

July 9, 1941
9:45 a.m.

231

Mr. Rouse said the market is a little better this morning - fairly firm. No one has changed his mind and they all think you should go ahead. The nearest to a consensus is that the security should be for 3-1/2 years at 1-1/8%. (January 1945)

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

232

DATE July 9, 1941

TO Secretary Morgenthau

FROM W. H. Hadley

C C C NOTES

<u>Term</u>	<u>Coupon</u>	<u>Yield</u>	<u>Market Price</u>	<u>Probable Premium</u>
Jan. 1943 (1 yr. 6 mos.)	5/8%	0.46 0.47	100.8 100.7	8/32nds 7/32nds
July 1943 (2 yrs.)	7/8%	0.64 0.65	100.15 100.14	15/32nds 14/32nds
Oct. 1943 (2 yrs. 3 mos.)	7/8%	0.68 0.69	100.14 100.13	14/32nds 13/32nds
Jan. 1944 (2 yrs. 6 mos.)	7/8%	0.73 0.75	100.12 100.10	12/32nds 10/32nds
July 1944 (3 yrs.)	1%	0.83 0.85	100.16 100.14	16/32nds 14/32nds
Oct. 1944 (3 yrs. 3 mos.)	1%	0.89 0.91	100.11 100.9	11/32nds 9/32nds
Jan. 1945 (3 yrs. 6 mos.)	1-1/8%	0.93 0.95	100.21 100.19	21/32nds 19/32nds
April 1945 (3 yrs. 9 mos.)	1-1/8%	0.98 1.00	100.17 100.15	17/32nds 15/32nds
July 1945 (4 yrs.)	1-1/8%	1.02 1.05	100.13 100.10	13/32nds 10/32nds
Oct. 1945 (4 yrs. 3 mos.)	1-1/4%	1.06 1.09	100.25 100.21	25/32nds 21/32nds
Jan. 1946 (4 yrs. 6 mos.)	1-1/4%	1.11 1.14	100.20 100.15	20/32nds 15/32nds
April 1946 (4 yrs. 9 mos.)	1-1/4%	1.15 1.18	100.15 100.10	15/32nds 10/32nds
July 1946 (5 yrs.)	1-3/8%	1.20 1.23	100.27 100.22	27/32nds 22/32nds

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1941-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug. 1	Bond 3-1/4% -----	46					
Aug. 1	GCC 5/8% -----		203				
Sept.							
Oct.							
Nov. 1	RFC 7/8% -----		300				
Nov. 1	USHA 1/4% -----		112				
Nov.15	GCC 1% -----		204				
Dec.15	Note 1-1/4% -----	204					
	Total	250	819				
1942-Jan.15	RFC 7/8% -----		310				
Jan.15	FFMC 3% (1942-47) -----				236		
Feb.							
Mar. 1	FFMC 2-3/4% (1942-47) -----				103		
Mar.15	Note 1-3/4% -----	426					
Apr.							
May							
June							
July 1	RFC 1% -----		276				
July 1	HOLC 2-1/4% (1942-44) -----				875		
Aug.							
Sept.15	Note 2% -----	342					
Oct.15	RFC 7/8% -----		320(T)				
Nov.							
Dec.15	Note 1-3/4% -----	232					
	Total	1,000	906		1,214		
1943-Jan.							
Feb.							
Mar.15	Note 3/4% -----	66(T)					
Apr.							
May 1	GCC 3/4% -----		289				
Jun.15	Note 1-1/8% -----	629					
Jun.15	Bond 3-3/8% (1943-47) -----				454		
July.15	RFC 1-1/8% -----		324(T)				
Aug.							
Sept.15	Note 1% -----	279					
Oct.15	Bond 3-1/4% (1943-45) -----				1,401		
Nov.							
Dec.15	Note 1-1/8% -----	421					
	Total	1,395	613	1,855			
1944-Jan.							
Feb. 1	USHA 1-3/8% -----		114				
Mar.15	Note 1% -----	515					
Mar.15	FFMC 3-1/4% (1944-64) -----				95		
Apr.15	Bond 3-1/4% (1944-46) -----				1,519		
Apr.15	RFC 1% -----		573(T)				
May 1	HOLC 3% (1944-52) -----				779		
May 15	FFMC 3% (1944-49) -----				835		
Jun.15	Note 3/4% -----	416					
July 1	HOLC 2-1/4% (1942-44) -----					875	
Aug.							
Sept.15	Note 1% -----	283					
Sept.15	Note 3/4% -----	635(T)					
Oct.							
Nov.							
Dec.15	Bond 4% (1944-54) -----				1,037		
	Total	1,849	687	2,556	1,709		875

1/ Excludes special issues, issues redeemable at option of holder, and postal savings bonds.

July 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
		Direct	Guaranteed	First callable		Final maturities	
				Direct	Guaranteed	Direct	Guaranteed
1945-Jan.							
Feb.							
Mar. 15	Note 3/4% -----	718					
Apr.							
May							
June 1	HOLC 1-1/2% (1945-47) -----				755		
July							
Aug.							
Sept. 15	Bond 2-3/4% (1945-47) -----			1,214			
Oct. 15	Bond 3-1/4% (1943-45) -----					1,401	
Nov.							
Dec. 15	Bond 2-1/2% -----	541					
Dec. 15	Note 3/4% -----	531(T)					
	Total	1,790		1,214	755	1,401	
1946-Jan. 1	Conversion 3% -----	16					
Feb.							
Mar. 15	Bond 3-3/4% (1946-56) -----			489			
Apr. 15	Bond 3-1/4% (1944-46) -----					1,519	
May							
June 15	Bond 3% (1946-48) -----			1,036			
June 15	Bond 3-1/8% (1946-49) -----			819			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total	16		2,344		1,519	
1947-Jan. 1	Conversion 3% -----	13					
Jan. 15	FFMC 3% (1942-47) -----					236	
Feb.							
Mar. 1	FFMC 2-3/4% (1942-47) -----					103	
Apr.							
May							
June 1	HOLC 1-1/2% (1945-47) -----					755	
June 15	Bond 3-3/8% (1943-47) -----					454	
July							
Aug.							
Sept. 15	Bond 2-3/4% (1945-47) -----					1,214	
Oct. 15	Bond 4-1/4% (1947-52) -----			759			
Nov.							
Dec. 15	Bond 2% -----	701					
	Total	714		759		1,668	1,094
1948-Jan.							
Feb.							
Mar. 15	Bond 2% (1948-50) -----			1,115(T)			
Mar. 15	Bond 2-3/4% (1948-51) -----			1,223			
Apr.							
May							
June 15	Bond 3% (1946-48) -----					1,036	
July							
Aug.							
Sept. 15	Bond 2-1/2% -----	451					
Oct.							
Nov.							
Dec. 15	Bond 2% (1948-50) -----			571			
	Total	451		2,909		1,036	

1/ Excludes special issues, issues redeemable at option of holder, and postal savings bonds.

July 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1949-Jan.							
Feb.							
Mar.							
Apr.							
May 15	FFMC 3% (1944-49)						835
June 15	Bond 3-1/8% (1946-49)					819	
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec. 15	Bond 3-1/8% (1949-52)			491			
Dec. 15	Bond 2-1/2% (1949-53)			1,786			
	Total			2,277		819	835
1950-Jan.							
Feb.							
Mar. 15	Bond 2% (1948-50)					1,115(T)	
Apr.							
May							
June							
July							
Aug.							
Sept. 15	Bond 2-1/2% (1950-52)			1,186			
Oct.							
Nov.							
Dec. 15	Bond 2% (1948-50)					571	
	Total			1,186		1,686	
1951-Jan.							
Feb.							
Mar. 15	Bond 2-3/4% (1948-51)					1,223	
Apr.							
May							
June 15	Bond 2-3/4% (1951-54)			1,627			
July							
Aug.							
Sept. 15	Bond 3% (1951-55)			755			
Oct.							
Nov.							
Dec. 15	Bond 2-1/4% (1951-53)			1,118			
	Total			3,500		1,223	
1952-Jan.							
Feb.							
Mar. 15	Bond 2-1/2% (1952-54)			1,024(T)			
Apr.							
May 1	HOLD 3% (1944-52)						779
June							
July							
Aug.							
Sept. 15	Bond 2-1/2% (1950-52)					1,186	
Oct. 15	Bond 4-1/4% (1947-52)					759	
Nov.							
Dec. 15	Bond 3-1/8% (1949-52)					491	
	Total			1,024		2,436	779

1/ Excludes special issues, issues redeemable at option of holder, and postal savings bonds.

July 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
				First callable		Final maturities	
		Direct	Guaran- teed	Direct	Guaran- teed	Direct	Guaran- teed
1953-Jan.							
Feb.							
Mar.							
Apr.							
May							
June 15	Bond 2% (1953-55)-----			725			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec. 15	Bond 2-1/2% (1949-53)-----					1,786	
Dec. 15	Bond 2-1/4% (1951-53)-----					1,118	
	Total			725		2,904	
1954-Jan.							
Feb.							
Mar. 15	Bond 2-1/2% (1952-54)-----					1,024(T)	
Apr.							
May							
June 15	Bond 2-3/4% (1951-54)-----					1,527	
June 15	Bond 2-1/4% (1954-56)-----			681			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec. 15	Bond 4% (1944-54)-----					1,037	
	Total			681		3,688	
1955-Jan.							
Feb.							
Mar. 15	Bond 2-7/8% (1955-60)-----			2,611			
Apr.							
May							
June 15	Bond 2% (1953-55)-----					125	
July							
Aug.							
Sept. 15	Bond 3% (1951-55)-----					755	
Oct.							
Nov.							
Dec.							
	Total			2,611		1,480	
1956-Jan.							
Feb.							
Mar. 15	Bond 3-3/4% (1946-56)-----					489	
Mar. 15	Bond 2-1/2% (1956-58)-----			1,449(T)			
Apr.							
May							
June 15	Bond 2-1/4% (1954-56)-----					681	
July							
Aug.							
Sept. 15	Bond 2-3/4% (1956-59)-----			982			
Oct.							
Nov.							
Dec.							
	Total			2,431		1,170	

1/ Excludes special issues, issues redeemable at option of holder, and postal savings bonds.

July 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
		Direct	Guaranteed	First callable		Final maturities	
				Direct	Guaranteed	Direct	Guaranteed
1957-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						
1958-Jan. Feb. Mar.15 Apr. May June15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-1/2% (1956-58)					1,449(T)	
	Bond 2-3/4% (1958-63)			919			
	Total			919		1,449	
1959-Jan. Feb. Mar. Apr. May June July Aug. Sept.15 Oct. Nov. Dec.	Bond 2-3/4% (1956-59)					982	
	Total					982	
1960-Jan. Feb. Mar.15 Apr. May June July Aug. Sept. Oct. Nov. Dec.15	Bond 2-7/8% (1955-60)					2,611	
	Bond 2-3/4% (1960-65)			1,485			
	Total			1,485		2,611	

1/ Excludes special issues, issues redeemable at option of holder, and postal savings bonds.

July 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1961-Jan. Feb. Mar. Apr. May June 1 July Aug. Sept. Oct. Nov. Dec.	Panama 3%-----	50					
	Total	50					
1962-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						
1963-Jan. Feb. Mar. Apr. May June 15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-3/4% (1958-63)-----					919	
	Total					919	
1964-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. Oct. Nov. Dec.	FFMC 3-1/4% (1944-64)-----						95
	Total						95
1965-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec. 15	Bond 2-3/4% (1960-65)-----					1,485	
	Total					1,485	

July 9, 1941

My dear Mr. Secretary:

I have your letter of July 9, 1941, transmitting a certified copy of your order of the same date determining, ordering, and directing, subject to my approval, that there be issued \$400,000,000, or thereabouts, of notes of the Commodity Credit Corporation designated Series O, to be dated July 21, 1941, to mature February 15, 1945, and to bear interest at the rate of 1-1/8 percent per annum, to be sold to the public at par and accrued interest. The issuance of the Series O notes has my approval. The text of the notes proposed to be issued, and the terms and conditions under which they are to be issued, also have my approval.

In compliance with your request, I shall be glad, on behalf of the Commodity Credit Corporation, to offer these notes for sale, and to offer to purchase on July 21, 1941, at par and accrued interest, the outstanding Series D notes of the Corporation to the extent to which the holders thereof subscribe to the issue of Series O notes, and in this connection will utilize the facilities of the Treasury and the Federal Reserve Banks, any expense in connection therewith to be borne by the Commodity Credit Corporation.

In accordance with your request instructions will be given for the application of the proceeds of the Series O notes, in excess of the amount necessary to purchase the Series D notes tendered for that purpose, to the liquidation of the third series Interim notes, Nos. 1 to 15, in the aggregate amount of \$75,000,000, together with accrued interest, and for the deposit of the balance of the proceeds for the account of the Commodity Credit Corporation in Reconstruction Finance Corporation's account Symbol No. 13-492.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of Agriculture.

EL:arp

Copy to: Treasurer, U.S., Mr. Ball, Mr. Tietjens, Mr. Wesley and Mr. Lowman

ORDER OF THE SECRETARY OF AGRICULTURE AUTHORIZING
THE ISSUANCE BY COMMODITY CREDIT CORPORATION OF A
SERIES OF NOTES TO BE DESIGNATED "SERIES G -
\$400,000,000."

Pursuant to the authority vested in the Secretary of Agriculture (1) by Section 401 of the Reorganization Plan No. 1 (transmitted by the President of the United States to the Senate and House of Representatives on April 25, 1959, pursuant to the provisions of the Reorganization Act of April 3, 1959, 53 Stat. 561), transferring the Commodity Credit Corporation and its functions and activities to the Department of Agriculture, to be administered under the general direction and supervision of the Secretary of Agriculture, (2) by Section 15 of the By-Laws of the Commodity Credit Corporation, as amended, specifying, with certain exceptions required by law, that the property and business of the Corporation shall be managed by the Secretary of Agriculture and all powers of the Corporation shall be exercised by him, and (3) by Executive Order No. 8219, dated August 7, 1959, designating the Secretary of Agriculture as the officer to exercise on behalf of the United States any and all rights of the United States arising out of the ownership of the capital stock of the Commodity Credit Corporation, I, Paul H. Appleby, Acting Secretary of Agriculture, do hereby determine, order and direct:

That, subject to the approval of the Secretary of the Treasury and to his agreement to arrange for the sale, at par with accrued interest, and delivery of such notes to the public through the facilities of the Treasury Department and the Federal Reserve banks, there shall be issued notes of the Commodity Credit Corporation in accordance with the act of March 8, 1936, (52 Stat. 107), as amended, of an aggregate amount of \$400,000,000., or thereabouts. Such notes shall be designated as "Series G - \$400,000,000." and shall be issued in coupon form only in denominations of \$1,000, \$5,000, \$10,000, and \$100,000, and shall be authenticated by the facsimile signature of the President of the Corporation and attested by the facsimile signature of its Secretary under its corporate seal. Such notes shall be dated July 21, 1941 and shall mature February 15, 1945 and bear interest at the rate of one and one-eighth percent per annum payable on a semi-annual basis on February 15, and August 15, 1942, and thereafter on February 15, and August 15, in each year. Such notes will not be subject to call for redemption prior to maturity and shall be substantially in the following form:

Notes of Series G
Dated July 21, 1941
Due February 15, 1945

\$1,000

COMMODITY CREDIT CORPORATION

For value received promises to pay to the bearer the sum of

ONE THOUSAND DOLLARS

on February 15, 1945, and to pay interest on said principal sum from the date hereof, at the rate of one and one-eighth percent per annum, payable on a semi-annual basis on February 15, and August 15, 1942, and thereafter on February 15 and August 15 in each year until the principal hereof shall be payable, upon presentation and surrender of the interest coupons hereto attached. The Corporation will pay principal and interest, when due, at the Treasury Department, Washington, D. C., or at any Federal Reserve Bank, or at such other Agency or Agencies as the Secretary of the Treasury at the request of the Corporation may from time to time designate. This note is not subject to call for redemption prior to maturity.

This note is issued under the authority of and in accordance with the provisions of the act approved March 8, 1938, (52 Stat. 107), as amended, which provides that notes issued thereunder shall be deemed and held to be instrumentalities of the Government of the United States. The income derived from this note shall be subject to all Federal taxes, now or hereafter imposed. This note shall be subject to surtaxes, and estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest hereof by any State, municipality, or local taxing authority.

IN WITNESS WHEREOF, the Commodity Credit Corporation has caused this note to be authenticated by the facsimile signature of its President and attested by the facsimile signature of its Secretary under its corporate seal, all as of July 21, 1941.

COMMODITY CREDIT CORPORATION

By _____
J. B. Hutson
President

Attest:

Samuel H. Sabin
Secretary

This note is fully and unconditionally guaranteed both as to interest and principal by the United States, and is hereby approved in form and issue.

Secretary of the Treasury.*

That a certified copy of this order be furnished to the Secretary of the Treasury and to the Treasurer of the Reconstruction Finance Corporation.

Done at Washington, D.C., this
Ninth day of July, 1941.
Witness my hand and the seal of the
Department of Agriculture

L. G. Backley, Assistant Secretary of
Commodity Credit Corporation, do hereby
certify that the foregoing is a true and
correct copy of what it purports to be.
Given under my hand and the Official
Seal of the Corporation this 9th day of July, 1941.

(Signed) Paul H. Appleby
Acting Secretary of Agriculture

(Signed) L. G. Backley
Assistant Secretary, Commodity
Credit Corporation

COMMODITY
CREDIT
CORPORATION
S E A L
1938

DEPARTMENT OF AGRICULTURE
WASHINGTON

JUL 9 1941



The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

I have today approved an order, a certified copy of which is enclosed for your information and appropriate action thereon, authorizing the Commodity Credit Corporation, subject to your approval, to issue on July 21, 1941 a series of notes to be designated as "Series Q" in the amount of Four Hundred Million Dollars (\$400,000,000.) or thereabouts.

It is requested that the Treasury undertake the sale and delivery of these notes through its facilities and those of the Federal Reserve banks, with the understanding that the Treasury will be reimbursed by Commodity Credit Corporation for any expense incurred in connection therewith.

It is further requested that the Treasury, on behalf of the Commodity Credit Corporation, offer to purchase on July 21, 1941, at par and accrued interest, the outstanding notes of that Corporation designated "Series D", maturing August 1, 1941, to the extent to which the holders thereof subscribe to the issue of "Series Q" notes.

Please apply the proceeds of the "Series Q" notes, in excess of the amount necessary to purchase the "Series D" notes tendered for that purpose, as follows:

First. Liquidate the amount of \$75,000,000., together with accrued interest thereon, owed to the Treasury by the Commodity Credit Corporation on account of the third series interim notes Nos. 1 to 15, inclusive, in the amount of \$5,000,000. each, pledged to the Treasury on April 28, 1941.

Second. Deposit the balance of the proceeds for the account of the Commodity Credit Corporation in Reconstruction Finance Corporation's Account Symbol No. 13-892 with the Treasurer of the United States.

Your cooperation in this matter will be very much appreciated.

Sincerely yours,

Paul H. Cappelletty
Acting Secretary

Enclosure

July 9, 1941
10:15 a.m.

RE DEFENSE SAVINGS BONDS

Present: Mr. Sulda
Mr. Odegard
Mr. Powel
Mr. Callahan
Mr. Graves
Mr. Sloan
Mr. Johnston
Mr. Kuhn
Mr. Sparks
Mr. Mahan
Mr. Duffus
Mr. Milton
Mr. Buckley

Graves: You asked especially to have a report for you today on two subjects, payroll savings plan and the status of that, and the chain store thing.

H.V.Jr: That is right.

Graves: I thought if you like we will do those two things first.

H.V.Jr: If you please.

Graves: Mr. Johnston will tell us about the payroll deduction situation.

Johnston: Would you like to have a little general resume?

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Graves: Yes.

H.M., Jr: Do I know the man next to Kuhn?

Kuhn: Mr. Milton, Mr. George Milton?

H.M., Jr: Oh sure. We will take that pillow off there to make room for Milton. (Laughter)

All right. I didn't recognize him. He was squeezed in there.

Johnston: Mr. Secretary, generally speaking we are making progress on these state organizations. We have thirty state administrators, plus Hawaii. We have twenty-two honorary chairmen. Those are the governors. There are two additional. Indicated to our local people, they will serve for a total of twenty-four.

We have fifteen state chairmen that you have invited and that have accepted your invitation, plus two more. Eleven of the states report that they have complete organizations all over the states. The reports that we have received indicate that there are a thousand and one local committees functioning in the field actively at the present time.

We are quite impressed with the enthusiasm and with their willingness to serve and work on this program.

The payroll allotment - I will come back to that in just a minute, and I will talk on the payroll allotment plan. We have here in Washington four hundred and twenty-five plans that we have seen and looked over.

H.M., Jr: Plans?

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- Johnston: Plans of payroll allotment.
- H.M.Jr: Before you leave that, I hope - you say you have got really only eleven states organized?
- Johnston: Completely. I am talking of when they - some of them are in the state of organization, you see.
- H.M.Jr: Well --
- Johnston: Some are just starting.
- H.M.Jr: Is Florida amongst the eleven?
- Johnston: No, sir. Florida is among those that are beginning to organize. They have had their initial meeting, which was a week - week before last.
- H.M.Jr: You don't include Florida?
- Johnston: No, sir. They will be among the nineteen additional, you see, among the third group. These four hundred twenty-five payroll allotment plans cover --
- H.M.Jr: Sit down.
- Johnston: Thank you. Cover something over a million seven hundred and fifty thousand employees. We have had reports from our field workers that seven hundred twenty additional plans have been adopted.
- (Mr. Odegard entered the conference.)
- Johnston: That is approximate. But that is the number. Then we also have reports that over eleven thousand firms are being contacted. They haven't said that they would put in a plan,

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but they are in the process of being contacted at the present time. Thirty-six states are represented by these plans that are in effect, the four hundred twenty-five I gave you first. Among some of the larger firms that come in - came in since you have had a report, which was last week, are the Bethlehem Steel. They had their attorneys down here and went over the plan. They have a hundred and sixty thousand people.

The Phillips Petroleum. The president of the company was here for a lengthy conference and he is taking charge of all the oil companies in Oklahoma.

I have had a conference with the Shell Oil people in the last week. We have contacted a number of the railroads. The Rock Island Railroad has sent in their plan, and a large number were listed last week in the list which you received.

Yesterday the officials of the Capital Transit Company here in town were in the office and there are many others. The Government employees plan is progressing very satisfactorily. The Treasury, as you know, started off, and about eighty-five percent of the local Treasury employees have accepted the plan and a great many other departments of the Government have indicated they would put it in.

H.M. Jr:

I hope you are going to get an administrator for the District of Columbia soon.

Graves:

Yes. That I am working on.

Johnston:

We have a staff of seven field men who are thoroughly skilled in our program, have a good background of it. They have spent

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several weeks here getting training. Now they are out in the field contacting various states. By the end of this week they will have this to twenty-two states in the last three weeks, and I am going to visit quite a few of the states, too. I am going to visit all of them, as a matter of fact, and I have visited quite a number already.

Returning to the state organizations, I think you would be interested in seeing just how Missouri is set up. Here is the way they are setting up the state organizations so you can see it is more or less a slow process.

Now, we have a state committee, and then in the larger counties they are having just one committee, as you will note, in the larger geographical areas without much population. Then in every town you will note that there will be a local organization to cover all of the towns and communities around the towns. I just thought you would be interested.

They have a hundred and forty committees in the State of Missouri, and they are functioning at the present time. There are a hundred and twenty-eight listed on here, but the report yesterday said they had a hundred and forty. That is somewhat along the line that we are setting them up.

- H.M.Jr: I have seen that. Thank you.
- Johnston: All right. That just about covers the report, unless you have some questions to ask.
- H.M.Jr: Where is Sloan?
- Graves: There he is, right behind Mr. Johnston.

