/32 difference. It doesn't - wouldn't effect it at all, I don't believe.

HMJr: Well, that month is blank with us - February.

R: Wh huh. I'd - well, I'd feel entirely satisfied with that and...

HMJr: Is the market ready for it?

R: The market is entirely ready for it and it's waiting and expects it and be disappointed if you didn't do it.

HMJr: Is this particular - I mean, this money, 3, 3½ year money is a lot of it around?

R: You mean a lot of similar maturities....

HMJr: No, you know, is the demand there?

R: Yes, it's bank money. There is some falling as - of that biggest interest in short money now is either quite short or in the 1947 or '8, '46 or '7 category, but in this type of thing the banks want it and would like it.

HMJr: Good.

R: And this is the common recommendation, it just seems to naturally fall there. People like the Central Hanover and the City Bank and Chase, Guaranty, all came to the same conclusion. Everybody that went into it carefully and examined it came out with the same answer. So I think it's right down the alley.

HMJr: Good.

R: Wouldn't have any hesitation about it at all.

HMJr: Good. Now, just hold on a minute please. (Talks aside) Everybody in the room is happy.

- 3 -

R: Good.

HMJr: So, they'll get to work.

R: All right, fine.

HMJr: Thank you.

R: Thank you very much.

HMJr: Goodbye.

- 5 -

H.M.Jr: Now, just hold on a minute, please. George, have you got any doubts?

Haas: None at all.

H.M.Jr: Henry?

Murphy: None at all.

H.M.Jr: You?

Hadley: Perfect setup.

Bell: No, sir. No doubts.

H.M.Jr: You are satisfied?

Bell: Perfect.

H.M.Jr: Everybody in the room is happy, etc. etc.