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H.M.Jr: I will get organized after while.

Sloan: We did bring along, Mr. Secretary, charts that they had used in Oklahoma, but I wasn't sure you would want to see it, and how they presented it to the radio stations and members of the committee, how they tied it up locally.

H.M.Jr: I won't take the time.

Johnston: All right, sir. Thank you very much.

Graves: Now, Mr. Mahan has this chain store matter in hand, and he can tell us about that; and Mr. Sulds has just returned from Michigan, where, as you know, they are setting up their chain store plans.

Mahan: I am having difficulty, Mr. Secretary, keeping my report up to the activity in Michigan because it is going very, very well. Every town over five hundred will have some retailer selling stamps the day the activity opens.

H.M.Jr: When will that be?

Mahan: On the tenth, tomorrow. There will be at least twenty thousand retailers selling stamps in Michigan tomorrow.

H.M.Jr: Wonderful.

Mahan: They say there will be more, but we pulled that figure down.

Now, the Chain Store Bureau has distributed all their material. That is for fifteen hundred stores. The Michigan Retail Grocers and Meat Dealers, they represent the independents, not only are distributing to their

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stores, but they are holding meetings during the next week to work out locally plans with the other independents.

The Michigan Retail Institute, which represents about fifteen thousand retailers of all types, have sent bulletins to all their members and asked them to get aboard. The State Chamber of Commerce has contacted all the local Chambers and has asked them to give all retailers in their towns all the help they can.

The Retail Druggists Association, with twenty-five hundred, the Retail Hardware Association, with fifteen hundred, the Dry Goods Association, with two hundred and fifty members, principally department stores, and the Michigan Hotel Association have all bulletined all their members and asked them to participate in it.

The Governor's office is releasing within the next week the tax blanks to ninety-six thousand five hundred retailers of all types in Michigan.

- H.M.Jr: What do you mean, tax blanks?
- Mahan: The tax blank which they released to the licensed retailers for their report.
- Graves: State tax return.
- H.M.Jr: Oh.
- Mahan: State tax. And with those blanks will go a bulletin to every retailer, ninety-six thousand, asking for participation in this plan. The promotion material - we thought we had enough there. Last night they wanted twenty-five thousand more of everything, and that is going out - that material will

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go out today.

H.M.Jr: Is that a unit? Is that twenty-five thousand units, I take it?

Mahan: Yes, twenty-five thousand of each of the posters and mats and so forth.

Now, there will be a state network radio hookup tomorrow with the Governor speaking, the State Administrator speaking, and then all the radio stations have announcements to cover a two week period.

The Press Association in Michigan have sent bulletins to all the newspapers explaining the entire plan, and furnish all the newspapers with mats for local retailers' use.

Now, also the theaters - I don't know just what state that is in, but all theaters are being contacted for lobby displays and for local stamp trailers on the screen.

Thursday all the chain stores will carry stamp advertising in their regular advertisements.

Now, as far as the national setup is concerned, on Friday we are meeting with Griffith of the Drug Association --

H.M.Jr: What?

Mahan: Griffith of the National Drug Association, and that should be all buttoned up this week.

H.M.Jr: Now, may I interrupt you? Are you going to - have you fellows - do I understand from my conversation with Harold that we are going to do this by states now rather

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than try to do it through the whole country? For instance, the druggists, are you going to take them on and say, "Well, we will --"

Graves: We are going to do it in an intensive way by states, as I see it, but there is no confining of this thing to states. These organizations are going ahead.

H.M.Jr: Ahead?

Graves: And we will have --

Mahan: I would say --

Graves: As I understand it, we will probably have a gradually increasing number of retail outlets in all the states from now on.

Mahan: I would say ten days after this thing starts in Michigan, that it will be opening up in all the states. We won't - there will be no confining it to any one state.

Graves: I told Mr. Mahan yesterday of your ambition that we should have by the end of July not less than fifty thousand outlets in the country.

H.W.Jr: Signed up?

Graves: That is right, committed. And Mr. Mahan, while he makes no promises, says he thinks that that will easily be realized, that he will have that number.

Mahan: I think we can have a definite pledge of that, Mr. Secretary, because the Institute of Distribution are asking their members to return a card to them pledging their cooperation and the number of stores that will participate. We are asking the Food

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Association to do the same thing, and on Friday we will ask the Drug Association to do likewise.

Now, that should mean we would have definite pledges, I think, from possibly sixty thousand retail stores before the thirty-first.

- H.M.Jr: That would please me enormously, if you got fifty thousand.
- Mahan: Now, in connection with that we would like to have a letter from you going to the heads of the chains and the associations who sent in their pledges, so that --
- H.M.Jr: Now, I just want to start something now, if you would, please. I read these letters, but before they go out, I want your (Graves') initials on them. I want yours and I want Odegard's and Kuhn's and my General Counsel's.
- Graves: All right.
- H.M.Jr: Because I mean - and I want Graves' initials on it, Kuhn's and Odegard's, and the General Counsel's initials on any letter that goes out over my signature.
- Graves: Of this type?
- H.M.Jr: Well, any of these - yes, of this type. I mean, I want to be - you know, Department of Justice and all that kind of stuff. I don't want - if one of these associations is being sued by the Department of Justice, I don't want to be writing him a complimentary letter. That might easily happen. I want those four initials on them, please; Graves, Kuhn, Odegard, and Foley. I mean, aside from any other within the organization. With those four initials on it, we will let her ride.

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Graves: I hope you can manage to survive and get these letters through.

H.M.Jr: Well, you can shrink the bottleneck or fill it up, one or the other. But it is that much red tape that is for my own safety.

Graves: I think you are all right on these kind of letters.

H.M.Jr: And see that there are no split infinitives. Did you get that letter, Kuhn?

Kuhn: No.

H.M.Jr: Has that reached you yet?

Kuhn: No, sir.

H.M.Jr: I sent it to one of you. Secretary Ickes sits down and writes me a letter in which he says nothing has shocked him so much since Germany and Russia have gone to war as the following sentence in some of our literature, and he quotes a sentence with a split infinitive in it. I sent it to one of you. I thought we might give him a humorous answer.

Mahan: The eleven leading national retail associations, seventeen executives in those associations have all received material and the details of the plans so they can start working out their own. That represents Shoe Retailers Association, the Retail Jewelers Association, Furniture Associations. There are eleven of the national --

H.M.Jr: This pleases me very much, because after all - are you through? I will make my statement when you are through.

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Mahan:

I am just going to report the things that projected, briefly.

We also met the National Retail Dry Goods Association Friday. The National Retail Hardware Association meets in New Orleans on the - from the fourteenth to the seventeenth, and the leader of the Michigan group, who will be in New Orleans, will tell them of the experience in Michigan and will ask for a resolution for the Association to adopt the entire thing; and the only other thing is getting the material to them and all state administrators have received material and will be in a position to order it before the thing breaks on them; and in states where the state organization is not set up, we have made arrangements with the Post Office to distribute the material for use to the local merchants.

H.M.Jr:

Good. Well, that is the best news I have had. I think the publicity people certainly have done a grand job. Ninety-one percent, according to Mr. Gallup, know that there is such a thing as a Defense Savings Bond, and I think it is a unique job which has been done of letting the country know.

Now, for reasons that I am acquainted with, we have had trouble in getting our states set up, and I got a little impatient. Therefore, I have been crowding two things; one, the payroll deduction and the other, the stamps, because while we are waiting for the states to get set up, at least if we can get fifty thousand people to agree to take the stamps in July and by Labor Day have them all in fifty thousand outlets - I mean, if you could have by Labor Day - actually have fifty thousand outlets for stamps, and then by that time I hope with

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our state organizations we will catch up to our outlets. Is that right, Harold?

Graves: That is right.

H.M.Jr: But I just couldn't sit here and wait for the state organizations, so we have just got to get the outlets.

Mahan: Here is the complete report, if you care to see it.

H.M.Jr: Are you all right on your manufacturing, that you can supply these people with whatever your setups are, the stores?

Mahan: Yes, sir.

Graves: That takes time, doesn't it? How much time does it take?

Mahan: Probably somewhere between seven and ten days from the time it leaves here until it can be released to the retailer. It doesn't take that long in Michigan, because we are all set up here.

H.M.Jr: Will you have the name of the store so if we want to write them a letter we will have it?

Mahan: Yes, we will have it.

H.M.Jr: If we want to write this man a follow-up letter or a questionnaire or something.

Mahan: When he pledges his cooperation we get the name of the man to write to.

Graves: While Mr. Mahan is on his feet here, I think he might tell you a little, if you

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like, about our Post Office Department cooperation.

Mr. Mahan is the Chairman of the Treasury Section of the Joint Committee consisting of the Post Office people and Treasury people.

H.M.Jr: Good.

Mahan: It is coming along very well.

We had a meeting day before yesterday, and we are waiting now for certain information that the Post Office must furnish us. That will probably be delivered to us this week, and I think we have the details ironed out to the point where the plan can probably be ready to review in its final form before the end of the month.

Mr. Duffus is --

H.M.Jr: Now, does that envisage having a special window, a special desk in the Post Office?

Mahan: And we will have the material to go around that window. They are working with us a hundred percent and better.

Graves: I think the most important item in that program --

H.M.Jr: Just remember, all the good Post Office Inspectors are in the Treasury. You know what I mean? Graves here. Don't forget,

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we have got three of them. Elmer Irey, McReynolds, and Graves. We have got all the good ones.

Graves: I think the most important item, Sid, is your plan to distribute thirty million pieces of mail items.

Mahan: We are planning to make that a little tabloid newspaper with pictures and very interesting material so that every member of the family will read it before they lay it down.

H.M.Jr: To whom?

Graves: All the Postal patrons. This is the Post Office Department proposing to use that. We will provide the literature, and they will see that every --

H.M.Jr: Person that gets mail?

Graves: Person that gets mail will get it.

H.M.Jr: Have you got enough money for all that?

Graves: We were estimating costs on that yesterday.

It is not so great, is it?

Mahan: No, we hope to get it under a half cent apiece.

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Powel: Oh yes.

Graves: It will cost us something.

H.M.Jr: May I see one of those before they go out?

Graves: Oh, yes, we will all collaborate in the preparation of that copy very carefully.
(The Secretary left the room temporarily and returned).

Graves: You asked me yesterday a number of questions about Treasury House and the radio broadcasting, and Mr. Callahan can answer those.

Callahan: You asked about the Treasury House being - the Treasury Hour being broadcast.

H.M.Jr: Yes.

Callahan: That is the Texaco time, you know, Mr. Secretary, and this is an Esso House. I think it frankly would be sort of an imposition. (Laughter)

H.M.Jr: Now, wait a minute, say that again.

Callahan: We have the Treasury Hour. The time is given to us by the Texas Company. We have a Treasury House given to us by Standard Oil.

H.M.Jr: You don't think the two oils will mix? (Laughter)

Callahan: I certainly don't.

Graves: I think Vince is quite right about that.

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- H.M.Jr: Is Vince getting a little delicate?
- Callahan: I am getting very delicate on that.
- H.M.Jr: O.K., he is right.
- Callahan: The rest of the programs that we have will be broadcast over their own direct line.
- H.M.Jr: Where is it?
- Callahan: It is on a direct line from the broadcasting companies direct to the Treasury House, and not picked up by radio and rebroadcast.
- H.M.Jr: You are right on that. I hadn't thought of that. I think of it only as the Treasury House. It is all right.
- Graves: Another question you asked was whether we couldn't set this same thing up in Chicago. Well, Chicago is outside the territory of the Standard Oil Company of New Jersey, and I take it they would never want to establish this facility outside the territory where they sell their product. Mr. Duffus has the answer.
- Duffus: These glass banks are handled, Mr. Secretary, by the Pittsburgh Plate Glass Company. Their sales representative is going to make a trip and has asked us to accompany him to Chicago, Cleveland, Louisville, and San Francisco, covering the other four Standard Oil companies, to get them started, if possible, using the glass banks with the Defense Savings Stamps. So far they have them in --
- H.M.Jr: The fellow that makes the gravel doesn't want to go along too?
- Duffus: Probably. They have them in this territory in just over fifteen thousand of their stations.

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H.M.Jr: Already?

Duffus: They are in.

H.M.Jr: Really?

Duffus: In over fifteen thousand stations.

H.M.Jr: My daughter, who is a smart gal, says to me, "Daddy, this is very nice, but how do I break this thing?"

Powel: May I tell you, sir?

H.M.Jr: Yes.

Powel: You take a big coin and a little hammer. You put the bigger coin there and strike very gently and it makes two lovely ash trays. It doesn't fracture. Then you get two glass dishes.

H.M.Jr: How much bigger coin?

Powel: Well, a fifty cent piece.

Sparks: Might I suggest, Mr. Secretary, that it is advocated they place a towel around that and put the fifty cents on top of the towel and then tap it.

H.M.Jr: He is going to do it.

Powel: I will be delighted to do it.

H.M.Jr: Well, now, what I want to suggest is this: Couldn't they, if that works, blow the thing into glass, say this is the way to break it?

Powel: They so instruct the recipient at the gas station.

H.M.Jr: Well, it is very easy. Couldn't they put it in, right in the glass?

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- Powel: A new mold, they would have to make.
- H.M.Jr: Well, it wouldn't be - I mean, just to put it right here.
- Powel: Or on the paper.
- H.M.Jr: Or on the paper. Well, the paper might be torn. If they can, I don't know whether they can put printing on this part of the thing or not, but if they could, they could say this is the way to break it.
- Odegaard: You don't want to facilitate the breaking of those, do you, Mr. Secretary?
- H.M.Jr: No, but it is also the hesitation of using it because of the fear that a girl has of cutting her hands and everything to break it.
- Duffus: Well, they like to have you, if you will pardon me, bring them back to the station so that they can break them for you and use the first quarter that they take out to sell you a new bank. That is their policy.
- H.M.Jr: Use the first quarter they take out --
- Duffus: So that they can get you to buy another bank right away.
- H.M.Jr: Do you buy the banks?
- Duffus: For twenty-five cents, yes.
- Powel: Or a fill of gas. It is a premium with a fill of gas.
- Duffus: They are distributing them quite freely.
- H.M.Jr: Wait a minute, you say that you have to pay for these?

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Powel: If you come on foot, yes.

H.M.Jr: Oh, but if you get your gas --

Powel: If you have your windshield wiped or anything or ask for a road map --

Duffus: Then you are given one.

Powel: Otherwise, people would come on foot and draw hundreds of thousands, just to make ash trays.

H.M.Jr: I see.

Graves: I think Mr. Duffus has some - is that all about Treasury House?

Duffus: Yes, sir.

H.M.Jr: How are the sales?

Duffus: We have sold so far nine thousand five hundred sixty-two stamps, totalling three thousand five hundred and twenty-two dollars, and have started two thousand one hundred and one new albums, by actual count.

H.M.Jr: Well, now, do the hourly sales hold up?

Duffus: Yes, when it isn't raining.

H.M.Jr: Do they increase?

Duffus: On Saturday we sold eight hundred and thirty dollars' worth of stamps, which was our biggest day outside the opening day.

H.M.Jr: Are they pleased?

Duffus: Very much so.

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- H.M.Jr: Is Esso pleased?
- Duffus: Yes, they are.
- Powel: Delighted.
- H.M.Jr: I should think they would be. They are getting a million dollars' worth of advertising.
- Duffus: They originally had told us that they wanted to go ahead with this thing if it was satisfactory to us, in some twenty other cities on the eastern seaboard. It was our understanding that they were going to staff these houses, conduct them in the same manner that they do here. Yesterday their New York office advised them that so far their budget will only permit the building of such houses in these other cities, and it would be up to us to staff them and maintain them, which would be far too great an expense, I believe.
- H.M.Jr: I would forget it. I would forget it.
- Graves: Mr. Duffus has some interesting facts about the song that I thought you would like.
- H.M.Jr: Yes?
- Duffus: Just before that, we are sending these to all of the state committee members throughout the country.
- H.M.Jr: Just to show you how this thing works, Procurement and Treasury have got the job of buying the houses to house the people on the Takoradi Africa run over to Cairo, Egypt. They didn't know what to buy and I said, "Go across the way there and you will find that the Marines have got what they call their tropical house, so maybe you will find the kind of house you need for Africa."

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- Powel: That is a dandy, I think. It is awfully good.
- Duffus: Oh, "Any bonds today?" Do you want a complete report on the activity of that today, what has been done?
- H.M.Jr: Yes.
- Duffus: Well, the Victor record has been sent to all the stations, eight hundred of them. Mr. Callahan sent them. The band arrangement was written and O.K'd. by Mr. Berlin as being the best arrangement possible. It is being printed now and given to bands all over the country. We are getting through the field organization the number of band arrangements they will need to take care of every high school and college band throughout the country, so that when the fall football games start, and pep rallies and the like, we will have our song right there. It has already been distributed to all of these music box machines around the country. I have heard it in quite a few places. We have checked on that right here in the city. The Army --
- H.M.Jr: Oh, juke boxes, aren't they?
- Duffus: Juke boxes. The Army and the Navy and the Marine bands, which give us a total of twelve concerts a week at Treasury House, afternoon and evening, all have the arrangements and as fast as they rehearse it will start playing it.
- H.M.Jr: You fellows always forget Coast Guard is an armed force, too, and have a band.
- Graves: Have they?
- H.M.Jr: Sure they have got a band.

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Graves: I didn't know it.

Duffus: I didn't know it. We will have it in there. These double cards --

H.M.Jr: Just one minute. I took home last night - I brought it back - the Eddie Cantor record. It is terrible. Not the one that Decca wanted but the one that he did. He sent me a medal. He did it down at Atlantic City and gave a talk, and the record and the accent are terrible.

Duffus: Those are starting to come back and we are mailing out copies of the song.

H.M.Jr: You don't know yet how many out of the ten thousand?

Duffus: No.

Graves: They just sent them out two or three days ago.

H.M.Jr: Where is my direct mail fellow? Did you pass on this?

Buckley: Yes, I wrote it.

H.M.Jr: Do you like it?

Buckley: I will tell you after we see what results it gets.

H.M.Jr: O.K.

Graves: Would you like Mr. Duffus to tell us a little bit about the direct mail?

(Mr. Powel at this point smashed a glass bank while demonstrating how it should be opened).

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Powel: I suppose I have got twenty banks at home. They make awfully nice ashtrays.

Graves: Would you like to have Mr. Buckley tell us all about the mail order department?

H.M.Jr: Yes.

Buckley: On Saturday, Mr. Secretary, June 21, we sent out ninety-six thousand --

H.M.Jr: Excuse me. I think my daughter is right. I think that bank is awfully dangerous.

Powel: They are not, really. I think the wood of the workbench is probably a little more resilient.

H.M.Jr: I see.

Buckley: On Saturday, June 21, 1941, ninety-six thousand three hundred ninety-six assemblies were put into the mail to Internal Revenue names in Minnesota, Alabama, Arizona, Colorado, Connecticut, District of Columbia, Idaho, Iowa, Louisiana, Maryland, and Utah. So far, fifteen hundred and forty, less than two percent of these letters have been returned as undeliverable. The total quantity in this first series included ten different texts of approximately ninety-five hundred each, sent out under identical circulation to determine relative pulling power. It was considered probable that many people would realize that the Secretary of the Treasury was too busy to write to them personally about Savings Bonds, so we included in the texts letters on Defense Savings Staff stationery over Mr. Sloan's signature. We also tested the relative pulling power of E bonds separately, G bonds separately, and all three bonds together. We also tested a long letter with no folder versus a shorter letter with a folder. The purpose of these and the tests to follow is to determine what letter

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and what folder and what order blank can be sent the most profitably to the complete list of fourteen to fifteen million prospects. Results to date are, of course, incomplete, since we have had only eleven days of incoming mail. However, a total cost for the entire ten tests of less than twelve hundred dollars --

- H.M.Jr: Excuse me. That wouldn't be if we pay for the postage, is it?
- Buckley: That is not including postage. We have, so far, received over seventy-five thousand dollars' worth of direct bond orders. Of this amount, approximately fifty-one --
- H.M.Jr: Can't we incorporate, you and I?
- Buckley: That is a profitable business, isn't it?
- H.M.Jr: Yes.
- Buckley: Of this amount, approximately fifty-one thousand dollars is represented by G Bond orders.
- H.M.Jr: How much?
- Buckley: Fifty-one thousand, and twenty-four thousand seven hundred by E Bond orders. Of the hundred and twenty-four orders received, however, eighty-nine were for E Bonds --
- H.M.Jr: How many orders received?
- Buckley: A hundred and twenty-four so far. Eighty-nine were E Bonds, and only thirty-four G Bonds. In considering results at this time, two things should be kept in mind. One, with orders increasing every day, it is still much too early to form definite conclusions, and two, since all forms of publicity are urging

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the public to go "to your bank or post office", the direct orders received from these mailings represent only one-fourth, approximately, of the total customers sold.

- H.M.Jr: Now, those statistics - had George Haas ought to get those to add to his --
- Graves: Well, I think that perhaps we should wait until our returns are complete and then I think --
- Buckley: At least more complete, yes.
- H.M.Jr: No, I meant to analyze them.
- Buckley: These I can turn over to your secretary now, if you like.
- H.M.Jr: No, I meant that George could sort of study those, you see, as they come in.
- Graves: I don't believe that that is going to do any good to us. Mr. Buckley, of course, is a specialist in this matter of analyzing --
- H.M.Jr: All right.
- Graves: Results in a test of this kind, and I am entirely satisfied to leave the matter with Mr. Buckley.
- H.M.Jr: All right, one less job for George.
- Graves: You will recall that --
- H.M.Jr: Just one second, Harold. Well, then, out of this will come which of these various tests is the best, won't it?
- Buckley: Oh, yes.

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H.M.Jr: It is too early to tell?

Buckley: It is too early to tell now, yes, sir.

H.M.Jr: And what is your mailing list?

Buckley: These are I.R. names, Internal Revenue names, in about twelve selected states.

H.M.Jr: Wonderful.

Graves: I think that is a very fine job he has done.

H.M.Jr: Yes, wonderful.

Graves: You will remember Mr. Blair is collaborating on this.

Buckley: He is thoroughly familiar with everything we have done.

H.M.Jr: Are you from his business?

Buckley: No, I used to write for him. I have my own business now.

H.M.Jr: I see. I think that is wonderful.

Powel: We asked Mr. Blair for the best people in the country and he picked Mr. Buckley up on the first cast.

H.M.Jr: It is almost too good to be true, isn't it?

Buckley: It is working out fine so far.

H.M.Jr: Twelve hundred dollars and seventy-five thousand dollars back. It is amazing.

Buckley: We ought to get twice that, of course.

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H.M.Jr: All right, Harold.

Graves: Mr. Kuhn has a couple of matters he would like--

Kuhn: I have two little radio matters, Mr. Secretary. On that round table, we have got Phillips of the Railroad Brotherhoods, the head of the NAM, and the Chamber of Commerce. William Green is in town and available on that night. He says he will do anything for Mr. Morgenthau, "but please don't ask me to sit down at a table with those blank-blank CIO's," and Gilchrist, who is handling this, thinks that Green will come if you ask him to come, and I wondered if you would feel like doing that.

H.M.Jr: Sure.

Kuhn: Good.

Now, about Murray, they haven't contacted Murray yet. I was wondering whether that man who was in here, that economist, could help us in that matter.

H.M.Jr: Yes, sure.

Kuhn: I think I will ring him up myself.

H.M.Jr: Do you want me to write Green a letter?

Kuhn: I think ring him up on the phone, would be my suggestion.

H.M.Jr: Why not let's get Murray first?

Callahan: Murray won't answer the phone for us, Mr. Secretary. He won't talk to us.

H.M.Jr: Murray?

Callahan: I think so far we have placed seven calls,

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and he was going to call back--

H.M.Jr: I mean, let's see if we can't get Murray first, and then it would be easier to say, "Well, we have got everybody, Green, come on now, do it."

Kuhn: We will try it.

The second thing is, about this NBC orchestra series which they are doing for fifty-two weeks--

H.M.Jr: What time of day?

Kuhn: Forty-four piece orchestra, every Tuesday evening.

Callahan: Seven-thirty to eight, Washington time. Eighty-thirty to nine, New York time.

H.M.Jr: I thought it was Sunday.

Callahan: No.

H.M.Jr: Tuesday? Seven-thirty to eight?

Callahan: Yes.

Kuhn: The Mutual is Sunday.

H.M.Jr: Oh, yes.

Kuhn: Now, the NBC program is the only one which a radio chain is giving to us, itself. This is not sponsored.

H.M.Jr: What do they call that when a chain does it?

Callahan: Sustaining. But this is our program.

H.M.Jr: But they are sustaining it.

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Callahan: They are paying the forty-four piece orchestra and for the choir and other expenses.

Kuhn: Now, the first program of these fifty-two will be earlier on the same evening as our round table, and they want very much to have you accept the thing in a one minute or half a minute talk as you did at the opening of the Texaco Hour. Would you be willing to do that?

H.M.Jr: Won't they give me a minute and a half?

Kuhn: Sure.

H.M.Jr: Must I do it in a half minute?

Kuhn: They didn't want a big speech if you didn't want to go on the air too much, but Vincent thought it would be very important, if you could, to have you on there.

H.M.Jr: Fifty-two weeks?

Callahan: Fifty-two weeks.

H.M.Jr: Seven-thirty to eight.

Callahan: Seven-thirty to eight. Forty-four piece orchestra, twelve piece choir, outstanding singer, special arrangements. This is the best offer we have had yet in radio. This is from a broadcasting company, out of pocket expenses. I hope that this will be a means of showing the other broadcasting companies the way.

H.M.Jr: Whoa, now, wait a minute.

Powel: Now, there you are.

Callahan: You can see how important it is to us, Mr. Secretary, to have you on there, if you will

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be good enough.

- H.M.Jr: Do they play my - are they going to play that one piece for me?
- Callahan: We have an Ascaph problem there, too. We can't play Ascaph music so far.
- H.M.Jr: You won't be able to?
- Callahan: They gave permission on the Texaco and one or two other commercial programs, but Ascaph points out to us that this is not a commercial program, this is something which the National Broadcasting Company is doing. They will do favors for commercial sponsors, but they don't do business with the National Broadcasting Company. So that is one thing that we hope to straighten out before the series starts, because one of the things that they want to do in this series is "Showboat", which hasn't been on the air for a couple of years.
- H.M.Jr: You mean on this series - no Ascaph?
- Callahan: No Ascaph.
- H.M.Jr: Ascaph won't play on there?
- Callahan: Ascaph says, "No, sir." But we haven't tried any persuasion yet. We just got word yesterday that they said no, and the reason for their saying no.
- H.M.Jr: You want me to accept this thing?
- Callahan: Pardon?
- H.M.Jr: Have I got to accept Bulova Watch too?
- Callahan: No, we don't have Bulova Watch.

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H.M.Jr: Wasn't it Bulova Watch?

Graves: Yes.

I told you, Vince, that Mr. Biow said that.

Callahan: And, incidentally, Mr. Graves, we don't want them this summer. We want them next fall when the air gets filled up, and when the going gets a little tough for us. This summer is swell, but next fall we have to worry about. That is why NBC runs next fall. Texaco quits next fall. Our Mutual series quits next fall, but NBC runs on next fall and winter.

H.M.Jr: All right, I will make the talk.

Callahan: Thank you.

Powel: That is very nice of you. Much obliged.

H.M.Jr: I am weak, unresisting.

Callahan: Incidentally, we were unable to take out "Louise" with Dorothy Maynor tonight. We talked with her twice last night and she said she would love to do it, but she just couldn't do it.

H.M.Jr: Isn't she going to do my spiritual?

Callahan: I think she will have a spiritual following the Louise number tonight as an encore and inasmuch as she was the guest, we couldn't press her too much.

H.M.Jr: Well, they ought to get that damn script down to us on Monday.

Kuhn: They are going to get the song part of it down to us every Friday now.

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Callahan: Our problem on that, Mr. Secretary, is that these artists are guests, and we can't compel them to do things on time.

H.M.Jr: Who is the Washington - who is the Washington Treasury contact with the Texaco Hour, the Treasury Hour?

Callahan: There is none.

H.M.Jr: Who is the one person at this end who contacts them?

Callahan: On the program?

H.M.Jr: Yes.

Callahan: I am.

H.M.Jr: You are the person?

Callahan: Yes, sir.

H.M.Jr: I mean, you are supposed to do it, or you do do it?

Callahan: I do it.

H.M.Jr: O.K.

Graves: Wouldn't you like Mr. Powel to tell you about the Wrigley matter?

H.M.Jr: I would love to hear about the Wrigley matter.

Powel: Well, I went out there at his request and spent three-quarters of the day with him.

H.M.Jr: Who was the person?

Powel: Philip K. Wrigley, who is the head of the company, and of the Chicago Cubs and Catalina Island and various other things. He walked

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in and said, "You can have anything we have got." So I said, "Did they make you drop the aluminum wrapper on each stick of gum or did you anticipate?" He said, "I anticipated."

In Wrigley's now, only Juicy Fruit is aluminum wrapped. The others, which sell better, are wrapped in green paper.

My first remark was that that was an interesting place to print something and how many of them did he sell a year. He said, "Only five percent of the American public chew gum, and there are numberless competitors. Not numberless, but more than you would think. Nevertheless, he did sell six billion and a half sticks of gum a year, which should be an interesting circulation for a bond or stamp message. Nevertheless, he said, "We have tried to print things on our wrappers and nobody looks at it." "Well," I said, print 'This is worth five dollars' on it and return it to us and we will cash it for five dollars and they will see it. It is simply because your message hasn't been interesting."

So we are considering first what to print on that green paper. Second is the proposal he made to make a voluntary allotment plan of his million and a half dealers, that if the dealers do not buy and sell stamps, they are probably dealers who shouldn't have chewing gum. I have never heard of a retailer with a million and a half dealers, but it is true in his case. There is hardly a hole-in-the-ground store right up to Marshall Field that doesn't have Wrigley's gum.

I said that is very interesting and I would have to talk it over with my superiors here.

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And then we came to the billboards. He spends--

H.M.Jr: Excuse me. Before you go to the billboards, what is he proposing to do with his dealers?

Powel: That the dealers should not only buy defense albums and fill them up themselves, but should offer them to their customers, the same as they offer gum. And if not, no threat, but no interest in that dealer. They try to do everything they can for their dealers, of course, as the bait.

The billboard situation is amusing. He has a million and a quarter dollars this year on outdoor signs of all kinds. One sheet, two sheets, three sheets, twenty-four sheets, the standard outdoor panel being a twenty-four sheet. He has spent half of it, and now is the heyday, of course, with people motoring around and looking at them. He said, "If you would like that half and can make any copy acceptable to me, or if I would like to give you that half and can make any copy acceptable to you, consider it a deal."

So I said, "Yes," that was a very interesting deal and what were his copy ideas, that we had a Minuteman. He said, "Yes, but I guess it is time the Minuteman was inducted into the military service." He said, "We dropped the Sparmen three years ago. Since then we have had fish."

I think his wife is very much interested in fish. (Laughter) And Catalina Island. And on the spectacular in New York and on many of the boards, there have been tropical fish, and I said, "They have nothing to do with the present situation, have they?" He said, "No,

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what we have now is a Marine." He said, "We have gotten the Marine Corps to let us photograph the new uniform from every angle and use it on our billboards, and here is a design for the spectacular." The spectacular is the biggest electric sign in the world, and it is on Broadway, on the East Side. You see it there with those fish quivering. He said, "Here is a design for the spectacular. Do you like it?" He went in himself and got it away from the art department. The design shows a Marine in very waisted uniform and a perfectly beautiful blond rapidly passing a stick of gum between themselves, and he said, "How would you like that, only make it the Defense Bond Album, Stamp Album?" So I said that began to sound very well, and that I would have some sketches made in New York and he could have some made in Chicago and we would meet somewhere and take the best of them. Since then I have had a wire from him, or from his man, Webster, as to headlines. The headline, I sent him by that time, from the First National Bank where I lunched. They have the twenty-four sheet poster which you had down stairs here. He liked the headlines, "For Defense and Investment," and this telegram is to ask whether they can have it. Of course, the First National has made that poster open to all. Any bank or anybody else can copy that, and I think Mr. Sparks said that some banks are using it. So that that is the way it stands today.

We are collaborating on copy for about six hundred thousand dollars worth of outdoor space.

H.M.Jr:

How much?

Powel:

Six hundred thousand dollars. We to be the advertiser and Wrigley to be the sponsor, and

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he says, "This should be by association, the fact that Wrigley has made this gift to the American people in this moment of emergency is all the advertising value we want," but as a customer of the First National Bank, he had heard from them what happened when they put up the twenty-four sheets. They put up a hundred and sixty-four of those boards, whereupon General Outdoors gave them a hundred and seventy-five more.

H.M.Jr:

Yes.

Powel:

So that they got more than two for one for their money.

Now, Wrigley is not stupid, and he knows that his six hundred thousand dollars will probably develop into twice that by the generosity of the outdoor board companies, one of whom is coming in this afternoon to see about it, so that he may get far more display for his name by using our message than he could by using his own message.

H.M.Jr:

Wonderful. I am delighted.

Powel:

Yes.

H.M.Jr:

When you get some of the stuff, could I see it?

Powel:

I am going to bring it all down here and let you edit it, if you will.

H.M.Jr:

I would just like to look at it.

Powel:

Wouldn't you like to edit it?

H.M.Jr:

No, I would just like to look at it before it goes to print.

Powel:

Sure, that is what I mean.

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H.M.Jr: You have got five more minutes, Harold.

Graves: Perhaps you would like me to comment on these items that are unfinished business.

H.M.Jr: Yes, you have got five minutes.

Graves: The first item here has to do with your request for two sets of Canadian and British posters.

H.M.Jr: Yes.

Graves: Our people wrote when you made that request. We now have the Canadian posters here. I will leave them, if you like.

H.M.Jr: I will tell you what you do. Let them pin them up on the curtain down stairs and I would like to look at them.

Graves: Fine, swell.

H.M.Jr: Pin them up on the curtain in the room right below.

Graves: For the party this evening?

H.M.Jr: Yes.

Graves: The British posters have not yet come. We have sent for them. I suppose we will have them in a short time.

The next item is this about rural carriers selling the - when we took that matter up with the Post Office Department, they at once issued instructions that rural carriers were to be stocked with stamps, as I understand, and I believe Mr. Mahan said they are now carrying stamps. That is rural carriers. They were not willing to let them accept applications for purchase of bonds, as I understand.

- Mahan: I think they are still considering that.
- Sloan: That is right.
- Graves: They still have that under consideration, and I suspect before long they will do that.
- H.M.Jr: Gene, could you tell the Secretary about the Boy Scout poster thing? You recall we made inquiry of the Boy Scouts as to whether they could make distribution of posters and how many.
- Sloan: They agreed to do it, and I believe it was four hundred thousand additional ones that we ordered, and the Secretary signed the letter which they got out to their troops, and I think they have already distributed them, haven't they, Gail?
- Johnston: Yes, they said they would. They said they were under way.
- Graves: That is done.
- The next item here is this question about rating postmasters. Well, that, of course, has got to wait until we get our statistical setup, and I suppose, Gene, that is - the lag there is perhaps thirty days or more, isn't it, before we get any figures at all on - by cities on sales?
- Sloan: Yes, sir.
- Graves: We are just now beginning to get the May break-down by cities. Once we have a start on that, I think we can do just what you say. As a matter of fact, that was done substantially on the D Bonds. The Department kept a record of sales by offices and, as I understand, distributed it throughout the entire Postal Service, the facts about the best offices in

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each state. Am I right about that?

Sloan: That is right, but we only did it once a year, and the Secretary wants it once a month now.

Graves: Well, that is in hand. We will have that. I was unable to get this Michigan material that you asked me for yesterday. I should have it tomorrow.

H.M.Jr: O.K.

Graves: I think Mr. Kuhn might answer this one or Peter Odegard.

Has the group explored the possibilities of dramatizing the reasons for certain people leaving Germany to come to America?

Kuhn: We are working on that whole thing.

H.M.Jr: Well, I have sort of given up the Karl Schurtz idea. I have given it up in view of our conversation with Howard Dietz.

Graves: That finishes this list and our meeting as far as I am concerned.

H.M.Jr: Well, that is a - I am delighted, Harold. I congratulate you. I have got the feeling we have made the most progress today of any report that I have got.

Graves: You have got a very fine gang of people here. They are all doing a swell job.

H.M.Jr: This is the best news I have got yet.

Graves: Would you let me stay behind just one minute?

H.M.Jr: Surely. I am delighted.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE

July 8, 1941.

TO Mr. Sloan
FROM Mr. Mahan

REPORT OF RETAIL STORE ACTIVITY
DEFENSE SAVINGS STAMPS

Michigan

The Michigan Chain Store Bureau, representing 1500 retail stores, has sent out material to all their members. The following chain stores are cooperating in Michigan: A & P, Kroger, Kresge, Woolworth, Sears, Grant, McClelland, Lerner, Neisner, J. C. Penny Co., Schiff Shoe Co., Cunningham Drug Co., and the Sanders Confectionery Company. While not a member of the bureau, Montgomery Ward is being asked to cooperate and probably will do so.

The Michigan Retail Grocers and Meat Dealers Association, representing 15,000 outlets in Michigan, is sending out a bulletin to all members urging the sale of Defense Stamps. The heads of this association will hold a series of state-wide meetings with their member groups for the purpose of working out various plans of cooperation.

The Michigan Retail Institute, which represents a group of various trade associations, with a membership totalling around 12,000 merchants, has sent out a bulletin asking all members to cooperate in the sale of Defense Stamps.

The Michigan State Chamber of Commerce has sent out a bulletin to all local Chambers of Commerce advising them of all details of the plan so they can cooperate with local merchants in every community.

The following state associations are asking their members to cooperate: The Michigan Retail Druggists Association with a membership of 2500 druggists, the Michigan Retail Hardware Association with 1300 members, the Michigan Retail Dry Goods Association with 250 members, including mainly department stores, the Michigan Hotel Association representing all leading hotels and the Oil Institute of Michigan representing approximately 9,000 service stations of the big oil companies and independents.

Through the Governor's office, the Sales Tax Department of Michigan, which has every retailer in Michigan under license, will send out with tax blanks within the next ten days a bulletin urging all merchants in Michigan to cooperate in the sale of Defense Stamps. This insures that every retailer

in Michigan (96,500) will be covered by this method in addition to the contact by the various associations.

Michigan Promotion

Adequate material such as plaques, posters, mats of advertisements, has been furnished for initial distribution in Michigan. Additional material as follows is scheduled for delivery this week to take care of any demands that may be made upon us:

100,000 plaques
100,000 posters (22 x 28)
200,000 posters (11 x 14)
500,000 posters (8 x 10)
5,000 sets of mats

This material should not only take care of Michigan, but furnish initial distribution for other states.

Arrangements have been made to have the Governor and heads of the retail associations speak on a state-wide radio hookup July 10, the day of the launching of the Defense Stamp sale. In addition, all Michigan radio stations are being contacted and will be furnished with announcements covering a two weeks period.

The Michigan Press Association, representing all daily and weekly newspapers in Michigan, has already sent out bulletins outlining the retail store plan for selling Stamps. Through this association all newspapers in the state will be furnished with mats for the use of local retail advertisers.

Arrangements will be made wherever possible with theatres for special stamp trailers on the screen and for lobby displays.

The National Setup

A meeting has been arranged on Friday in New York with Mr. Griffith, Director of the National Drug Association, to work out plans for national participation by all drug chains. This will complete our coverage of the principal chain stores of the country.

The Institute of Distribution has already sent a lengthy bulletin explaining the plan and urging participation. The National Association of Food Chains will make a similar release to all its members as soon as the Michigan plan is underway. The same cooperation can undoubtedly be expected from the drug chain associations.

Samples of all material that is being used in Michigan has been furnished to the following list of heads of the various retail store associations in the United States:

Lee Langston,
National Shoe Retailers Assn.,
274 Madison Avenue,
New York, New York.

Herbert J. Rich, Treas. of RNC
National Shoe Retailers Assn.
Rich's, Inc.,
1001 F Street, N.W.,
Washington, D. C.

Charles T. Evans,
American National Retail Jewelers Assn.
22 West 48th Street,
New York, New York.

Dr. Paul H. Nystrom,
Limited Price Variety Stores Assn.
25 West 43rd Street,
New York, New York.

John A. Logan,
National Assn. of Food Chains,
726 Jackson Place, N. W.,
Washington, D. C.

Mrs. R. M. Kiefer, Sec.-Mgr.
National Assn. of Retail Grocers,
360 North Michigan Avenue,
Chicago, Illinois.

Roscoe R. Rau,
National Retail Furniture Assn.,
666 Lake Shore Drive,
Chicago, Illinois.

William J. Cheyney,
National Retail Furniture Assn.,
267 Fifth Avenue,
New York, New York.

Charles A. Bethge,
Mail Order Assn.,
c/o Chicago Mail Order Co.,
511 S. Paulina Street,
Chicago, Illinois.

D. D. Richards, Sec.
Mail Order Assn.,
Sears Roebuck & Co.,
Chicago, Illinois.

Allen Sinsheimer,
National Assn. of Retail
Clothiers & Furnishers,
803 Merchandise Mart,
Chicago, Illinois.

Rivers Peterson,
National Retail Hardware Assn.
333 North Pennsylvania Street,
Indianapolis, Indiana.

Lew Hahn,
National Retail Dry Goods Assn.,
101 W. 31st Street,
New York, New York.

Harold R. Young, Sec. of RNC
National Retail Dry Goods Assn.,
1008 Munsey Building,
Washington, D. C.

Louis Rothschild,
Assistant Sec. of RNC
1028 Munsey Building,
Washington, D. C.

Wilson Streeter, Pres. RNC
Bailey, Banks and Biddle Co.,
Philadelphia, Pennsylvania.

John Nichols, Director,
Institute of Distribution,
25 West 43rd Street,
New York, New York.

PROMOTED PLANS

We are meeting on Friday in New York with Lew Hahn of the National Retail Dry Goods Association to plan their participation in a special stamp selling event.

The National Retail Hardware Association will meet in New Orleans July 14th to 17th at the Roosevelt Hotel. Mr. Dasher, head of the Michigan Hardware Association will

address the convention and report results in Michigan. He will introduce a resolution calling for national participation on the part of all hardware association members.

The Institute of Distribution has asked all their members to return a card pledging their cooperation. The same procedure will be followed in the case of the National Association of Food Chains and the National Drug Association. This will mean that by July 31st at the latest we can announce the participation of around 60,000 retail stores in the sale of Defense Savings Stamps.

In this connection, it would be very helpful if we could acknowledge each pledge on the part of a chain or association with a letter from the Secretary thanking them for their cooperation. At a later date it may be desirable to call executives of the stores and associations together in a meeting with the Secretary in Washington to plan future activities.

After the Michigan activity is well underway, it might be advisable to ask the various associations, including independents, to appoint a representative to work with the Treasury on national promotion. These representatives will naturally feel responsible for the showing of their organizations and will bend every effort to further stamp sales through their particular stores.

If the appointment of these men seems to be desirable, it can be arranged in consultation with the executive directors of the various associations who will be asked to select a man to represent them in their field.

In order to make the promotion material available on short notice in every state, we have supplied all state administrators with samples from which they can order for their anticipated requirements. In this way we hope to be prepared in advance for the tremendous job of furnishing material on a national basis in the shortest possible time.

Through an arrangement with the Post Office Department, we are planning to supply retail store material to all stores in states where there is no Defense Savings Staff organization. This should enable us to cover states that might not otherwise be given an opportunity to participate to the fullest extent in the Defense Stamp retail program.

A new man, Mr. Pulte, with wide experience in the retail field, has been working in Michigan for the past five days and will be in position to carry the program to other states as fast as we are able to open them up. Mr. Sulds has been in Michigan arranging radio station participation, and assistance from other Defense Saving Staff headquarters men will be furnished as the need arises.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 9, 1941.

TO MR. GRAVES
FROM MR. CALLAHAN

The new Mutual program starts this coming Sunday, July 13. I know the Secretary probably will want to listen, and therefore I am giving you the times it will be heard:

12:00 - 12:45 EDST

11:00 - 11:45 EST (Washington time)

W O L is the local outlet. They are not available at the time of the actual broadcast but they are planning to make a recording and rebroadcast it later. This means it will be heard locally over W O L from 1:15 to 2:00 PM.

MR

DEFENSE SAVINGS STAFFADVANCE NOTICE RADIO PROGRAMS

WEDNESDAY - JULY 9, 1941

Time: 9:15 - 9:30 A.M.

Program: Myrt & Marge

Station: WJSV and Columbia Broadcasting System

Time: 9:45 - 10:00 A.M.

Program: Woman of Courage

Station: WJSV and Columbia Broadcasting System

Time: 11:00 - 11:15 A.M.

Program: Kate Smith Speaks

Station: WJSV and Columbia Broadcasting System

Time: 2:15 - 2:30 P.M.

Program: Amanda of Honeymoon Hill

Station: WMAL and National Broadcasting Blue Network

Time: 11:00 - 11:15 P.M.

Program: Socony News

Station: WCAU - Philadelphia
and 38 other stations.

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

July 9, 1941
4:30 p.m.

HJr: Hello.

Lauchlin
Currie: Hello, Mr. Secretary.

HJr: Hello, Lauch.

C: I have a little message for you.

HJr: Go ahead.

C: I had a chance to talk to the Boss yesterday about this tax program and he expressed himself as entirely willing and ready to speak his piece on it and suggested that he thought you ought to prepare something for him.

HJr: That's easy.

C: (Laughs) And I said, "Perhaps he might want to wait until it's in the Senate", "No", he said, "Not necessarily," he said, "the most strategic time will be pretty soon now".

HJr: Well, the easiest thing in the world.

C: And I mentioned to him - just - I only had a couple minutes - you know how these conferences are...

HJr: Yeah.

C: And that the excess profits tax was leaving pretty well untouched the firms who had had high earnings in the past and continued to have high ones....

HJr: That's right.

C: And he nodded his head over that one and I said that they've pretty completely emasculated your estate and gift tax proposals.

HJr: That's right.

- Q: And that I didn't check with you on this, but personally I - I think that's an awful mess in the excise taxes - all the little nuisance taxes they're running down into, you know, and leaving some of the big items untouched.
- HNJr: That's right.
- Q: And then the final question which I want to question you about - I didn't mention to him, but according to the Wall Street Journal today, the Treasury, they say, is opposed to the provision requiring joint returns.
- HNJr: No, No, no.
- Q: Well, I thought that must be wrong.
- HNJr: No, no, we....
- Q: Because that is something I think is desirable in the bill.
- HNJr: Not - is what?
- Q: That is something which is desirable.
- HNJr: Favorable?
- Q: Yeah.
- HNJr: Yes. No, no, Sullivan, under my instructions took no part in the discussion because he didn't want to see it you see.
- Q: I see.
- HNJr: So I just told him to stand to one side.
- Q: I see.
- HNJr: So.....
- Q: They're - you see they must have gotten some implication from there that the Treasury opposed - this Wall Street Journal story...
- HNJr: No. Well, of course, the vote was something like 15 to 7, or something like that in favor of it.

- 3 -

- C: Yeah. Because I thought that's one place where the President might compliment the Committee a little bit.
- HMJr: That's right.
- C: Yeah.
- HMJr: Well, that's the easiest thing in the world and we'll start working on it. I'm delighted you spoke to him.
- C: Well, I think your judgment would be much better than mine on when's the strategic moment and the occasion and the time.
- HMJr: Well, we'll start working on something and I should think the time for him to do it - my offhand opinion, I mean - to be after they make their report.
- C: Yeah.
- HMJr: Because if he says something now, they'll say, "We never intended to do it that way", you see?
- C: Yeah.
- HMJr: And if he waits, I think the time - my offhand opinion will be for him to wait until they make their report, but before they voted.
- C: Oh, yes.
- HMJr: You see?
- C: Yeah, yeah.
- HMJr: They'll make a report, but before it goes on the floor for discussion for him to make his statement. Think that over, you see?
- C: Yeah, yeah.
- HMJr: Because if he did it now, they'll simply say, "Well, somebody told you this and we never intended to do it that way".
- C: Yeah. Well, that wouldn't be so bad.
(Laughs)

- 4 -

HMJr: But if he made it immediately on the report being - in other words his statement ought to be an answer to the report.

C: Well, there's another possibility to save their faces along the lines you just mentioned and that is let him imply that it is his understanding that, or he has been informed that and he hopes that this is not so and....

HMJr: Something.....

C: Put it in that form.

HMJr: Well, I'll put our boys on it right away.

C: Fine.

HMJr: Thank you for calling.

C: Oh, not at all.

July 9, 1941
4:36 p.m.

Operator: Go ahead.

HMJr: Hello.

Ronald
Ransom: You said give you a ring some time and
we could get together.

HMJr: Right. How about 11 o'clock Thursday,
Ronald.

R: Suits me fine.

HMJr: Okay, I'll be glad to see you.

R: That's 11 o'clock Thursday of this week.

HMJr: That's right.

R: I'll come over.

HMJr: Thank you.

R: Goodbye.

HMJr: Goodbye.

Farr

House

7-9-41

The Need for a Fiscal-Defense-Planning Committee

1. The Treasury as the agency responsible for raising money by taxation and borrowing is, of course, vitally interested in the scope, progress and ramifications of the defense program. It could do a better job in planning its borrowing and tax program if it had the available data on:

- (a) How much money is going to be needed for defense in the next year or two and when.
- (b) How much we are going to lend to foreign countries in connection with Lend-Lease, inter-American unity, and other aid to foreign countries.
- (c) To what extent it is necessary to expand production and where.
- (d) To what extent it is necessary to curtail consumption and where.
- (e) The probable magnitude of the national income next year, its probable distribution and the probable scale of investment and consumption.
- (f) To what extent it is necessary to expand or curtail expenditures not immediately connected with defense.
- (g) To what extent prices are going to rise, how effective our present price controls are, and what monetary measures may be necessary to curb price rises.
- (h) What controls of the money market are necessary in order to facilitate and finance the defense effort.

2. With this essential knowledge the Treasury could perform its normal functions more effectively and probably exercise a more potent influence in securing an adequate defense program.

- (a) A comprehensive tax program is an indispensable instrument not only for raising revenues and equitably distributing the burdens of the defense effort but also for curtailing

consumption, facilitating plant expansion, stimulating the expansion of investment in some branches of production and curtailing it in others, and for the maintenance and strengthening of national morale and unity.

- (b) There can hardly be efficient organization of government borrowing even now without a pretty good idea of how much has to be raised in the course of the next 18 to 24 months, the people's capacity to absorb new issues, and what will be the best timing of new issues from the point of view of interfering as little as possible with the defense effort and of getting the new issues absorbed on the most favorable terms.
- (c) Monetary measures to curb inflation cannot be carried out unless they are coordinated with the measures which are being undertaken by other agencies in connection with priorities, price controls, etc.

3. Yet at the present time there is neither a single agency which can provide the Treasury with this essential information nor is there any routinized administrative machinery within the Treasury or without by which the Treasury can obtain this information. To my knowledge no person or group of persons in the Treasury or outside the Treasury has been assigned this task, which is as important as anything the Treasury is now doing.

What makes the whole situation more difficult to defend is that we are using a large amount of technical ability on problems like post-war reconstruction and post-war economic adjustment. The National Resources Board, the Federal Reserve Board and a large inter-departmental committee under the auspices of the State Department are between them absorbing the labor of probably over 50 highly trained capable technicians preparing a program of post-war adjustment to avoid depression after Nazism is defeated but we make no comparable effort to prepare the kind of programs needed to prevent a victory of Nazism. We are apparently preparing for a total peace without preparing for total war.

4. To remedy this situation:

- (a) A Treasury committee consisting of several members of your staff under the chairmanship of the new under-secretary could be set up to initiate, supervise and collect studies on this problem. It would be empowered to go into the various agencies and get all the necessary information and make the relevant recommendations to you. A number of isolative studies already exist somewhere in Washington which can provide the basis for reports.
- (b) Or, a formal or informal inter-departmental committee could be set up under your auspices and under the chairmanship of your new under-secretary to prepare an over-all fiscal-defense program. I can submit for your consideration some 25 of the best technicians in Washington (most of the best are in D. C. now) who can be divided into small groups to work on various aspects of the problem either as part of their regular work or in their evening and week-end time. Much individual work has been done so that they wouldn't have to start from scratch. The main advantages of such a committee is that it would inevitably cover not only the fiscal-defense program, but the over-all economic defense program. It might even serve as the nucleus or fore-runner or substitute for the planning committee of your proposed Department of Supply.

5. The committee would immediately initiate work on a program embracing:

- (a) A report on the scale of defense effort needed in the next year or two.
- (b) A report on plant expansion necessary for the full war effort and how that expansion can be advanced.
- (c) What items of consumption and how much must be curtailed to attain a full war effort. How rapidly should such curtailment proceed and how should the disemployed be put to useful work.

- 4 -

Division of Monetary
Research

- (d) How best to finance a full war effort? How high can taxes go? And what kind of taxes?
- (e) What kind of borrowing is best? How should it be distributed between long and short-term? How should it be timed?
- (f) What monetary controls are necessary in order to prevent inflation.
- (g) What controls of the money market are needed.
- (h) Which expenditures should be curtailed and which expanded, in order to strengthen the morale and unity of the American people.

For Miss Gurnea

TREASURY DEPARTMENT

303

INTER-OFFICE COMMUNICATION

DATE July 9, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£61,000
Purchased from commercial concerns	£33,000

Open market sterling was again quoted 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)	.2385
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 remained at 5-3/16¢, and sterling was again quoted at 3.90-1/2.

There were no gold transactions consummated by us today.

The State Department forwarded cables to us reporting the following gold shipments, both of which are for sale to the New York Assay Office:

\$2,494,000 from India, shipped by the Chartered Bank of India, Australia and China, Bombay, to its New York office.

55,000 from England, shipped by the Midland Bank, London, to the Chase National Bank, New York.

\$2,549,000 Total

In London, spot and forward silver were again fixed at 23-3/8d, 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¢.

- 2 -

We made one purchase of silver amounting to 201,548 ounces under the Silver Purchase Act. This silver consisted of new production from Java, and was bought for spot delivery.

The Federal Reserve Bank's report of July 2, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled \$57,076,000, a decline of \$5,705,000 since June 25. Most of the change in deposits took place on the books of the Yokohama Specie Bank's New York agency. The latter's principal dollar liabilities to and dollar claims on Japanese banks in Asia stood as follows on July 2:

	<u>July 2</u>	<u>Change from June 25</u>
Liabilities: Deposits for Japan and Manchuria.....	\$35,776,000	- \$4,926,000
" : Deposits for China.....	14,405,000	- 980,000
" : U.S.Treas.Bills, comm. paper, etc....	30,206,000	- 488,000
Claims : Loans.....	\$10,819,000	- \$1,887,000
" : Other - mainly Jap. import bills.....	7,091,000	+ 1,194,000

The \$4,926,000 decline in Japanese and Manchurian bank deposits reflected a reduction of \$2,175,000 in Agency loans (included in the net figure of \$1,887,000 shown above), together with various payments in this country.

CONFIDENTIAL

July 9, 1941

Rt. Hon. Sir Arthur Salter,
Director-General,
British Merchant Shipping Mission,
Washington, D. C.

My dear Sir Arthur:

Your inquiry concerning phosphate shipments from Florida has been taken up with the Director of Procurement and I am advised that since May 23, 1941, several shipments of triple superphosphate have been made from Nichols and East Tampa, Florida; also, that shipping instructions are today being obtained from your organization to cover purchases of pebble phosphate from the same area.

I am advised further that two of our procurement inspectors were obliged to wait at Tampa, Florida, from June 21 until June 28 for a boat to take phosphate cargo. Because of this delay, all movements of phosphate were held alongside the port of Tampa pending arrival of the steamer.

I am sure that if you will furnish the Procurement Division with information as to the expected arrival of ships that there will be no delay and it is assumed from your letter that you are in a position to supply this information.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury

Copy to:
Mr. Arthur Purvis
Mr. Maynard Keynes

Orig. 1tr and 2 copies delivered
By Hand (Conf. Treas. Seal) on
7/9/41 4:30 PM

Treasury Department
Division of Monetary Research

306

Date 7/9/41.....19

To: Mr. Mack

Attached is letter you
requested.

MR. WHITE
Branch 2058 - Room 214½

TELEPHONE: REPUBLIC 7860

Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

BRITISH MERCHANT SHIPPING MISSION

7th July, 1941

Dear Mr. Morgenthau,

We have a very considerable programme 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 "Testbank" which had to load triple super phosphate in the absence of any pebble phosphate, and even so, was unable to secure a full cargo.

Another ship is due in the middle of this week and already 16 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 cargoes 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 round in these stringent days.

Yours sincerely,

Arthur Salter.

Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington.

C
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Y

WILLIARD HOTEL, WASHINGTON, D. C.

TELEPHONE REPUBLIC 7860

BRITISH PURCHASING COMMISSION

9th July 1941.

Dear Bell,

I enclose copy of a letter which I am sending today to Mr. Dean Acheson on the subject of our representation in China.

Yours sincerely,

(Signed) F. Phillips

Mr. D. W. Bell,
United States Treasury,
Washington, D.C.

Copy:lg 7/10/41

C
O
P
Y

9th July 1941.

Dear Mr. Acheson,

You will recollect our previous conversation on the subject of an economic mission to China, following the request to that effect which had been made by General Chiang-Kai-Shek. The British Government have considered the suggestion which was mentioned at our meeting, that an economic adviser or advisers should be appointed, but in view of the Chinese dislike of anything savouring of foreign tutelage they doubt whether that Government would welcome an attempt to appoint an adviser at the outset, rather than a mission for which they have asked.

Accordingly, the British Government contemplate appointing as their representative Sir Otto Neimeyer, whose services would be available for a limited number of months, their idea being that in collaboration with whoever is selected by you he would examine the position and make suggestions as to the measures needed to maintain Chinese economy. If it appeared to the Mission that arrangements should be made for providing some more permanent channel of advice to China after their departure, they could, of course, consider that matter and make recommendations. But in the meanwhile it is intended that they would use the weight of their authority to urge such reforms as may be immediately necessary and practicable.

Sir Otto Neimeyer would be ready to start about the middle of July and would travel via the United States in order to have the benefit of discussion here.

You have probably heard that there has been difficulty in China in connection with the proposed appointment of Mr. Rogers to the Stabilisation Board. If that problem has not been previously settled, Sir Otto Neimeyer would be in a position to deal with it.

- 2 -

Would you very kindly let me know whether these ideas appear to you as suitable, and what arrangements you are contemplating making on your side.

Yours sincerely,

F. Phillips

Mr. Dean Acheson,
Assistant Secretary of State,
Washington, D.C.

Copy:lg 7/10/41

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

STRICTLY
CONFIDENTIAL

July 9, 1941

To Mr. Cochran

Subject - Bank of China's Deposits
in New York

From W. H. Rosell

(Copy to Mr. Knoke)

In connection with your inquiry to Mr. Knoke concerning the reported activity of the Bank of China in holding dollars possibly for German account, we have received, through a routine request, detailed figures from the New York Agency of the Bank of China showing their deposit liabilities to abroad and their deposits with American banks. An examination of these data, which show a close correlation with the deposits of foreigners maintained with this Agency as reported weekly to us on form B-1, reveals no evidence of any accumulation of dollars in connection with any devious plan by Germany to hold dollars in New York under other names. Recent activity in dollar funds held by the New York Agency of the Bank of China has been associated almost entirely with transactions in connection with Export-Import Bank loans. During the first half of February, when the Chinese Government received from the Export-Import Bank \$25,000,000 to be credited to The Central Bank of China's account with the New York Agency of Bank of China, the latter's deposits "due to Chinese banks" (other than their head office and branches) rose by a corresponding amount. A concurrent reduction of \$6,200,000 in deposits "due to others" represented disbursements out of the Chinese Finance Minister's account of what remained of the \$25,000,000 loan granted in November 1940. Meanwhile, the Agency's deposits with American banks rose by \$19,000,000, representing the excess of the new loan over disbursements out of the old.

- 2 -

Balances held for the New York Agency's head office and branches have shown little net change so far this year. If German funds were being accumulated in New York by the head office, as Mr. Stopford's letter seems to suggest, there would have been an increase in these balances. Of course, it is possible that the New York Agency might have been receiving Axis funds at the same time that it was spending the proceeds of the Export-Import Bank loans. This hardly seems probable, however, particularly in view of the Bank of China's affiliation with the Chungking Government. The recent increase in the Bank of China's deposit account at Bankers Trust, mentioned by Mr. Stopford, presumably represents only the transfer of funds from other New York accounts.

WHR:MS

COPY - dm - 7/12/41

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE July 9, 1941

TO Secretary Morgenthau
FROM John C. Wiley

Re: Japanese Shipping

A flash from the Coast Guard in Honolulu, based on intercepts, reports that seven Japanese tankers are enroute to California. "This is normal as of the last four months."



July 9, 1941

Mr. Liversay

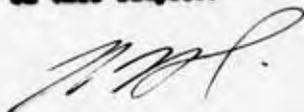
Mr. Cochran

Will you kindly send a cablegram along the following lines:

"American Embassy,

Istanbul. (Ankara)

Treasury Department is interested in Associated Press report of July 6 from Istanbul to the effect that German bankers are buying out French and Belgian holdings in Turkey, using funds extracted from occupied countries. Please cable at Treasury expense any information available on this subject."



HMC:lap-7/9/41

Nazi Bankers Begin Business War in Turkey

Funds of Occupied Nations Are Used to Purchase French, Belgian Holdings

ISTANBUL, Turkey, July 8 (AP)—German bankers, pursuing the financial conquest of Europe in the wake and sometimes in advance of the Nazi armies, have begun buying out French and Belgian holdings in Turkey.

For money they apparently are using funds extracted from the occupied countries.

The present operations in Turkey, as described by a competent source, are only a small part of the campaign which began with the German occupation of Paris.

Using both financial and political pressure, the Germans are ferreting out the vast network of French investments in Europe to supply their increasing demands for foreign exchange.

Although French and Belgian investments in Turkey are comparatively small, Germany needs their credits in Turkey to pay for her increased purchases here. A score of German bankers arrived in a group a few weeks ago.

Germany gets 400,000,000 francs daily from France under the armistice agreement to pay costs of the German occupation. But since the actual cost is reported to be much less than that, a surplus is left over with which to buy out French holdings in France and abroad. (The franc has a nominal value of about 2.3 cents.)

The Germans, therefore, can afford to make enticing offers for French foreign investments.

For example, they are offering the French 3 5/8 37 francs a Turkish lira, while the present rate of exchange is 33 francs for the lira.

Even then the Germans make a good thing of it. It takes two German marks to buy a lira, but the Germans have arbitrarily declared two marks worth 40 francs.

So with two marks they get 40 francs, and use only 23 to 37 of the francs to buy the lira.

If enticing offers fail, pressure on the Vichy government may be brought to bear. For example, when Germany bought control last winter of the Bor mines in Yugoslavia, richest copper mines in Europe, the principal holders were summoned to Vichy and told they must sell as part of the "collaboration" with Germany.

High German authorities are reported making an investigation of that deal, however.

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Rio de Janeiro, Brazil

DATE: July 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.

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EA:FL:MKK

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro.

DATE: July 9, 1941, 6 p.m.

NO. : 818.

This refers to the report sent by the Embassy on the second day of July, 1941.

The Bank of Brazil is continuing to receive requests from the local branch of the Yokohama Specie Bank that dollar credits be opened for the purpose of exporting strategic materials to Japan from Chile, Bolivia and Argentina. There is submitted below a list of the credits which have recently been established.

In Banco de Chile, \$30,000 for copper.

In Banco de la Provincia de Buenos Aires, \$38,887.80 for tungsten.

In de Nacion, Buenos Aires, \$32,860 for cascin. (This covers two transactions.)

In Banco Central de Bolivia, \$52,880 for tungsten.

In addition to the above, the bank has opened credits amounting to \$29,878 and \$237,000.96 for Iida and cia Buenos Aires. No information concerning the disposal of these funds is available at the bank.

CAFFERY

EA:VCL

318

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: July 9, 1941, 7 p.m.

NO.: 516

Today the Bank of Brazil turned down the request of German banks here to open dollar accounts. The recent action of the United States Government in blocking German funds was the basis of the refusal.

There was no indication how the Germans will obtain the dollars.

CAFFERY

RA:JSH

TO THE DIRECTOR
TECHNICAL SERVICE
OFFICE OF THE

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TECHNICAL SERVICE
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DEPARTMENT OF STATE
WASHINGTONIn reply refer to
FR 701.5111/803

July 9, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and informs him of the receipt of a note dated June 25, 1941 from the Ambassador of the French Republic at Washington, in which he states that Mr. Herve Alphan, Financial Attache, has ceased to belong to the personnel of the French Embassy. The Ambassador adds that Mr. Robert Lacour-Gayet, Inspector General of Finances, Chief of the General Financial Service, on mission, will temporarily perform the functions of the office left open by the departure of Mr. Alphan.

Copy:imc

BRITISH EMBASSY,
WASHINGTON, D. C.

July 9th, 1941.

PERSONAL
AND
SECRET

Dear Mr. Secretary,

I enclose herein for your
personal and secret information copies
of the latest reports received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Hanfex

The Honourable

Henry Morgenthau, Jr.,
United States Treasury,
Washington, D. C.

TELEGRAM FROM LONDON DATED JULY 5th, 1941

1. Three ships torpedoed in Halifax convoy reported on June 28th totalling over 22,000 tons arrived safely United Kingdom. June 29th twenty miles south of Messina British submarine torpedoed and sank large cruiser thought to be Gorizia. Another British submarine has sunk 1600 ton Italian ship 110 miles west, s. west of Naples and off Sardinian coast, she sank 8,000 ton ship which blew up with violent explosion suggesting that she was carrying ammunition.

2. On the 4th by daylight 15 bombers unescorted attacked Bremen from the height of 50 feet passing below balloon barrage. Large factory hit also goods yards. 5 bombers bombed Norderney seaplane base. In sweep over France when the bombers attacked a chemical factory, our fighters shot down 15 certain, 7 probable, and damaged 14. Our losses in these raids 6 bombers, 3 fighters.

3. Last night 150 aircraft despatched which attacked Brest, Lorient, small numbers to 6 other targets. About 70 enemy aircraft operated over the United Kingdom mainly attacked, Plymouth, Coventry, and Birmingham but little damage caused. At Plymouth, railway line between Devonport tunnel and dockyard badly damaged.

Night fighters destroyed 3 and 1 probable.

4. /

- 2 -

4. Libya. Egypt. Night of July 2nd - 3rd, increased enemy artillery fire and patrol activity at Tobruk. Shelling continued July 3rd.
5. Syria. In the capture of Dier Ez Zor July 3rd five guns, two aircraft and many vehicles were captured. Prisoners at Palmyra amounted to 300.
6. Russia. Operations towards Smolensk and Kiev continue. Poles and Hungarians are exerting pressure on their fronts.

TELEGRAM FROM LONDON DATED JULY 6th, 1941.

Vichy. French S.S. St. Didier 2778 tons located in Turkish territorial waters 100 miles northwest of Cyprus steering eastward subsequently torpedoed and sunk by British naval aircraft off Adalia harbour on July 4th as she was wearing Turkish flag. British transport Ansel 5954 tons carrying 1200 army and Royal Air Force personnel to the Middle East torpedoed 300 miles north of the Azores A.S. July 5th. 1210 survivors rescued by escorting ships.

2. Sight of July 4th - July 5th.

When 86 bombers attacked Scharnhorst, Gneisenau and Prince Eugen at Brest under clear conditions colossal explosion followed by 2 further explosions started large fire in estimated locality of Prince Eugen. 47 other bombers made very good attack on submarine base at Lorient same night and 2 enemy night fighters shot down. Coastal Command aircraft hit metal factory and probably hit merchant vessel 1000 tons at Kristiansand. During daylight July 5th the Royal Air Force scored hits or near misses on merchant vessels 4000 and 6000 tons. Fighters providing escort destroyed 2 ME 109's probably 1 other and damaged 8 losing 2 spitfires. Hudsons obtained hits on 1 vessel 3000 tons and another 800 tons west coast of Norway. Night of July 5th, July 6th 208 aircraft despatched in clear weather to Munster, Osnabruck, Bielefeld, Magdeburg, Rotterdam, 3 bombers missing. On the night of July 3rd, July 4th Royal Air Force attacked Tripoli and on July 4th, July 5th Bengazi, Nekili and Lerna. Night of July 4th, July 5th Royal Air Force attacked Beirut causing large explosion.

- 2 -

3. Enemy Air activity over the United Kingdom during the night of July 5th, July 6th less than 5 aircraft. 1 Junker 88 shot down by night fighters. Tobruk Harbour attacked on July 4th. 1 Tomahawk destroyed and Blenheim damaged on the ground, 5 enemy aircraft shot down by anti-aircraft. Cyprus raided 5 times on July 4th but damage negligible.

4. Finland. Finns have crossed the Russian frontier and made 2 attacks in Karelian Isthmus.

5. North Pripet marshes. German thrusts appear to have reached point west of Vitebsk and east of Rogachev.

6. South of Pripet marshes. Hungarian forces reported to have advanced over Carpathians.

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BRITISH EMBASSY,
WASHINGTON, D.C.

9th July, 1941.

PERSONAL
AND SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

Naval.

Holderness damaged by mine off Flamborough night of 5th/6th. Same night paddle mine sweeper bombed and sunk and a/p trawler bombed and damaged off east coast.

2. Night of 5th/6th Suez Canal area raided, six aircraft in two waves. 11 mines or bombs dropped on the shore probably none in canal. No damage no casualties.

3. 6th. Royal Air Force claims the sinking of 3,000 ton auxiliary off Hook of Holland also, near Barkum, tug and leading barge of three in tow were hit with bombs, latter being destroyed. Elenheims sank five, damaged five small vessels northwest of Heligoland.

4. 26th June. British submarine sank 6,000 ton merchant ship off north coast of Sicily, another British submarine damaged armed merchant cruiser south end of Messina Straits.

5. Royal Air Force. Night of 5th/6th. Royal Air Force dropped on German targets 246 tons high explosives 18,000 incendiaries. Munster very successful attack from 1500 feet.

6. During daylight sweep six stirlings dropped 23 tons high explosives, Lille. Fighter escort destroyed during the day 11 enemy fighters certainly, seven probably, damaged 5. We lost two bombers six fighters.

7. Night of 6th/7th. 229 aircraft attacked enemy warships Brest, railway centres Munster and Dortmund. Small numbers to docks at Rotterdam, Emden. Six aircraft missing.

- 2 -

8. Sicily. 6th. Six Blenheims attacked shipping at Palermo. Hits obtained on 5 merchant vessels estimated two 10,000 tons each, one 8,000, one 5,000, one 2,000 tons. One of the largest vessels appeared to have back broken.

9. Malta. Night of 4th/5th and following night total of 17 aircraft bombed island. No service damage or casualties.

10. Military. Libya and Egypt. Harassing fire has been put down about Halfaya Pass, where enemy are carrying out blasting operations.

11. Abyssinia. Gondar area. Operations proceeding to clear up this only remaining sector of resistance. Prisoners from Galla Sidamo number ten generals, 1200 Italians, and 2000 natives,

12. Syria. T. 4 on Tripoli (S) pipe line occupied without opposition. Our troops well received at Quaryatein.

4th July heavy Vichy artillery fire 26th June from Tekiye area (15 miles west of Damascus).

Patrols from Merjayoun taking over sector, report Hasbaya clear of Vichy troops. Latter holding positions south of the town.

Coastal sector Rharife (7 miles north of Jezzine) occupied 5th July. Patrol crossing River Damour same day.

13. Russia. There is heavy fighting in progress at Pakev, on either side of Minsk-Smolensk railway and near Novograd-Volynsk.

Rumanian front situation confused.

CONFIDENTIAL

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, July 9, 1941

TENTATIVE LESSONS BULLETIN
No. 130
G-2/2657-235

NOTICE

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

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

GERMAN RECREATIONAL SYSTEM IN THE
THEATER OF OPERATIONSSOURCE

This bulletin is based upon information submitted May 19, 1941, by an American official observer in Berlin.

CONTENTS

1. GENERAL
2. RECREATIONAL FACILITIES
3. CONCLUSION

CONFIDENTIAL

CONFIDENTIALGERMAN RECREATIONAL SYSTEM IN THE
THEATER OF OPERATIONSI. GENERAL

The recreational system in the German Army is designed with an eye towards German character and the general mission of the army. Its purpose is to build up a sense of physical and mental superiority and to create a spirit of aggressiveness in the soldier.

Recreation is considered more important in training areas than in the theater of operations because army recreation is always looked upon as basic character training rather than as a matter of pleasure.

In the theater of operations the soldier is constantly working under a severe training schedule. He is keyed up to a high degree of excitement by the situation facing him, and he is frequently moved about as a part of his basic training in maneuver and as a part of the mental training of meeting new situations.

In combat the present rapidity of operations has eliminated the need for recreational services during campaigns.

Competition between organizations is not permitted because of the basic German concept that every soldier must be superior. This basic concept is very important, since the leader, under the German task system of combat, must rely on perfect cooperation and coordination between individuals and units.

Sport, with the German, is basically physical culture which is set up as a duty, or type of religion. The theater is largely a means of developing a sense of mental superiority.

2. RECREATIONAL FACILITIESa. The Radio

Every German organization is provided with radio receiving sets and an extension loud speaker system as a part of its military equipment. Throughout day and night the German central radio broadcast system provides excellent musical programs and propaganda broadcasts designed to assure the soldier, as well as the civilian, that all is well.

Talks by officers and men, describing combat experiences, and propaganda controlled political discussions, are offered at frequent intervals. Important speeches of German leaders are always broadcast

CONFIDENTIAL

CONFIDENTIAL

to the troops.

Each Sunday a long musical program known as the Wunsch Konzert, or Wish Concert, is broadcast to the soldiers. The best artists in Germany are employed for this concert, though talented soldiers frequently take part. Requests of soldiers for musical numbers and favorite artists are granted on the program, and a special effort is made to provide it with amusing stories of army life. The concerts are of such excellent quality that they may be listed as a national institution.

b. The Opera and the Theater

Frequent visits to the troops in the field are made, prior to actual operations, by the best opera, theatrical, and musical talent in the country. The organization required for this purpose spares no effort or expense.

c. The Moving Picture

Every field unit sees the weekly newsreel known as the Wochenschau, as well as famous current pictures, such as Bismarck, Ohm Krüger, Sieg im Westen, and others, which have been written to create patriotic feelings and a sense of mental superiority in the mind of the audience.

All German combats are filmed by photographers from an efficient organization called the Propaganda Company, and each unit sees itself and other units of the German Army, Air Force, and Navy, in action. The films are cut to show no German dead, although wounded frequently appear. These pictures have a considerable instructive value and the United States has found them very useful in its study of the German Army.

Romances which show the male in a heroic role, educational pictures of industrial and scientific processes, and travelogues, are frequently shown, but no picture which creates doubt of home-sickness is ever shown.

d. The Military Newspapers

Troops in the field are furnished a daily paper which gives news of the world, of Germany, and of military activities. This newspaper is as carefully edited as are the moving pictures, although its tone is soldierly and frank.

e. Conducted Trips

Frequently the entire company or similar organization is

CONFIDENTIAL

CONFIDENTIAL

taken on conducted trips to points of interest. These trips, which are for purely cultural and recreational purposes, are handled by trained and competent men. The German soldier enjoys this type of recreation much more than does the American or British soldier, and the trips are very popular, especially since they entail no expense on the part of the soldier and usually include beer and extra food at the destination.

f. Organizational Entertainment

Every German organization develops some sort of a musical or theatrical club, or both. The performances of these clubs are very popular.

g. Individual Diversion

German soldiers are given great latitude in the taking of pictures in the zone of operation, and almost every soldier carries a camera. Films are developed either by the Propaganda Company or by civilian organizations and are subject to censorship.

Censorship on the men's mail is as liberal as possible.

Soldiers who are artistic or musical are allowed to bring their kits along. A place for the kits is usually provided in the organizational transport.

The men are encouraged to recount personal experiences to assemblies of officers and men of their own organizations. The best of these stories are frequently heard later on the national radio broadcast.

h. Furloughs

Frequent furloughs are given. Married men are encouraged to take a two-week furlough four times a year. Unmarried men get half as much furlough.

i. Games

Handball, massed sports, swimming, horseback riding and racing of all kinds are encouraged, but apparently under no organized control.

j. Women

The German military authorities expect that the sexual appetite of healthy young soldiers will be largely neutralized by hard work

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and recreation.

Unmarried soldiers on furlough in Germany are provided with protective devices, but the soldiers claim that these are of poor quality.

In occupied countries severe restrictions are issued where the race is considered inferior to that of the Germans, or where venereal disease is prevalent.

In certain cases, notably in Poland, houses of prostitution are provided under direct control of the military. The general plan is to provide young, attractive girls who are volunteers. One of these houses has been described as follows: The lower floor is used as quarters for the guard and the second floor as a soldiers canteen and reading room. The third floor is fixed up for the girls, who are encouraged to provide an attractive, homelike atmosphere. They are on duty between 4 P.M. and 10 P.M. and they are permitted to keep all of their fee of five Reichmarks - \$1.25 - for half an hour's entertainment.

Before a soldier goes to the third floor he is given a medical examination. He must not be under the influence of liquor in any degree, and the girls are not permitted to drink or to have liquor in their rooms.

The girl initials the soldier's service record, and the guard makes an appropriate entry for control purposes.

3. CONCLUSION

The German methods will very likely not meet the requirements of other armies, but it is believed that their basic idea of building up a sense of physical and mental superiority, and of creating a spirit of aggressiveness on the part of the soldier, is sound.

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G-2/2657-220 No. 436 M.I.D., W.D. 12:00 M., July 9, 1941.

SITUATION REPORTI. GERMAN-RUSSIAN FIGHT.

Ground: Germans advance in Salla area in Finland and cut communications to Leningrad. Severe artillery battle fails to force evacuation of Hango by Russians.

Germans steadily advance in Estonia and have occupied Ostrov. Severe counterattacks by Russians west of Polotsk and Novograd.

Hungarian Divisions advance to Sereth River south of Tarnopol. Russians counterattack to hold Mogilev-Podolsk.

Russians are evacuating Bessarabia. Situation around Balti still obscure.

Air: No change in the general situation.

II. GERMAN-BRITISH FIGHT.

Air: German. Increased night activity over Great Britain. Estimated at least 100 bombers employed.

British. No change in plan of operations. Day attacks included Lille. Night attacks centered on Hamm, Muenster and Bielefeld and on the Leuna synthetic oil plant.

III. MEDITERRANEAN FIGHT.

Ground: The Allied attack up the Syrian coast has been halted some 9 miles south of Beirut. Elsewhere, nothing of importance.

Air: Normal British raids on Beirut and Aleppo, in Syria, and on Benghazi, Derna, Martuba and El Gazala, in Libya.

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Paraphrase of Code Sablogram
Received at the War Department
at 10:48, July 9, 1941

London, filed 17:15, July 9, 1941.

1. British Air Activity over the Continent.

a. Night of July 7-8. During the raids of this night British bombers dropped the following numbers of tons of high explosive bombs and numbers of incendiaries upon the objectives named: Osnabruck, 78 and 11000; Orléans, 108, including three 4000 pound bombs, and 8800; Frankfurt, 44 and 8300; Nuremberg-Gladbach, 10 and 800; and Munster, 57 and 8000.

b. Day of July 8. The chemical works at Leen and the power station at Lille were attacked by three Stirlings. The oil plant at Masingarbe was also attacked by three Stirlings. Three Fortresses, as the English call the B-17s, were sent to the naval barracks at Wilhelmshaven, one of which had to turn back because of oil trouble, while the remaining two attacked, dropping six 1100 pound bombs which exploded on the naval barracks and in the center of the town. It is thought that this attack, which was made at an altitude of about 20,000 feet, was a complete surprise to the Germans as no anti-aircraft or enemy fighter activity was encountered. Five Blenheims attacked shipping off Denmark. Fighters were dispatched as follows: 214 on interception patrols, 163 in the protection of shipping, 823 on defensive patrols, and 85 on special patrols.

c. Night of July 8-9. Bombers were dispatched as follows: 82 to Munster, 78 to Hamm, and 14 to Mersberg.

2. German Air Activity over Britain.

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a. Day of July 7. Dispatched were 8 fighters, 5 long range bombers and 15 reconnaissance aircraft, while 600 fighters maintained defensive patrols.

b. Night of July 7-8. Germany operated with 5 reconnaissance aircraft, 15 mine-laying aircraft and 80 long range bombers.

a. Day of July 8. There was a little reconnaissance activity off the Norfolk coast. Defensive patrols were maintained in the area of Calais.

a. Night of July 8-9. There were some operations over the Midlands area.

b. Aircraft Losses Reported.

a. British losses. During the night of July 8-9, 2 bombers were unreported from the raid on Hamm, 1 from the raid on Munster and 1 from the raid on Marseburg. On the day of July 8, one Stirling was lost by anti-aircraft fire over Masingarbe. 12 Spitfires and 2 Hurricanes were also lost on this day.

b. Axis losses. In the Southampton area on the night of July 7-8, four He-111's and 1 Ju-88 were shot down, 1 Do-17 and 1 He-111 probably destroyed, and 1 Ju-88 damaged. During the day of July 8, German losses were as follows: 4 He-109's and 18 He-109's destroyed, 1 He-109 and 7 He-109's probably destroyed, and 9 He-109's damaged.

4. British Air Activity - Other Theaters.

a. North African Theater. Recent aerial photography over Palermo revealed that two small and one 10,000 ton merchant vessels had been sunk and that another of 10,000 tons was on fire.

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Distribution:

Secretary of War; State Department; A. G. of S.; G-3; WFO; CMI; GSI;
Chief of the Army Air Forces; G-3; Air Corps; Secretary of Treasury

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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, July 10, 1941.
7/9/41

Press Service
No. 26-38

The Secretary of the Treasury, on behalf of the Commodity Credit Corporation, today announced the plan for refinancing the outstanding notes of Series D of the Corporation maturing August 1, 1941, and raising additional funds for the Corporation, through offering for subscription, at par and accrued interest, through the Federal Reserve Banks, notes of the Corporation, designated 1-1/8 percent notes of Series G, in the amount of \$400,000,000, or thereabouts, and at the same time offering to purchase on July 21, 1941, at par and accrued interest, the outstanding notes of Series D to the extent the holders of such maturing notes subscribe for the new notes.

The notes of Series G now offered will be dated July 21, 1941, and will bear interest from that date at the rate of 1-1/8 percent per annum payable on a semiannual basis on February 15 and August 15 in each year, the first coupon being payable on February 15, 1942. They will mature on February 15, 1945, and will not be subject to call for redemption prior to maturity. They will be issued only in bearer form with coupons attached, in denominations of \$1,000, \$5,000, \$10,000 and \$100,000.

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The notes will be fully and unconditionally guaranteed both as to interest and principal by the United States. Pursuant to the provisions of the Public Debt Act of 1941, interest upon the notes now offered shall not have any exemption, as such, under Federal Tax Acts now or hereafter enacted. Otherwise the notes will be accorded the same exemptions from taxation as are accorded other issues of Commodity Credit Corporation notes now outstanding. These provisions are specifically set forth in the official circular released today.

Subscriptions will be received at the Federal Reserve Banks and Branches, and at the Treasury Department, Washington; they will not be received at the Commodity Credit Corporation. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from holders of Series D notes tendered for purchase should be accompanied by such notes to a par amount equal to the par amount of notes of Series G subscribed for. Other subscriptions from banks and trust companies for their own account will be received without deposit but will be

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restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Other subscriptions from all others must be accompanied by payment of 10 percent of the amount of notes applied for.

The right is reserved to close the books as to any or all subscriptions at any time without notice. Subject to the reservations set forth in the official circular, subscriptions from holders of Series D notes who tender them for purchase under this offering will be allotted in full. Payment for any notes allotted must be made or completed on or before July 21, 1941, or on later allotment. Series D notes are outstanding in the amount of \$202,553,000.

The text of the official circular follows:

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COMMODITY CREDIT CORPORATION

1-1/8 PERCENT NOTES OF SERIES G, DUE FEBRUARY 15, 1945

Dated and bearing interest from July 21, 1941

FULLY AND UNCONDITIONALLY GUARANTEED BOTH AS TO INTEREST AND
PRINCIPAL BY THE UNITED STATES, WHICH GUARANTY IS EXPRESSED
ON THE FACE OF EACH NOTE

1941
Department Circular No. 605

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, July 10, 1941

Fiscal Service
Bureau of the Public Debt

1. OFFERING OF NOTES AND INVITATION FOR TENDERS

1. The Secretary of the Treasury, on behalf of the Commodity Credit Corporation, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the Commodity Credit Corporation, designated 1-1/8 percent notes of Series G. The amount of the offering is \$400,000,000, or thereabouts.

2. The Secretary of the Treasury, on behalf of the Commodity Credit Corporation, offers to purchase on July 21, 1941, at par and accrued interest, the outstanding notes of the Corporation designated Series D, maturing August 1, 1941, to the extent to which the holders thereof subscribe to the issue of Series G notes hereunder. Tenders of Series D notes for that purpose are invited.

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II. DESCRIPTION OF NOTES

1. The notes will be dated July 21, 1941, and will bear interest from that date at the rate of 1-1/8 percent per annum, payable on a semiannual basis on February 15 and August 15 in each year until the principal amount becomes payable, the first coupon being dated February 15, 1942. They will mature February 15, 1945, and will not be subject to call for redemption prior to maturity.

2. The notes will be issued under authority of the act approved March 8, 1938 (52 Stat. 107), as amended. The income derived from the notes shall be subject to all Federal taxes, now or hereafter imposed. The notes shall be subject to surtaxes, estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, municipality, or local taxing authority. These notes shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof.

3. The authorizing act provides that in the event the Commodity Credit Corporation shall be unable to pay upon demand, when due, the principal of, or interest on, notes issued by it, the

Secretary of the Treasury shall pay to the holder the amount thereof which is authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, and thereupon to the extent of the amount so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such notes.

4. Bearer notes with interest coupons attached will be issued in denominations of \$1,000, \$5,000, \$10,000 and \$100,000. The notes will not be issued in registered form.

III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or the securities which may be allotted thereon, prior to the closing of the subscription books. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from holders of Series D notes tendered for purchase should be accompanied by such notes to a par amount equal to the par amount of notes of Series G subscribed for. Other subscriptions from banks and trust companies

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for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Other subscriptions from all others must be accompanied by payment of 10 percent of the amount of notes applied for.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, subscriptions from holders of Series D notes who tender them for purchase hereunder will be allotted in full. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

IV. PAYMENT

1. Payment at par and accrued interest, if any, for notes allotted hereunder must be made or completed on or before July 21, 1941, or on later allotment. In every case where payment is not so completed, the payment with application up to 10 percent of the amount of notes applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to

the United States. Notes of Series D tendered for purchase must have coupons dated August 1, 1941, attached, and payment will be made at par and accrued interest to July 21, 1941. The principal proceeds of the Series D notes will be applied in payment of the Series G notes, and accrued interest from February 1, 1941 to July 21, 1941 on Series D notes (\$2.93508 per \$1,000) will be paid following acceptance of the notes.

V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

July 10, 1941
9:30 a.m.

GROUP MEETING

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

H.M.Jr: The thing that interests me about these securities, when you do sell them and we make them too sweet, they stay there. It isn't as though they drop back and raise the whole market. You know what I am --

Haas: That is right.

H.M.Jr: It isn't as though interest rates went up and these securities went down to par. They keep their premium.

Haas: Yes. I think they got there too soon again on this one. In other words, it is too sweet. I think you have a peculiar situation there, Mr. Secretary, that many times you know when you are offering and you have to make some allowance for the price because the new security will weigh the market down in that sector of the market. It seems that those securities that are out are very tightly held and the market prices are not

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indicative of the market and there is an overwhelming demand for the security, but I still think what we did was the proper thing, to operate like the Navy on the basis of the calculable risk and if we get there too early we don't miss anything.

- H.M.Jr: Here Bell did everything he could to hold up that announcement about additional figures and they go out just the same, so how can you tell at what point the financial market may get scared at five million dollar expenditures? You just don't know.
- Bell: That isn't the whole story, either, that he announced. It is going to be much bigger than that. I don't know whether the additional amount will affect the market or not, when it comes out.
- H.M.Jr: All right. Mr. Thompson, would you please get some comfortable chairs for us downstairs?
- Thompson: I think we ought to raise the back row six inches, too, don't you?
- H.M.Jr: I think that would be --
- Thompson: Put a little platform there.
- H.M.Jr: I think it would be nice. Why not - couldn't they have two steps?
- Thompson: Yes, with three rows we can have each one raised up.
- H.M.Jr: Yes, but get some decent chairs. They can't be very expensive. I didn't expect to see

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you (Kuhn) back this morning.

Kuhn: Oh, yes, I flew back last night.

H.M.Jr: No?

Kuhn: Yes.

H.M.Jr: You shouldn't have done that. Did you have a nice time?

Kuhn: I went to the show and I am very glad that I did, because I met some of the people who have been putting their heart and soul into this thing for us, particularly the musical director, who is a great guy.

H.M.Jr: Who is he?

Kuhn: Al Goodman.

H.M.Jr: You know, he is never mentioned on the radio.

Kuhn: He is wonderful. I can't tell you how he threw himself into that program and brought everything out.

H.M.Jr: But they never mention him on the program.

Kuhn: He is coming down here tomorrow. I am going to take him to lunch and make a fuss over him.

H.M.Jr: Wonderful. They have got Monroe coming down too.

Kuhn: Barry Wood is delighted with everything. He is a very frank, modest fellow.

H.M.Jr: I will give you at eleven tomorrow for Monroe and Goodman.

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Kuhn: That is wonderful.

H.M.Jr: Will you? And if our radio man is here you had better bring him along.

Kuhn: Callahan.

H.M.Jr: I hear it was filled up pretty well last night.

Kuhn: Well, the downstairs was packed. The balcony was almost empty. That Army and Navy thing is not working right and the only men in uniform I saw were about a dozen Naval officers. I saw no enlisted men at all.

H.M.Jr: That is funny.

Kuhn: I think we might do well to spread those tickets around to different Army and Navy groups, or else make inquiries of the War and Navy Departments as to how this can best be done.

H.M.Jr: You can't do that. You see, we have dealt directly with General Drum, head of the Corps Area, who yesterday said that he was using them and Admiral Andrews, in charge of the Naval District. You can't - let's check up once more.

Kuhn: We can check next week.

H.M.Jr: Let's let it ride once more, because you can't say - these men say they are using them. They may be giving them to civilian friends, but they say only yesterday that they are using them and if you go above them - I mean --

Kuhn: They may have been in civilian clothes, some of these people.

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H.M.Jr: You see, some of them can go in civilian clothes.

Kuhn: They may have done that.

H.M.Jr: Herbert?

Gaston: At the D.C.B. meeting, Defense Communications Board meeting, this morning, we are going to discuss with the Navy the possibility of sealing radios on all foreign ships. We are sealing only belligerent ships now.

There is some doubt in the State Department about legal authority to do it, but I talked to Cairns and he found a statute which he thinks by Executive Order will do the trick, and I think probably it can be done.

The State Department has expressed interest in possible suppression of propaganda films now circulating in this country, and they wanted to have a discussion of the legal possibilities.

Savage asked Cairns if they couldn't come over here with some Justice people and talk about it, and Cairns asked if I would like to get in on it, and I said I would be interested, so if you don't object we are going to have a meeting in my office at 2:15 this afternoon.

H.M.Jr: I think you are the ideal person to handle it if you will.

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Gaston: Thank you.

Something rather interesting; a man named Kertess came to talk to Foreign Funds about releasing some funds of his, and as an argument he brought out that he has a contract to supply a cement hardening material to the new Panama Canal locks, and he is on the British black list and he is on the suspect list of FBI.

In recommendation of his product, he said that it was used on the Siegfried Line and also in the Golden Gate Bridge.

Sammy reported that to Military Intelligence, and it got them quite excited. They are taking it up with the Secretary of War.

Here is a man who is believed to be the chief representative in the United States of the German chemical industry, and he is selling his product to the War Department for the Panama Canal.

H.M.Jr: Wonderful.

Klotz: Sounds --

H.M.Jr: Did you ever see "Mr. Chang in Panama"?

I did.

It was a wonderful picture. To my amazement, I had the greatest difficulty - they showed it down in Jamaica - to get Mrs. Morgenthau to go. "Oh, I hate those cheap pictures." I said, "Come on," so she went to one picture and she loved it. Mr. Chang - is it Chang? Charlie Chan, that is it. When Mr. Reynolds comes Friday, have Pehle here, will you please. (Speaking to Mrs. Klotz)

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Gaston: There is a little incident I haven't done anything about that we learned about just recently. We found that the FBI had approached an employee of Customs who is not one of the Investigative Force, and had asked him to give them information that he obtained in the office and not to let anybody know, not to let his superiors or anybody else know that he was acting as a representative of the FBI in one of the Customs offices, and there is some indication that they have made similar requests of other Treasury employees.

I thought we might - if we find any more instances we might either speak to them informally about it or we might even, if we find it is widespread, write a letter to the Attorney General on the subject.

H.M.Jr: I wouldn't do it that way. Have you got the case?

Gaston: Yes. The particular case that we know the facts about is a man named Bain, who is an appraiser in the Georgetown Customs House. Of course, we are giving them freely everything which looks like information in which they are interested, but our rule is that when they give anything to FBI they make a notation of it and send that in to headquarters, but in this case they asked the man not to tell anybody, not even his superiors, that he was working for FBI.

H.M.Jr: What is the name?

Gaston: The name as I remember it is B-a-i-n, Bain, but I will verify that name for you.

White: Mr. Secretary, there used to be something

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like that in the Army days and this is the way they handled it because I happened to be selected as an intelligence officer and they didn't want my superior to know about it, but they did tell the general, who was informed, and my contacts with them were through the general; so in this instance I shouldn't think there would be any objection if Mr. Gaston knew the man and if the information that he gave them passed through Mr. Gaston's hands.

H.M.Jr: That isn't the question, Harry. If you don't mind, you don't get it at all. This is something quite different.

White: I see.

H.M.Jr: I mean, this is - there have been other instances where we think FBI has tapped our wires. I mean, this is --

Gaston: Suppose I get you the full facts on this Bain case.

H.M.Jr: Why can't you just talk to Hoover yourself?

Gaston: Yes, I can talk to him.

I don't think at this stage we want to handle it in the way of a formal letter.

H.M.Jr: I wish you would speak to J. Edgar Hoover and say I have talked it over with you and we have asked him - here are the facts, would he please investigate them and that after he has the facts, I would like to

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sit down with him and you.

Gaston: Yes.

H.M.Jr: You see?

Gaston: Yes, fine.

H.M.Jr: Tell him, would he please look into it and that after he has seen it, I would like to sit down with him and with you.

Gaston: Yes.

H.M.Jr: It will give him a chance. But it is a little bit different, Harry. The kind of thing that you are talking about, we have done for the Navy. I mean, we have taken one of their fairly high ranking officers and given him a job in our organization, and nobody knew about it, you see.

White: Except somebody in high - high ranking in the Navy.

H.M.Jr: Oh yes. He was Naval Intelligence, and he goes to work for us in the Treasury in a particular spot, you see.

White: Well, I think it is inexcusable for them to ask somebody lower down without Mr. Gaston or yourself knowing about it, but if you do know, that is customary.

H.M.Jr: Yes, but it is the kind of thing which they say that Hoover does. I don't know whether he does, but we will find out.

But this way we will give him the benefit of the doubt. He looks into it and after he has had a chance to look into it, he comes over to see me.

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Gaston: We broke up an arrangement somewhat similar to that which Harry speaks of. They had taken Shamhart in as a reserve lieutenant commander of Naval Intelligence, and the idea was that Shamhart would work directly with Naval Intelligence and furnish information out of Customs without going through Customs' channels. We told them we didn't want it done in that way. Any information they wanted we would give them in a regular manner.

H.M.Jr: Will you do it this way?

Gaston: Yes.

H.M.Jr: Anything else?

Gaston: That is all.

Cochran: Do you want to give me an hour for Heath? He will be here the rest of the week.

Klotz: He is down here.

Cochran: That was for yesterday.

Klotz: Oh!

H.M.Jr: Has he got anything to say?

Cochran: A little more than last time.

H.M.Jr: All right. Let me get this thing straightened out first with this man Reynolds. I can see Heath at eleven-fifteen.

Cochran: That is tomorrow?

H.M.Jr: Yes.

Cochran: You may have seen the press or the ticker

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stories from London this morning that no more correspondents would be permitted to go to Iceland.

- H.M.Jr: Yes.
- Cochran: The State Department has turned down a lot of passport applications.
- H.M.Jr: Gaston is on the docks seeing that they don't go. Right?
- Gaston: Right.
- Cochran: One of my European friends told me yesterday that about four or five years ago, when there was a movement of gold out of France to Tangier, quite a bit went to Iceland. He thinks there are a good many million dollars worth of gold up there now.
- H.M.Jr: Wonderful.
Ferdie?
- Kuhn: I think you would like to know that Phillip Murray has accepted tentatively the round table discussion.
- H.M.Jr: Wonderful.
- Kuhn: Green is the only one we have to get, and I don't think there will be trouble.
- H.M.Jr: Well, let me know.
- Kuhn: Good.
- H.M.Jr: I am available.
- Kuhn: Good.

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- H.S.Jr: I want you (Kuhn) to stay afterward, please.
I want Kuhn and Gaston and my tax man.
- George?
- Hess: I have nothing this morning.
- Schwarz: For the press conference, I will bring in
the figures by denominations, May and June
of '40 and '41. Also I have just received
a story you might want to - if you have
nothing else - I can give it as a memorandum
with copies, opening the retail sales in the
State of Michigan. It would boost it if you
would--
- H.S.Jr: Well, let's take a look at it.
- Harry?
- White: Mr. Coe is going to leave in a few days.
Today and tomorrow will be the last days
you can see him before he goes.
- H.S.Jr: Have him available today, if you would,
from a quarter to two on. Have him available
from a quarter to two on.
- (Mr. Foley entered the conference.)
- H.S.Jr: Hello, Ed. Is it up or down. (Mr. Foley
indicates up.)
- Wonderful.
- Have you had a chance to get that book by
Douglas Miller?
- White: Yes, I am half way through it. It is quite
interesting, and in response to your question,
I think that there might well be some place
which might be useful. He has been with the

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Department a good deal and there are doubtless people around here who know of him. I met him once, but I know nothing about it.

H.M.Jr: I thought it was interesting.

Cochran: Is this the man from Berlin? You want to look into that.

H.M.Jr: Yes?

Cochran: Absolutely.

H.M.Jr: You question him?

Cochran: Very much. England has a record about his leaving. He was in the foreign exchange business while he was acting commercial attache.

H.M.Jr: Then forget about it.

Haas: When I was over there, Mr. Secretary, he was over there. I think his wife was German. But I don't know anything other than that about him.

H.M.Jr: You know your facts?

Cochran: Yes, sir.

H.M.Jr: Then forget about him. Thank you.

That is the advantage of the nine-thirty group meeting.

The New York Times says thanks to their story in yesterday's paper, we have changed our regulations.

Foley: I didn't see it.

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H.M.Jr: Is that right?

Foley: No, because we made the announcement at the Federal Reserve meeting last week, that we would extend the deadline forty-five days.

Schwarz: You wouldn't blame the Times if they simply said they understood it.

H.M.Jr: I have never seen them do a thing like that before.

Schwarz: Other papers do it, but--

White: I think it is a good thing to let them get away with it. We listen to the press.

H.M.Jr: Anything else, Harry?

White: No, nothing else.

Graves: I have nothing. Do you know this man, Stanley Morriss?

H.M.Jr: No.

Graves: Do you have any interest in him?

H.M.Jr: No.

Harold, very much for you and for nobody else to hear, you see, I have a kind of a notion that you and I - well, you don't fly, but you can go out there - might go out to the State of Michigan on Tuesday.

Graves: Tuesday of this coming week?

H.M.Jr: Yes.

Graves: Mr. Iseby, our State Chairman from Michigan and the spark plug of our organization there.

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is to be in Washington today.

H.M.Jr: Oh, grand. Bring him in.

Graves: I was going to say perhaps that would--

H.M.Jr: No, no, I want to get out and I want to wander around the stores and drop in here and drop in there, and I don't care about meeting any people, particularly, I just want to get in a car and drive around and go to a couple of drug stores and a couple of department stores and just see how the thing - get the feel of the thing. I thought you and Iseby and I would do it.

Graves: Fine. Suppose I bring Iseby in.

H.M.Jr: And the man who is in charge here. Who is it?

Graves: Mahan.

H.M.Jr: Yes. Would you take him too?

Graves: I don't think so.

H.M.Jr: Well, think about it, you see.

Graves: All right.

Well, you would like me to bring Iseby in?

H.M.Jr: Yes, just phone and you come in. But think about it. This is one of the things that I would like to go out and just kind of get the feel of the situation.

Graves: Very good.

H.M.Jr: Anything else?

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Graves: That is all.

Bell: In that connection, I understand the Institute of Life Insurance Companies is considering asking for a conference so that they can discuss with you the possibility of having their salesmen, life insurance salesmen, advocate the purchase of Savings Bonds one day a month instead of selling life insurance.

H.M.Jr: Why not?

Bell: It is a very good idea. They have got large companies, I understand, to go along, but they haven't got some of the smaller companies.

H.M.Jr: You had better check that with Harold. I am not - that is his business.

Bell: I am just giving it to you as gossip. It came to me confidentially, and I am not contacting anybody on it.

H.M.Jr: All right.

Dan, I am saving from ten-thirty to eleven tomorrow for you to give me your plan on the sales campaign.

Bell: All right, I will have it.

The British, I believe, are going to appoint Sir Otto Niemeyer as a representative on the China Stabilization Board.

H.M.Jr: Excuse me. That isn't necessarily so. He is going on - really more as an economic adviser.

Bell: Well, it is in connection with the State Department idea that it will be an economic mission.

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H.M.Jr: That is right.

Bell: And he would do both jobs, and when he leaves, he would probably leave Rogers or somebody else in charge of the Board.

H.M.Jr: Well, the only reason I am arguing with you is because at supper with Keynes and Salter they both knew about it and they both knew about Rogers, and they were sending Niemeyer out there, but they doubted whether they could get rid of Rogers.

Bell: If he goes, he is leaving about July 15, coming through Washington.

H.M.Jr: That is right.

Bell: To discuss the China situation there. This is the letter on the Commodity Credit for you to sign.

I have had Mr. Delano fix up a memorandum on the Bank of America in compliance with the memorandum that we presented to them last year, and they have complied with everything so far. The only thing that was held in abeyance was the real estate matter, against which they put up six million nine hundred thousand reserve. The committee that we appointed have now agreed - at least two of them have, and that is a majority - to a four million dollar write-off, and a million dollars has already been written off and another million dollars will be written off out of the earnings this six months and two million dollars out of the earnings next year, but we maintain the reserve of the three million until it is written off. That is completed.

H.M.Jr: Thank you.

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Bell: That is all I have.

Thompson: I am in hopes of getting a final clearance on the space for Pehle today.

H.M.Jr: Pehle?

Thompson: For Pehle. The Raleigh Hotel isn't entirely out of the picture, but I think it is practically out.

Mr. Jones doesn't like it and his people don't like it, but I think they will give us the apartment on Park Road.

Then I have got Mr. Delano's clearance on it as Chairman of the Park and Planning Commission.

H.M.Jr: Wonderful, fine.

Thompson: Which is quite an accomplishment.

H.M.Jr: Good.

Thompson: I haven't been able to get the May Military Affairs Committee report. There is some doubt now whether it will be printed. It is a pretty voluminous document, but if it is, we will get it.

H.M.Jr: All right. Thank you.

Ed, I asked some of the people to stay. Would you stay too, please.

July 10, 1941
10:10 a.m.

RE TAXES

Present: Mr. Foley
Mr. Blough
Mr. Gaston
Mr. Kuhn
Mrs. Klotz

H.M. Jr: Last night Currie called me up to say that he spoke to the President about, did he want to do something about the tax bill? and he had asked me before that, was it all right for him to talk to him, as I remember it, and I said, "Yes," and I have been telling Hopkins the same thing. It is a little bit different than doing it without my being told. Last night they sent me up to the house the following memorandum from the President:

"I am ready to make a strong statement to Congress on the tax bill whenever you think the time is appropriate. I would lay particular emphasis on the excess profits tax. Will you consider also the means which I should employ to giving expression to this matter."

Now - this is a letter to the President.

Simply say:

"My dear Mr. President:

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"I am simply delighted at receiving your memorandum of July 9 and learning that you are prepared 'to make a strong statement to Congress on the tax bill.'

"I am sending you herewith a summary that I have had prepared for myself on the status of the tax bill. You might like to glance through this.

"I am giving very careful consideration as to when and what you should say, and I will be prepared to make suggestions to you by Monday.

Yours sincerely."

Now, here is the thing, and I want you people to think about it. It is a question of - well, I will do it. And I want one back for myself, on this, please. (Referring to memorandum by Mr. Blough on the tax bill.)

There are two ways to do this thing. Do it now, while the bill is under consideration so that he will influence them, or do what Sullivan wanted me to do, wait until the bill was on the Floor, you see. I don't know which would be the better time.

Now, I called up Sam Rayburn this morning, and I am going to see him this afternoon, and I am going to say to Sam, "Can I ask you something about the tax bill without your feeling you have to tell Doughton?" and if he says, "Yes," then I am going to put it up to him. But I thought you people might be thinking about it, you see.

Now, you see that changes what you (Kuhn) and I and Odegard were talking about last night. We were talking about this thing. You

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had better get busy right away, you see; and, of course, you can see from what the President said he wants to stress the excess profits and how will this hit the companies, because, as I get it, it freezes them on their four-year average.

I read your (Blough's) memorandum. Is that right?

Blough: Yes.

H.M.Jr: It freezes their earnings. They pay no excess profits on their average earnings for the four years.

Blough: Pay no excess profits tax unless they make more than they made in the average of the four years.

H.M.Jr: Well, knowing my President fairly well, I think the thing for you to do is to do it this way, immediately go to work on the companies that won't pay any excess profits under this, with examples, you see, and see if you can't have something for me by tomorrow. You ought to be able to have something.

Blough: I can. We have a lot of material, and I can do that.

H.M.Jr: Now, I will tell you what we will do. We will meet, those of you who are here, at nine o'clock at this office tomorrow morning, you see. Think it over, and before I do anything, I will let Sullivan know. I may want him back. Will he be here Monday?

Blough: Yes.

H.M.Jr: That is fine. But whatever you are doing, drop it.

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Blough: I will have something for you.

H.M.Jr: You can talk to any of these four people during the day.

Kuhn: This is being done to stress taxes as a means of getting other things done, control of wages and prices, isn't it?

H.M.Jr: That is the thing. What I said last night was to these two gentlemen that Odegard, who wanted our field organization of Savings Bonds to go out and work on this thing - I said, "No," and Kuhn agreed with me, and I said, "The speech had to be made by either the President or me," and I said, "If he won't make it," and I don't think he would, "I would make it and hope he would read it, and the Administration policy would be set."

Well, now, he has asked for it. It is wonderful. We can work in everything.

Kuhn: It is the same idea that you had a month ago that you must stress the excess profits thing as a means of getting labor to take wage freezing and farmers to take price freezing.

H.M.Jr: Now, Ferdie, forget - you see, now here Odegard is up in Harrisburg today, isn't he?

Kuhn: I don't know, I haven't seen him.

H.M.Jr: Well, you see he shouldn't be there. I wrote a letter to Graves, never to do it again. He sent Odegard up to straighten out the State Administrator in Harrisburg. It is ridiculous. He got a memo from me. But please drop the bond thing today, whenever this man (Blough) is available and put your O.K. on it, will you? Then after you have it, we will talk.

O.K., and I want to talk with these two gentlemen (Mr. Foley and Mr. Gaston).

July 10, 1941
10:31 a.m.

HMJr: Hello.

Dean
Lundie: How are you?

HMJr: Fine. Are you where you can talk or listen?

L: Not quite, but I think I can get there.

HMJr: Well, better yet, is there any time that you could come over for a few minutes today?

L: Yes, I think so. Well, any - I think I can fit my schedule to yours.

HMJr: Could you drop in at quarter of twelve?

L: Yes.

HMJr: There's something - a new angle has happened on your situation and before I go any further I want to talk to you about it.

L: All right, fine.

HMJr: We think we see a little rainbow.

L: Yeah. Well, I'll - I'll drop in about then.

HMJr: Quarter to twelve.

L: Quarter to twelve.

HMJr: Be grand.

L: All right, fine.

HMJr: Thank you.

July 10, 1941

Hopkins told me at lunch today that the President had Stark and King in to see him this morning alone and the plan was to arrange that the United States Navy would escort both American flag and English flag ships as far as Iceland and at this point the English would take up the English flag ships and escort them the rest of the way.

Hopkins said, "Of course, you never know whether those things will go through until the last minute, but that is the plan."

I urged him strongly to take Plevin in to see the President and he said that he and I should do it together. Whether or not he will do it, I have my doubts.

July 10, 1941
1:12 p.m.

Grace
Tully: Hello, Mr. Secretary.

HMJr: Yes.

T: Mr. Secretary, I've just been thinking of Missy having been sick some time. Every month she buys two bonds.

HMJr: Yeah.

T: I'm wondering what's going to happen. Two \$75.00 bonds - I think she buys every month and the notice has come over, you know, and usually she fills them out, I guess, and sends in the money or the check. Now, I'm wondering what's going to happen. Will that lapse while - I mean, is there any time limit on getting it in?

HMJr: No. You mean - how does she do that?

T: Well, they mail her a notice every month and she fills out something and I imagine sends the money.

HMJr: Well, if she doesn't do it this month, she can do it next.

T: And it wouldn't - and she still could continue, because that - isn't there something about if you don't that it lapses and then you can't buy them back at that same price, or something?

HMJr: She misses - it may cost her five or ten cents; but I tell you, if you want me to, I'll be glad to pay for them myself.

T: Well, \$150.00 a month is a little bit too heavy for me to take, you know, and I don't - I don't - I imagine she'd want it continued and, of course, we are not bothering her with anything like that, and I was just.....

HMJr: Well, supposing I pay for it and.....

T: She could reimburse you.

HMJr: She could reimburse me.

T: Yes.

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HMJr: Sure. Now, let me just see.

T: I don't know whether she paid for any in June. See, she got sick....

HMJr: Hello.

T: Hello.

HMJr: Now, let me - is it \$150.00?

T: Yes, I think it's two \$75.00 bonds every month.

HMJr: Now, who shall - supposing I

T: Suppose I send the notices over to you so you can see it. I don't know whether it requires her signature or not.

HMJr: Well, supposing you send it over to me in a little envelope, will you?

T: All right, sir, I will.

HMJr: And I'll be glad to take care of it.

T: All right, grand. I just didn't want it to lapse, you see, and ruin the run of bonds, etc. I didn't know what might happen. I thought I'd better mention it to you and get your advice on it.

HMJr: Well, I - I consider it a privilege.

T: Right, sir. Thank you, Mr. Secretary, ever so much. I'll send the envelopes over to you that have come from the Treasury since she's been sick.

HMJr: I'd love to do it.

T: Thank you, Mr. Secretary, ever so much.

HMJr: Thank you.

T: Goodbye.

July 10, 1941
2:03 p.m.

HMJr: Hello, Ed.

H. E.
Babcock: How are you?

HMJr: I'm alive.

B: Pretty busy, I imagine.

HMJr: Moderately.

B: Hot down there?

HMJr: Very, very comfortable. Beautiful fall weather.

B: Oh well, that's swell. Henry, I don't think I've ever come to you with anything that I wanted, but I got one that I want for Cornell University. Now, may I tell you about it?

HMJr: Please do.

B: There seems to be a tendency upon the part of the Radio Commission to break down these big clear channels which aren't being used to advantage of the public.

HMJr: Yeah.

B: And there's a station, KFL, in Los Angeles which has 640.

HMJr: Yeah.

B: Now, if we are interpreting the attitude of the Commission right, we want to put - we want that channel in the East for a Cornell station.

HMJr: Yeah.

B: Largely to service our new school of nutrition, which perhaps you haven't heard about, but we've organized the first formal school of nutrition in the country, here at Cornell this summer.

HMJr: For humans or for animals?

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B: Humans. Well, it will be all nutrition. It will be - start with the Federal Soils Laboratory, but it will be animal and human nutrition.

HMJr: Yes.

B: And we got the - Faulkner to found a station in Cincinnati, which is a purely business transaction.....

HMJr: Yeah.

B: To get it. It seems to me that the President and Mrs. Roosevelt might be even interested in this sort of thing with this war emergency to deal with and nutrition so important.

HMJr: Well now, Ed, could you write me a letter on Cornell University stationery?

B: Yes. I will do that and give you the facts, as what we need is a lead of how best to proceed.

HMJr: Yeah.

B: I thought maybe one of your boys could figure it out.

HMJr: Well, you write me a letter, giving me the facts on the University's stationery.

B: Yes.

HMJr: And then I'll nose around and see if I can find out.

B: Well, that's swell of you, and I think it will be a great public service.

HMJr: Well, you drop me a line, and we'll see what we can do.

B: All right. Anything I can do for you?

HMJr: Not a thing. Everything is fine. Got 18¢ for my raspberries last night.

B: (Laughs) All right. That-a-boy!

HMJr: What?

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B: To have a Secretary of the Treasury that
can - that can appreciate 18¢ for raspberries.

HMJr: Well, 18¢ for a pint of raspberries - that's
something, you know.

B: Yeah.

HMJr: They've got to be damn good raspberries too.

B: I hope you got a good crop.

HMJr: Pretty good crop.

B: Yeah, I know you have. Well, hope I may
see you some time.

HMJr: All right.

B: Thank you.

HMJr: Goodbye.

July 10, 1941
2:26 p.m.

HMJr: Hello.

Operator: Mr. Currie.

HMJr: Hello.

Lauchlin
Currie: Hello, Mr. Secretary.

HMJr: Lauch?

C: Yeah.

HMJr: Here's a complicated story, which I'll try to make more complicated. This morning I got a message that T. V. Soong had to see me.

C: Yeah.

HMJr: And I saw him at 11:30 and he gave me three different messages. Hello?

C: Yeah.

HMJr: Well, I succeeded in getting them into the hands of the President before he saw Ouminsky.

C: Yeah.

HMJr: Which was some achievement.

C: Yeah. (Laughs) He saw him at 12, didn't he?

HMJr: What?

C: He saw him at 12, didn't he?

HMJr: Yeah. I got them into his hands before and he read them before, which was even a greater accomplishment.

C: Yeah.

HMJr: Now, I just called up the President and I said, had he read it and he said, "Yes". I said, "Well, how do you want to answer him?" "Well", he said, "my trouble is", he said, "I've got three avenues of communication", see?

C: (Laughs)

HMJr: "Currie and myself" and he says, "Talk it over with Lauch and decide how I should answer". So think it over. Have you seen those messages?

G: I got the one, which was in The first one that came in July 2 - I don't know whether Soong got this or not because I got it directly. It was that the Japs are going to abrogate the treaty with Russia, and they were going to move if, as, and when they felt assured that we wouldn't do anything against Russia. Then three days later I got another one from Chungking saying that the situation had changed and please arrange for T. V. Soong to see the President, which I haven't been able to do. Now, I take it - my suspicion is that the change is that the Japs now are going to try and move down into Indo-China, is that right?

HMJr: This one I've - now, wait a minute. (Pause) I've got a message here from Chiang Kai-Shek. Mine is dated July 8.

G: Yeah. Well, that is the most recent then.

HMJr: Have you got that one?

G: No.

HMJr: Well, any way think over the thing and the main thing is that we've got to see that Chiang Kai-Shek gets service. See?

G: (Laughs) Yeah.

HMJr: And think it over and....

G: Now, what would you like me to do? He can....

HMJr: Well, personally, the thing that I think is the simplest thing is to - that the President should see T. V. Soong.

G: Yeah. Well, I urged that on him.

HMJr: Yeah. That's what I think he should do.

G: And then T. V. Soong could wire it back.

HMJr: Sure.

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C: Whatever the President tells him.

HMJr: Sure.

C: Yeah.

HMJr: I'd rather - I - I mean, I don't give a damn. I mean, I was able to get it to him and I think it - that that was a service to the President, but I do think that he oughtn't to leave it just in the air.

C: Uh huh. Is it the kind of message that requires an answer?

HMJr: Yes. He asked for an answer.

C: He asked for an answer?

HMJr: Yes, he does.

C: Yeah.

HMJr: He asked for an answer.

C: Well, now is there anything you'd like me to do? I can tell Grace again if you like or...

HMJr: Yeah, I'd do that.

C: Yeah.

HMJr: And tell Grace that you talked to me.

C: Yeah.

HMJr: And that I talked to the President and he said that the two of us should get together...

C: Yeah.

HMJr: And that we've decided the easiest way that the President should do is, he ought to see T. V. Soong.

C: Yeah. And then T. V. can do the answering.

HMJr: Now, the President made this amazing statement. He says that he never answers directly. I don't know what he means by that.

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- G: It's either the State Department to he holds it off to communicate something or - this is for your own ears, but I have a private code too which I never use except at the expressed direction of the President, you see?
- HMJr: I see.
- G: And I show anything that comes or goes in that private code - I show to Hull.
- HMJr: I see.
- G: I'm frankly embarrassed about it all, but he thrust it in my hands when I left and there....
- HMJr: Who thrust it in your hands?
- G: Madame Chiang Kai-Shek. (Laughs)
- HMJr: Oh.
- G: And I put it away and never expected to use it, you know. You just take those thing uncomfortably.
- HMJr: Oh.
- G: Through Commercial Cables one day arrived this long message in code.
- HMJr: That's what happened playing around with these Soong girls.
- G: I know, I went to the President most embarrassed about it all. He treated it lightly and told me to check with Cordell, which I did. So we fixed it up amicably, but I'm awfully sparing in my use of that because I don't think it's quite proper. (Laughs)
- HMJr: We have...
- G: I do have few scruples, you know.
- HMJr: We have a song around here entitled, "Sing a Song" or "Sing a Soong" or "Sing a Song of Six"....
- G: (Laughs)

HMJr: Well, anyway think it over. You - I know one of the President's....

C: He uses - he also uses a fourth channel, by the way.

HMJr: What's that?

C: Occasionally, I get a wire from Hollington Tom, who is his confidential interpreter, you see which I know. Holly would never write - wire under those, you see?

HMJr: Is whose interpreter?

C: Chiang Kai-Shek.

HMJr: Oh. It's too much for me. I give up.

C: It gets very complicated (Laughs).

HMJr: Well, anyway....

C: I'll call Grace right away.

HMJr: Yeah. You know how what I've done.

C: Yeah.

HMJr: And the President has the - this stuff, but - unless I hear from you, I'm - I don't think I'll make another move. I'll leave it with you.

C: Yeah.

HMJr: As a personal representative of the Madame in America, I'll leave it to you.

C: The President (laughs) - There's one further thing, Mr. Secretary - the President didn't give you the message to send, did he? Didn't suggest a message as a reply, did he?

HMJr: No, no.

C: So we really have to go back to him then.

HMJr: Yes, and it's terribly important. They're asking for an answer on a very important question.

And it ought to be batted around today.

C: Yeah. Well, I'll call right away then.

HMMJr: Thank you.

C: Okay.

July 10, 1941

This morning Mr. T. V. Soong telephoned and told the Secretary he would like to see him at once on a very important matter. He came in at 11:30 and handed the Secretary the attached cable.

The Secretary talked to Grace Tully and told her how important it was and please to get it in the hands of the President before he saw Ambassador Oumansky at 12 o'clock. At 11:50, HM, Jr sent it to Miss Tully by a Secret Service operator and it was placed in Miss Tully's hands at 11:55.

The Secretary learned from Grace Tully that T.V. SoongSoong tried to get this cable to the President through Lauch Currie yesterday and could not get anywhere.

*Not also phone conversation
with the Com at 2:26 p.m.*

CONFIDENTIAL

Sent to the President July 10, 1941
11:50 am 380

Telegram from Berlin

Dated July 4, 1941

Replying to your telegram No. 19 during Matsuoka's visit to Berlin although understanding was reached as to the respective spheres of interest and responsibilities the three Axis partners were unable to agree on the tempo of action. Germany and Italy desired immediate Japanese advance southward to which Matsuoka would not agree owing to the then prevailing situation.

I now learn that since the outbreak of the Russo-German conflict complete agreement has been reached which calls for early action against Vladivostok by Japan, simultaneous with consolidation of Japanese bases in Indo-China and Thailand preparatory to an advance southward against the British and the Dutch.

Our friends here declare that we should be by no means discouraged by developments and hope that you may still be able to visit Switzerland.

Owing to the severance of diplomatic relations I am routing my telegram through Switzerland. I am proceeding there myself and hope to maintain contact with our friends from there.

Truly delivered by me
→ J. S. [unclear]

Telegram from Minister of Communications

Dated July 8, 1941

The Government has secured definite information that the recent Japanese Imperial Conference made the decision to move southward against Singapore and the Dutch East Indies first before coping with the Siberian problem.

In accordance with this information all departments of the Government have received instructions from the Generalissimo to take immediate measures to meet this action.

Telegram from General Chiang Kai-shek

Dated July 8th, 1941

From most reliable sources originating from Japan it is learned that a secret agreement has been concluded and signed between Germany, Italy and Japan on the 6th of July, covering on the one hand recognition of Japanese spheres of interest, and on the other Japanese undertaking to advance southward and against Siberia. Please communicate the news to the President immediately.

Since the outbreak of the Soviet-German war, the Soviets have repeatedly announced their desire to conclude definite military arrangements with us against Japan. Will you ask the President if he would be in favor of such an arrangement, and if the situation is ripening for a military pact between China, Russia and Great Britain with the friendly support of the United States.

Highlights of the Meeting with the British
in Secretary's Office on July 10

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1. The Secretary questioned the British concerning rumors that they were dissatisfied with procedure of Treasury Procurement.
2. The question was discussed of requesting an extension of the \$1.3 billion limitation on Army and Navy equipment procured out of appropriations made prior to March 11. Decision was to wait until production was higher and larger amount of material had been actually transferred.
3. Cox reported that the Army has agreed to take over \$44.6 million of British ordinance contracts. The air section was to meet later on July 10.
4. The decision was made to have studied the Canadian-U. S. aluminum situation, and the possibility of the United States Government financing the purchases of aluminum to be sent outside the United States.
5. It was reported that the South Atlantic ferrying service was settled. Cox said that all but less than 1% was to be covered by Lend-Lease. The portion rejected was the cost of bringing back passengers from Takoradi who have nothing to do with Lend-Lease.
6. Cox mentioned with respect to the sales tax item that if the U. S. Government takes title to British airplanes under Lend-Lease to avoid local sales tax, it would make it easier legally for ferrying those planes from Takoradi to Khartoum. (The British have not as yet decided what to do.)
7. Cox suggested with respect to the criticism being made in certain quarters concerning the rumors that U.K. is using Lend-Lease materials for the re-export market, that (1) so far as is practical, the British concentrate on their traditional markets and decrease the others, and (2) that they make it clear that none of the Lend-Lease stuff itself is going into re-exports. They can make this latter clear on the requisition submitted to Lend-Lease by stating that they are requesting only the equivalent of that portion of the material which is to be used in the United Kingdom.
8. Certain charges for supplier personnel in the construction of the base in Iceland is being paid for out of the British dollars. In view of the developments it would seem that the Navy should now bear it. Cox is to follow this matter up.
9. Keynes and Chalkey are to prepare a statement for the press on U.K. exports to South America, and to clear it through Kuhn.

July 10, 1941
3:00 p.m.

RE AID TO BRITAIN

Present: Mr. Bell
Mr. Graves
Mr. Mack
Mr. Keynes
Sir Frederick Phillips
Mr. Cochran
Mr. Bewley
Mr. Childs
Mr. Archer
Mr. White
Mr. Brown
Mr. Kades
Mr. Cox
Mr. Young
Mr. Foley

H.M.Jr: Isn't Mr. Purvis coming today?

Phillips: They unfortunately have a Council meeting on today, sir.

H.M.Jr: I see. Well, I have Mr. Graves who, as Assistant to the Secretary, is in charge of Procurement here, and Mr. Cliff Mack, who is Director of Procurement, and I was just wanting to make sure that the impression that I had that the Procurement Division of the Treasury was doing everything possible to purchase as promptly as possible the supplies under the Lend-Lease for the English was correct.

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I have a very short statement here, and I thought I would read it.

"Zinc: Requirement 5,600 tons per month. First requirement May 3 was allocated by OPM, purchased by us and shipped the same date. Handled similarly during June.

"Copper: Requirements 2,000 tons June, 8,000 tons monthly to December. June purchase made same day as OPM allocation.

"Carbon Steel: OPM clearance June 19 for first steel requisitions totaling 410,800 tons but detailed specifications not furnished by BPC until June 25 and 26; purchases made by us same dates for 370,137 tons, specifications controversial on balance but now being worked out. New requirements 450,956 tons will be cleared by OPM June 14, whereupon purchases will be made promptly.

"Pig Iron: Requirements 30,000 tons monthly. 22,500 tons purchased for July, awaiting clearance balance 7,500 tons by OPM. By dealing direct with furnaces brokerage commissions have been eliminated in the amount of \$13,730 on these purchases.

"Alloy Steel: Contracts have been made for all alloy steel requirements and orders are placed against contracts upon receipt of specifications.

"Scrap: Purchased June requirements 80,000 tons, BPC has not yet furnished shipping instructions for entire tonnage. Requirements for July, August and September 70,000 tons monthly. Contracts made thus far for 62,000 tons monthly.

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"Bullet-Proof Castings: Requirements 600 tons cleared by OPM May 7. Contract executed May 10.

"Bi-Metal: BPC requested us to confirm purchase of 7,720 pounds of bi-metal purchased by Henry Wiggins Co. Ltd. from H. A. Wilson Co. at \$1.80 per pound. We insisted upon requisition and made purchase at \$1.40 per pound."

Then I have got here a memorandum from Mr. Cox.

"Subject: Agents or brokers for the British on Lend-Lease Supplies.

"1) Very shortly after the Lend-Lease Act went into operation, we raised the question as to whether the States Marine Corporation should be allowed to act as the agent on steel procured under Lend-Lease, in view of the fact that States Marine Corporation was receiving a commission for so acting.

"2) At that time, the British took the position that States Marine Corporation was very necessary as a practical matter to handle the routing, shipment, transportation, etc. of the steel. We, however, questioned that conclusion.

"3) Since then, I understand that it has been decided to take the States Marine Corporation out of the picture."

Then the purchasing, Southern Route, Procurement Division of the Treasury, up to July 9 we got the request from Mr. Cox on July 2. Within ten minutes Mr. Mack put William M. B. Freeman on it, and up to

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that time - well, up to the time I called you (Mack) on the ninth, we didn't have a clearance yet.

Cox: They haven't got it yet. They are working on it today.

H.M.Jr: Nobody has worked harder than Mr. Mack has on this thing, and if there are any complaints, we have got plenty of complaints ourselves, plenty, and I can just pile them up, but it really kind of hurts when you know what Procurement has done to help out the BPC and then be told that - worrying me personally about a ship when we have two inspectors down at Tampa, Florida, sitting there for a week and no ship shows up and - well, we look at this thing as a labor of love, but we would like to be efficient about it.

So if there are any complaints, while Mr. Graves and Mr. Mack are here would be a good time to talk about them. I am sorry Mr. Purvis isn't here. I thought he would be here.

Archer: Well, I probably had as much to do with Treasury Procurement in the BPC as anybody, and I have found Mr. Mack's organization working extraordinarily well, and I think he will bear me out, we tried to cooperate with him as far as ever we possibly could, and I am personally - I personally have no complaint against the way in which they are handling the things. They have done some recent things extraordinarily quickly.

The delay which arises is not due to them, but in getting the things through the - the normal procedure of getting funds allocated and going through the OPM, which

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very often takes a month or four or five weeks. Until that is all cleared up, we can't start moving.

Unfortunately, we have been holding up orders in the outside market with the result that we unfortunately have to push Mr. Mack a bit hard for immediate shipments.

- H.M.Jr: Well, Mr. Mack or I don't mind being pushed hard, but when we - when I say we, I have very little to do with it other than I am responsible in the final analysis - when they put as much into it as they do and then there is unfair criticism --
- Archer: I don't think the criticism has come from the BPC, sir.
- H.M.Jr: Well, it comes from the representatives of the British Government and I think the - I mean --
- Keynes: Mr. Secretary, wouldn't it bring it to a head if there was a regular procedure of a list of arrears being produced every week or fortnight of anything which seemed rather a long time in arrears and then we could discover on either side, whichever side was responsible for it, what the explanation was?
- H.M.Jr: Well, I think if you would start right in your own organization it would be excellent.
- Keynes: We could bring up to this committee cases which, for reasons which we weren't aware of, were in arrears.
- Childs: Mr. Secretary, as a matter of fact we have begun in our organization just to find out that sort of thing, where we are at fault

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in delays. We discussed with General Burns a bit with a view to leading up to swapping our ideas and thoughts on this matter.

H.M.Jr: Well, if there is anything on Treasury Procurement, I would be delighted to know it, if it is really there.

Childs: You just surprised me. I didn't know about this. The same with Mr. Archer.

H.M.Jr: If it is really there. But you see, take this question of this Southern Route to Takoradi. I am stopped in the middle of the day. I am glad to be and I always want to be, anything that I can do. I have demonstrated that.

Then we might just as well do it the same day and buy your stuff, but if you have got to do it three or four times over and then still not get a clearance - every time you have to go over it it is like doing another deal another time.

Childs: I most certainly agree with you.

H.M.Jr: But we have never taken the attitude here that we are going to keep a minute book on everything where the British Purchasing Mission is holding us up, but we could fill a library.

Childs: Well, as a matter of fact, sir --

H.M.Jr: And we are not perfect either, but I am delighted any time, and Mr. Mack would be, if you have anything to let him know.

Archer: That is what we do, sir. When we are getting in a jam, we get in touch with Mr. Mack; and

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on the phosphate rock, I heard about it on Sunday. I phoned Mr. Mack at nine o'clock Monday morning, and he immediately took steps to get the thing moving, and as I understand it, it is all fixed up.

H.M.Jr: Well, we are waiting there for your ship, for one week. We have two inspectors at Tampa, Florida, sitting there one week waiting for your ship. Is that right, Cliff?

Mack: That is right.

H.M.Jr: We can't do any more than that.

Archer: I am not responsible for the shipping, but we will take that up, sir.

H.M.Jr: Well anyway, if there is - as I say, let's leave it this way. If Mr. Purvis has any complaints against - about the way the Treasury is handling the purchases, I wish that he would take it up with me himself and nobody else. I might believe it that way.

I mean, that is his responsibility and it is mine, and if he has any complaints, I am delighted to receive them, but I would like it to come from him to me, please.

(Mr. Graves and Mr. Mack left the conference.)

H.M.Jr: Now we have got requisitions cleared at meeting of July 8.

Well now, what about this?

White: You merely wanted to know what progress is being made. These are the ones being handled. I don't think we need to spend any time on them.

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H.M.Jr: Do the English gentlemen wish to --

Phillips: No, we are quite satisfied.

H.M.Jr: That is that, then. What happens to this?

White: We just file that.

Keynes: All the items of free dollars are either back history or trifles.

H.M.Jr: Is that all right?

Cox: Yes.

H.M.Jr: Where is Dan? Sit up here, Dan, where I can see you. I can't see you back there.

The possibility of Army taking over certain large contracts totaling three hundred fifty million dollars. Report by Mr. Cox.

Cox: Thanks to you, we saw McCloy this morning and he had in Colonel Aurand of their financial section, and General Lewis of Ordnance and Colonel Greenbaum, and they agreed they saw no reason why it couldn't be done, and it took us about ten minutes and the only thing left for clearance is General Wesson, who is Lewis' boss, and they foresaw no particular difficulty.

He tried to arrange for the Air Section to meet, but they were unavailable and we got a meeting scheduled at four. It went over much faster than I think --

H.M.Jr: It is unbelievable.

Cox: But I think you had McCloy on the run.

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They understood, of course --

H.M.Jr: I pulled every heart string and every patriotism and got up and sang, "There'll Always Be An England" and everything else. Did anybody hear my program last night on the air?

Keynes: No.

H.M.Jr: You know, we put on, "There'll Always Be An England", on the air for the first time in the United States on our Treasury program.

Cox: But they understood these tanks and tank engines would be bought with Army money, and then turn around and be redistributed under Lend-Lease without their being reimbursed.

H.M.Jr: I don't get that.

Cox: The net effect of this is to give dollar exchange relief to the British, but they still get the equipment for which they previously placed orders.

H.M.Jr: That is wonderful. They get the dollars and the equipment.

Cox: That is right.

White: You mentioned three hundred fifty million. You didn't mean that.

Cox: Well, it is the same principle, subject to availability of funds. The ordnance items, sir, amounted to about forty-four million six, as I remember, and with the Ordnance people, they cleared that, said they had the money and there was no reason

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why it couldn't be done.

The next section this afternoon is on air.

H.M.Jr: But you cleared forty-four million six?

Cox: Yes.

H.M.Jr: And they get the dollars and the equipment?

Cox: Yes.

Phillips: They pointed out that in some cases we added to the price in respect to patent rights of individuals and their rules prevented them from making payments with respect to patent rights and so we shall have to take care of that.

Cox: Well, that is pin money.

Phillips: There is a quite general question here --

H.M.Jr: That is what is known as cumshaw.

Phillips: There is a general question I ought to mention quite shortly. This scheme proceeds on the basis in the end that the money is found and must fall within that legal limit of one billion three hundred thousand dollars which Cox fixed for the value of stuff handed over pre March 11. It was delivered amount of actual weapons already in the possession of the United States which could be handed over. There is a special statutory limit of one billion three hundred millions.

Mr. Cox' advice to us is that it is no use our proposing an extension of that limit, which certainly will be necessary,

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until actual weapons have been handed over amounting to at least a very substantial portion of it. That is to say, there is no use our asking now that that limit should be extended, and we get nearer to the time when in actual fact it will be extended. We accept that position but I ought to add, because I don't think Mr. Cox knows it, that we have received still another suggestion, this time from the Maritime Commission, that they have a sum of four hundred million dollars which they want to charge against that one billion three, and therefore it is now very much tighter than it was before.

H.M.Jr: Oscar, this is beyond me.

Cox: I think you may be interested in it.

H.M.Jr: I don't get it.

Cox: Well, you have got the billion three limit of stuff that was procured out of appropriations made prior to March 11.

Thus far, about eighty million has been transferred under that.

The President sent to War and Navy, directives telling them to advise him as to what equipment they could dispose of under that limit, month by month.

Now, it will be programed out to run possibly a year into the future right up to the billion three as to stuff which

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can be disposed of out of Army and Navy current production and stocks like aircraft and so forth.

My own personal judgment is that politically if you went up now and asked for an extension of the billion three when you have used up eighty million, they would say, "What are you bothering us now for, why don't you wait until the thing is pretty well used up?"

And I think if you go up when it is substantially used up and production is much better, you are likely to get the change.

H.M.Jr:

I don't hear this except at these meetings, so I am not up on these things.

White:

You are not relating this to --

Cox:

Well, they are related.

White:

But I mean you bring the relation together. What has this to do with the three hundred million dollars?

Cox:

Oh, this plan we talked to the Army about today, the way they get both the money and the equipment is that the Army buys the equipment with their dollars and it leaves the British --

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H.M.Jr: Out of their regular appropriations?

Cox: That is right.

Now, they also have on order out of appropriations made before March 11, the identical equipment, because they were a complementary program. So they take the stuff procured prior to March 11 --

H.M.Jr: With their --

Cox: Own money. They turn it over to Lend-Lease and Lend-Lease disposes of it to the British under the billion three, so it is a charge against the billion three.

Now, the point that --

H.M.Jr: He is worrying the billion three won't last?

Cox: Will be used up.

Bell: Oscar, can't the program be considered as an obligation or commitment against the billion three and say that - to Congress that you have committed to that extent and we need more limit?

Cox: I think you can, and it is a question of political judgment as to whether you ought to ask now for a change in the billion three limit or later, and I would think from the reaction up on the Hill previously and now that you

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would do much better when you have used up a substantial part of it and when your own production is in the position where they are not worried about giving them some more in addition to the newly procured stuff.

- H.M.Jr: If I might advise the English, where they are getting both the dollars and the equipment, I think I would take it.
- White: Well, they are getting relief from the dollars.
- Cox: They are getting refunds, too.
- Phillips: I merely mentioned the point because I thought in all fairness I should state that when you are so kind as to give us these dollars it will, so far as we can tell, involve you later on in getting contracts. It is quite an acceptable position.
- Cox: Yes, we understand it.
- H.M.Jr: But I think just listening here, only having heard it for the first time, I think that Mr. Cox is right, if they have only used eighty, it is hard to get an extension of the billion three.
- Phillips: Yes.
- H.M.Jr: But in the present mood of Congress it wouldn't be difficult to get an extension when you need it.
- Cox: I don't think so, and I think the major thing they were concerned about then was that we were going to give away the Army and the Navy. Now, if you take a certain minor - relatively minor proportion of Army and

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Navy current production and use it for that purpose and your production is up, I don't think we will have nearly the difficulty.

H.M.Jr: All right, Gentlemen?

Keynes: I think what we want is just the comfort that it can be raised in due course.

Cox: Well, look, you have got one other note on it. The Maritime Commission Bill is going up this week so that you have also the new Procurement equipment which can come in or changes in language on material that was ordered on March 12 with money appropriated on March 12, and it seems to me the important thing is to get the equipment.

Keynes: I am sure the advice is right.

H.M.Jr: All right?

Childs: Yes, sir.

H.M.Jr: The next thing I have got, possibilities of handling under Lend-Lease - you see, I have had no chance for a dress rehearsal on this. I get this cold. Possibility of handling under Lend-Lease purchases [for Australia and Canada] by Australia in Canada of seven million dollars of aluminum for use in manufacturing armaments in Australia. ✓

White: Sir Frederick has a request to make with relation to that.

Phillips: Well, sir, the point was this: This is a purchase from Canada of aluminum, not by the U.K. but by Australia, and as we understand it, Canada is asking Australia to pay in U.S. dollars. An alternative arrangement would

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be if you could buy from Canada, and Lease-Lend the aluminum to Australia. Suppose that Australia were buying in the United States and the stuff would be Lease-Lent. But in this case she has to go to Canada because there is no supply in America at the present time.

H.M.Jr: Is this a new precedent?

White: Yes.

Cox: Yes, this is new.

Phillips: It is a different case.

White: And there are several aspects of it which need consideration. One, for example, if this aluminum is to go from Canada to Australia under Lend-Lease funds, there would probably be raised the question as to whether or not the United States has a shortage of aluminum and needs all the aluminum it can get, might not wish to compare the uses for which the aluminum would be put in Australia to the uses to which that aluminum might be put in the United States, since there is a shortage, and that would be one of the problems which would be involved there.

Cox: It is already involved in its intermediate stage.

H.M.Jr: Well, about a year ago I had Mr. Davis in here with Purvis on aluminum and at that time the United States - you remember this, Philip?

Young: Yes, sir.

H.M.Jr: That we wanted to get some aluminum ingots from Canada. There was that whole question.

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Did the United States ever get from Canada what it wanted in the way of aluminum?

- Cox: No, that is still up. That came up three days ago, where a Government plant in Ontario has a surplus of facilities now for aluminum and the question involves the Treasury because the major problem involving purchase on the legal side is Customs duties and the Navy under its statutes can buy emergency purchases free of Customs duties and then the problem is to get it in to the Army and then get it in to the hands of the manufacturer, who would use it on an Army contract, and it is now before the Joint Aircraft Committee.
- H.M.Jr: We did that with copper in Chile.
- Cox: Yes. I see no reason --
- H.M.Jr: We did that on copper.
- Cox: That is right. Why that can't work out legally and the Army will have to handle the practical problem of getting stuff to the manufacturer to put into an airplane, for example.
- H.M.Jr: Well, going back to the year, if nothing has happened since then, I think before we did this, whoever is handling the aluminum in this country, we ought to find out how we stand vis-a-vis Canada on aluminum.
- White: I raised the question very tentatively with a man in the Defense Metals who would be concerned, asking him whether they would be interested in this, and they said they very definitely would be and would want to examine it before --

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H.M.Jr: Why not do that before it comes to me on the dollar side?

White: Yes, I think that should be done.

Cox: You also ought to talk to Batt.

White: Well, he is Batt's man.

H.M.Jr: Why couldn't we get the Canadian-U.S.A. aluminum situation straightened out first? Did you sit in on that thing that time?

Cox: No.

H.M.Jr: You did, Philip.

Young: Yes, sir.

H.M.Jr: And wasn't it a question of our - we wanted some ingots from them, wasn't that it?

Young: That is my recollection of it, and Oscar is perfectly right in what he says about it.

H.M.Jr: Well, I would suggest that we find out where we stand on the aluminum and then whether it is possible, I mean, to get - for us to finance in any way aluminum to leave Canada or leave the North American Hemisphere.

Cox: That is right.

White: It would be helpful to get that before, and if we could have a little memorandum setting forth the proposal, they would like it in that form.

Cox: We can give you both. I can give you this intermediate one, which is already a practical, immediate situation.

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- H.M.Jr: Just go back. You gave me credit but I think Cox should be congratulated on the speed with which he handled this thing with McCloy.
- Cox: I don't think so at all.
- H.M.Jr: Do you mind seeing that somebody gives me a little note to write McCloy?
- Cox: I would suggest that.
- H.M.Jr: Monday, would you mind?
- Cox: No.
- H.M.Jr: Somebody around here.
- Cox: I will take care of it.
- H.M.Jr: Because that is an amazing thing. He was only in here at four o'clock yesterday. Usually that thing would take three or four months.
- Childs: It was a grand effort, I am sure of that.
- H.M.Jr: About three or four months, normally. Then you would get a no. Is that all right, gentlemen, that we do the Canadian end of the aluminum first, is that all right?
- Phillips: Yes, sir.
- H.M.Jr: Discussion of British memorandum on cash expenditures for modification of urgent purchases.
- White: I presume that that need not take any discussion here. Sir Frederick had outlined in the memorandum the purchases below certain amounts which would not be considered and above a certain amount which would be considered in a certain way. Unless there is some

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further question on your part, Sir Frederick, why couldn't we just pass that under the assumption it is satisfactory if it is satisfactory with the Lend-Lease?

- Phillips: Yes. We fixed a limit for individual cases. Things below that limit are so small they are not worth worrying this committee with, but in order to see that the thing doesn't get abused, we also fixed a weekly limit. I think it is fifty thousand dollars a week. I think Dr. White is quite satisfied.
- H.M.Jr: All right?
- Cox: All right.
- H.M.Jr: Six: Report on possibilities of aiding in expenditures on South American ferrying service.
- White: Well --
- Cox: That is all covered, isn't it?
- White: Well, I thought that there was a decision made as to whether the Army was going to be able to take over that.
- H.M.Jr: That was settled.
- White: Do the British know?
- Phillips: Well, I understand from Mr. Brown, I think, that it was hoped that the greater part, they didn't promise the whole, the greater part would be paid for under Lend-Lease.
- Cox: The only expenditure that won't be covered doesn't amount to one per cent, and that is bringing back from Khartoum to Takoradi passengers who have got nothing to do with Lend-Lease.

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Phillips: Yes, I had understood that substantially all of it would be covered.

Cox: Ninety-nine and nine tenths per cent.

White: A letter was just received indicating that expenditures on that item are a little bit higher than they anticipated. "You will note that the current expenditure figure is much higher than the figure I gave you previously."

H.M.Jr: Who is that letter from?

White: That is from Mr. Boddis.

Cox: Well, that won't --

White: That won't affect the principle.

Cox: No, because it will be picked up by Lend-Lease, whatever the whole amount is.

H.M.Jr: Are you gentlemen satisfied that we have gone as far as we can?

Phillips: Entirely.

Keynes: That is about eleven million dollars, isn't it?

Cox: I think it runs fourteen.

Keynes: It is very good. It is one of the things we thought we had lost.

H.M.Jr: After I started they said it was useless.

White: It was a very small amount they thought could be done.

H.M.Jr: Who was it I took it up with? Oh, Lovett.

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- Cox: Oh, the Army isn't going to do it. The difference is that it is the same thing in terms of dollars. Lovett turned us down on the personnel.
- H.M.Jr: All right on that?
- Phillips: Yes, sir.
- H.M.Jr: Seven: Data on British armament production (and) purchases from U.S. and Canada.
- White: May I interrupt? It couldn't have been done and then you got the idea that maybe you could get the Army and Navy to do it, so you wanted it re-opened. You re-opened it with Mr. Patterson and then after he turned it down you took it up --
- Cox: We had another side issue which helped us along and I don't think the British have yet decided it but we are ready to go ahead anyway and that is, in order to save the sales tax thing, if title is turned over to U.S. under Lend-Lease, then it makes it a lot easier legally to pay for the ferrying of those planes from Takoradi to Khartoum.
- Keynes: I didn't realize those two things were brought together.
- Cox: Well, Sir Henry realized it very quickly, because the first time it was put up to him, he said, "That is a precedent for the other thing, too, isn't it?" The two are inter-related like that.
- Keynes: That is the arrangement by which we turn them over to you for dollars.
- Cox: Yes, and then you get them right back again.

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H.M.Jr: I hope no business man ever finds out what we are doing.

White: Unless he happens to be a dollar a year man, and he will be accustomed to that.

H.M.Jr: Then it will be all right. (Laughter)

When you (Childs) go back to private practice you can say, "What I learned --"

Childs: It will be all washed out.

Keynes: This is the case where we shall be in trouble because we are selling you a billion and a half dollars' worth of old commitments for a dollar.

H.M.Jr: I see.

Cox: Of course, you are getting seven billion dollars in return for a dollar.

White: That is Page Two.

H.M.Jr: I ought to say for more reasons than one I will never go into private business when I am through with the Treasury. I won't be fit.

Where were we? This data on British armament production, you didn't expect that, did you?

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White: Well, he said Thursday that they would have it by the fifteenth, but I thought there was no harm in asking again if he has changed his mind yet.

Childs: Not yet.

H.M.Jr: Are you being funny? (Laughter)

White: No, they very frequently find new developments from one meeting to another.

I thought maybe the hour might have been pushed up.

H.M.Jr: I hear that Mr. Stimson got the same idea at the same time.

Phillips: Yes.

H.M.Jr: That is fine.

Phillips: I think the same figures.

Cox: The same figures will do for both.

H.M.Jr: He and I both must have had a bad night.

We can pass that as a humorous note, can we, Harry?

White: Since the answer is no.

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- H.M.Jr: Number 8, "Proposal for Army to take care of cost of Civilian Technical Corps."
- White: Well, is there anything further that can be done on that?
- Cox: No, I think there will be some additional facts produced on that so I could talk to Vannevar Bush and those fellows.
- H.M.Jr: Who are you waiting on, Oscar?
- Brown: I think there was a further idea there. It was perhaps that even if the cost of taking care of the training could not be done from Lend-Lease funds, that some other branch of the Service might be - might wish to do it under their own appropriation and consider it useful training for the civilian men in question.
- White: Then the question was whether or not - whether the Secretary wanted to approach the Army himself or whether he wanted Mr. Cox or somebody to do it.
- Brown: That is right.
- Cox: I think you had better wait until this other one is cleaned up first.
- H.M.Jr: Sullivan?
- Cox: No, I mean the other one that we are working on with McCloy.
- H.M.Jr: Yes. I think so.
- "9. British request to bring stenographer to meetings."
- Childs: Not merely a stenographer, sir. So many

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people are interested in the results of these meetings because they have a very large bearing on all our Lend-Lease operations.

H.M.Jr: Is it a male or female? (Laughter)

Childs: Well, take your choice, sir. We really had an idea of bringing a male secretary.

H.M.Jr: It is all right, I will have to be more careful.

Childs: Well, we will stay off the record.

H.M.Jr: That is all right.

Childs: Will that be all right, sir?

H.M.Jr: Is he a stenographer?

Childs: No, he is not a stenographer. He takes notes from the Council meetings and that sort of thing. Simply the high points.

H.M.Jr: It is all right. Surely.

Now, have you anything, Oscar, which isn't on here?

Cox: Yes, one thing which relates to dollars, Mr. Keynes made a very good statement yesterday on export. The financial fellows pick up stories, most of which are not true, that the British are using Lend-Lease material for the reexport market, and then the Congressman from Montana picked it up on the Floor Monday and made a fuss about it. It presents a problem where the same kind of stuff that is turned over under Lend-Lease is re-exported out in the world markets and steel and aluminum and things of that kind are a typical case on the one hand as against

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Harris tweeds and scotch whiskey on the other. The tradition of the British markets which don't run into any severe competition are the things like tweeds and when you get into railway equipment or sugar equipment and that sort of thing, you do run into a problem; and, of course, they need the exports to get dollar exchange on the one hand, but they run into a political issue on the other, and I don't think there is any complete solution of it except to, in so far as practical, concentrate on the traditional markets and decrease the other; and then, from the standpoint of the record, to make it clear that none of the Lend-Lease stuff itself is going into the reexport market. It may be that some of your own steel is, but none of the Lend-Lease steel.

Keynes:

Yes.

Cox:

Which I think you can put on the requisitions. Childs and I discussed it at great length the other day.

White:

How would that be possible, for example, with the six hundred thousand bales of cotton? I mean, the mere allocation or specification that that particular bale of cotton was not used for export goods, even were it possible to do so, it wouldn't be very meaningful.

Cox:

Let me give you a practical answer on the hide butts.

H.M.Jr:

How about the cotton?

Cox:

It is the same thing, but I think the hide butts is a simpler illustration.

As I understand it, about fifty percent of the hide butts--

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H.M.Jr: What?

Cox: Hide butts.

H.M.Jr: You would pick that, wouldn't you. (Laughter)

Cox: I just wanted to confuse Harry.

White: You can't confuse me with hide butts. I have got too many.

H.M.Jr: Is that from a horse?

Cox: Now, fifty percent was contemplated for use of the United Kingdom in essential services and fifty percent for export. Now, I think if your requisition came in saying that the total Empire or U. K. needs were "X" hide butts, but you are not asking for that much on Lend-Lease, but only half "X", because that is what is going to be used there for essential services, the other half you will procure yourselves or manufacture or produce yourselves, since that is going into reexport. I think it is a little more difficult in the cotton case, because politically people who sell cotton goods here will say, "Well, that is all right, but in fact the cotton that you are supplying to them makes it easier for them to export in competition with us."

White: Well, I think that might be met somewhat the same way, that if publicity could be given to the circumstances that the amount of cotton which is being imported is less than the consumption of cotton goods consumed by your Army and Navy and possibly in home consumption, it might follow the same way. Unless something of that kind is done, I think as time goes on there is going to be severer and severer criticism.

- 29 -

- Keynes: I think we are all right on cotton for some time, but we might not be for always. To begin with, there are large stocks of American cotton we paid for. Then there is the rubber. Those will cover, together with cotton from other sources, those will cover all our exports for a good long time. But they won't cover it forever, and the point might come - I shouldn't think it would come for a year or more - where it would be more difficult.
- White: Well, I think that that evil day might be staved off.
- Keynes: I think that is probably the best way to do it.
- White: For the time being, if some such statements could be made with respect to and commodities purchased under Lend-Lease which are equivalent to commodities exported, I think that kind of publicity well undertaken would be much worth while.
- Childs: Might I call attention to an article by Mr. Keynes in the paper this morning.
- Cox: That is what I referred to. Mr. Keynes made a very excellent statement in an interview yesterday on the central problem in answer to the Times article in the other statement.
- H.M.Jr: Are you satisfied with your butts now?
- Cox: Yes.
- Archer: Could I give a case where we are getting some supplies, say, from Australia or Canada and a proportion from here? We can't very well segregate between the three sources of supply which is going into the export trade, can we?

- 30 -

Cox: Well, it isn't--

Keynes: We don't have to segregate the actual article. It is just quantitative. I think that is all right.

Cox: But I still think you ought to be careful in decreasing as much as possible those things which enter into a highly competitive market with American producers because those fellows go down - for example, one of the stories that is running around - I don't know how true it is - is that on the Brazilian steel mill, a British supplier outbid both in time and price on the equipment for that as against the American supplier.

Keynes: We have canceled that contract, forbidden them to do it.

Cox: This is the kind of problem you have to watch out for.

Keynes: In the last twenty-four hours we have got another cable from London giving some particular cases like that where they have taken, and also stating - Sir Frederick Phillips and I thought he might prepare - we were able to prepare with Chalkley a statement based on this. It might be a good thing if the Secretary and you could see the thing first, make sure that it is satisfactory. But that contained two very big contracts in South America which our firms have got. One is the contract in Brazil. The other three are the Rio Negro where we have informed the firms they mustn't execute them.

H.M.Jr: That would be very good. I was going to suggest, let Ferdinand Kuhn look at it. He would be a good man.

- 31 -

Keynes: Oh, yes.

H.M.Jr: He would be a good man to look at it. If you want him, he would be a good man to help.

Keynes: Yes, quite so.

H.M.Jr: You know Kuhn?

Keynes: Yes.

There is one little point on the other side in this, that we are cutting down our exports to all destinations drastically except the Argentine. There we are not cutting down so drastically, because we are spending a good deal there on meat and the Argentine sterling balances are increasing. In order to pay our way, we are having to have a less strict criterion in the Argentine than any place else. That is a little awkward, but I think we have got to - there is a very good defense, that we are not shipping a single thing there beyond what is required to pay for what we are buying.

H.M.Jr: What else?

Cox: That is all.

H.M.Jr: How about you gentlemen?

Phillips: Well, just one small point I wanted to mention, sir. There is a certain base in Iceland which is being constructed, and it was being constructed according to what were known principles, I should say. The material was being furnished under Lend-Lease, but certain charges, particularly the supplier personnel, could not be met under Lend-Lease, and therefore were charged to our supply of free dollars. In view of recent happenings

- 32 -

as regards Iceland, we do not know now whether that scheme should continue under the present basis or whether there might not be a case for suggesting that, say, the Navy Department ought to defray the cost.

Cox: The Navy is getting a little free Lend-Lease from the British now. I think he is right. I think the Navy ought to take over personnel charges or else the President's Emergency Fund ought to be used for that purpose.

You see, at the time the bases were started, Iceland was under British control and now the control has shifted.

H.M.Jr: I think it is a nice point.

Cox: Yes.

H.M.Jr: Particularly in view of your statement about Iceland yesterday.

Cox: Yes.

H.M.Jr: I mean as to what part of the hemisphere it is in.

I think that is a nice point.

Phillips: I am advised by our people, who are dealing with it, that they see no chance of getting a settlement with the Navy Department rapidly. They, therefore, suggested that we should proceed. We have--

H.M.Jr: How much is it?

Phillips: Two and a half million dollars. We should proceed merely stating before this committee that we hope later on possibly to get those dollars back.

- 33 -

- Cox: We will follow it up.
- H.M.Jr: Cox says he will follow it up.
- Keynes: What Sir Frederick has concealed is that he is taking steps to throw the Iceland Government out of the sterling area.
- H.M.Jr: That will put them into our area.
- Cox: He is going to put them in a frozen area.
- H.M.Jr: Who was it today that told me - I don't think I am revealing anything, am I - wasn't it you (Cochran) that said that there is talk that some of these people who are trying to escape taxes and so forth and so on are supposed to have taken their money to Iceland, and there is quite a lot of gold up there? Maybe you are giving up something.
- Phillips: I haven't heard of that.
- H.M.Jr: Isn't that what you said?
- Cochran: Yes, I had the story very directly from a man whom I think was engaged in the practice as a European.
- H.M.Jr: So, before you give up Iceland--
- White: "Thar's gold in them thar' hills."
- H.M.Jr: Well, don't forget that Merle Cochran says there is a lot of gold up there.
- Anything else?
- Keynes: I think it is perhaps worth reporting that London is reacting extraordinarily favorably to all this and good progress is being made there. All our proposals have been accepted

- 34 -

without amendment and instructions have gone out to all the dominion governments. That is going ahead very well I think. Very strong pressure is now being put on South Africa to have export licenses. That is being supported by the South Africans here, and we see a much better situation than we ever were in.

- H.M.Jr: You see, it is - we only started on the nineteenth of June, this committee, didn't we?
- Keynes: Yes.
- H.M.Jr: We have really done quite a lot in a short time.
- Keynes: All that dominion thing is going quite as fast as it possibly could go.
- H.M.Jr: It was the nineteenth of June, wasn't it?
- Cox: Yes.
- H.M.Jr: We held our first meeting on the nineteenth of June.
- Keynes: The other thing is, we just heard that in response to Mr. Cox's arguments, that they have been reexamining some of these very hard, and I think we shall be able to revise the - reduce the list again, reduce the administratively difficult items.
- White: We will be ready to report finally on that at the next meeting.
- Keynes: Yes, but apart from dealing with those which are mainly difficult, there are certain categories they now think they can handle.

- 35 -

- H.M.Jr: Any more middlemen to eliminate?
- Cox: No, this eliminates the middlemen in the administratively difficult class. The minute they decide they can handle them, he means the Government. I mean the Ministry of Supply.
- H.M.Jr: That will eliminate the middleman?
- Keynes: That is right, so that again is moving in the right direction.
- H.M.Jr: Wonderful. Bell, have you got anything?
- Bell: No.
- H.M.Jr: Well, that is fine. Would you like to meet a week from today again with me, Thursday?
- Phillips: Yes.
- H.M.Jr: Would you tell Stephens when you go out, Thursday at three. Is that all right with you?
- Cox: Yes, perfectly.
- H.M.Jr: I think once a week now is enough, isn't it?
- Phillips: Yes. I think we might have an intermediate meeting with the committee.
- H.M.Jr: Tell Friend Purvis he should come to the next meeting. Otherwise my feelings will be hurt.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

July 10, 1941

Memorandum to the Secretary:

In accordance with your request that information be furnished as to our metal purchases the following summary is supplied:

ZINC

Requirement 5600 tons per month. First requirement May 3 was allocated by OPM, purchased by us and shipped the same date. Handled similarly during June.

COPPER

Requirements 2,000 tons June, 8,000 tons monthly to December. June purchase made same day as OPM allocation.

CARBON STEEL

OPM clearance June 19 for first steel requisitions totaling 410,800 tons but detailed specifications not furnished by BPC until June 25 and 26; purchases made by us same dates for 370,137 tons, specifications controversial on balance but now being worked out.

New requirements 450,956 tons will be cleared by OPM June 14, whereupon purchases will be made promptly.

PIG IRON

Requirements 30,000 tons monthly. 22,500 tons purchased for July, awaiting clearance balance 7500 tons by OPM.

By dealing direct with furnaces brokerage commissions have been eliminated in the amount of \$13,730 on these purchases.

ALLOY STEEL

Contracts have been made for all alloy steel requirements and orders are placed against contracts upon receipt of specifications.

SCRAP

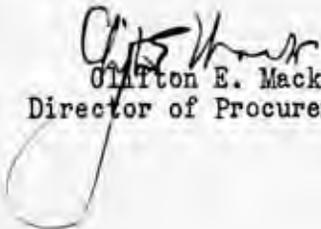
Purchased June requirements 80,000 tons, BPC has not yet furnished shipping instructions for entire tonnage. Requirements for July, August and September 70,000 tons monthly. Contracts made thus far for 62,000 tons monthly.

BULLET-PROOF CASTINGS

Requirements 600 tons cleared by OPM May 7. Contract executed May 10.

BI-METAL

BPC requested us to confirm purchase of 7,720 pounds of bi-metal purchased by Henry Wiggins Co. Ltd. from H. A. Wilson Co. at \$1.80 per pound. We insisted upon requisition and made purchase at \$1.40 per pound.


Clayton E. Mack,
Director of Procurement

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

MEMORANDUM

July 9, 1941.

TO: Secretary Morgenthau
FROM: Oscar Cox
SUBJECT: Purchasing for Southern Route Project by Procurement Division
of Treasury Department.

- 1) The Treasury Department has acted with great speed and efficiency on this matter.
- 2) On July 2nd, Mr. Hopkins asked me to arrange with Treasury to handle the miscellaneous purchasing for this project.
- 3) Within five minutes after I called you about the matter on July 2nd, you had spoken to and designated Clifton Mack, Director of Procurement, to carry out the assignment immediately.
- 4) Within ten minutes, Clifton Mack had designated William M. B. Freeman of the Procurement Division to act with and under him to carry out the assignment as quickly as possible.
- 5) On the same day and shortly after I talked to you and Mr. Mack, I advised Mr. Bixby of Pan American Airways to get in touch with Messrs. Mack and Freeman, so that they could proceed immediately to do the buying.

- 2 -

6) I also spoke to Sir Henry Self on the morning of July 2nd, and asked him to designate someone to act immediately to handle the job from the British end. He told me that he would have Messrs. Cribbett and Boddis assigned to do this. I told Sir Henry Self and Boddis that they ought to put in the necessary requisitions immediately, but that the purchasing should not be held up on account of the requisitions, or otherwise. I pointed out to them, as well as to Mr. Mack, that the revolving fund set up under lend-lease and available to the Procurement Division, could be used for this purchasing, so that no delay would result.

7) Annexed is a copy of a memorandum, dated July 2nd, on the subject which I sent to Mr. Hopkins. Copies of it were sent to you and to Clifton Mack.

osc

COPYMEMORANDUM

July 2, 1941

TO: Mr. Harry L. Hopkins
FROM: Oscar Cox
SUBJECT: Miscellaneous Purchasing For Southern Route Project.

1. Secretary Morgenthau said he would be delighted to take on and push this rush assignment. He immediately instructed Procurement to handle the job.
2. Clifton Mack, Director of Procurement, and William M. B. Freeman of the Procurement Division have been tagged to carry out the assignment pronto.
3. I have put Bixby in touch with Mack and Freeman so that they can proceed immediately to do the buying. The revolving fund available to the Procurement Division can be used for this purchasing so that no delay will result.
4. I arranged with Sir Henry Self to have Boddis and Gribbett tagged to handle the job on the British end. They will put in the requisitions, etc. But the purchasing will not be held up on account of the requisitions or otherwise.

OSC:ahb

(Initialed) OSC

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

MEMORANDUM

July 9, 1941.

TO: Secretary Morgenthau
FROM: Oscar Cox
SUBJECT: Agents or Brokers for the British on Lend-Lease Supplies.

1) Very shortly after the Lend-Lease Act went into operation, we raised the question as to whether the States Marine Corporation should be allowed to act as the agent on steel procured under Lend-Lease, in view of the fact that States Marine Corporation was receiving a commission for so acting.

2) At that time, the British took the position that States Marine Corporation was very necessary as a practical matter to handle the routing, shipment, transportation, etc. of the steel. We, however, questioned that conclusion.

3) Since then, I understand that it has been decided to take the States Marine Corporation out of the picture.

gsc

AGENDA FOR 3:00 MEETING

1. Requisitions examined by Committee at meetings of July 3 and 8.
2. Shortage of phosphate for shipment during transition period between direct purchases and Lend-Lease.
3. Possibility of Army taking over certain large contracts totalling about \$350 million. Report by Mr. Cox.
4. Possibility of handling under Lend-Lease purchases by Australia in Canada of \$7 million of aluminum for use in manufacturing armaments in Australia.
5. Discussion of British memorandum on cash expenditures for modifications and urgent purchases.
6. Report on possibilities of aiding in expenditures on South African Ferrying Service.
7. Data on British armament production and purchases from U.S. and Canada.
8. Proposal for Army to take care of cost of Civilian Technical Corps.
9. British request to bring stenographer to meetings.

July 10, 1941.

Handed to Mr. White in
meeting, 7/10/41.

SUPPLEMENTARY NOTE ON THE BALANCE OF TRADE
OF THE STERLING AREA.

In the statement headed "British Monthly Commitments and Available Assets" dated June 16, 1941, the favourable balance with the United States of the sterling area, excluding the United Kingdom, was estimated at \$m100 per annum derived from imports into U.S. of \$m500, off-set by exports from U.S. of \$m400.

A revised estimate has now been received from London, increasing the anticipated volume of imports into U.S. to \$m600. On the other hand, as mentioned in the previous statement, the estimate of exports from U.S. has now been raised to \$m490. Thus the estimate of favourable balance for the rest of the sterling area remains almost unchanged, being increased from \$m100 to \$m110.

The details of the revised estimate of sterling area exports are as follows:-

	<u>\$million</u>	
Australia	46	of which wool 34.
New Zealand	10	
South Africa	48	
India	96	of which jute products 42
Ceylon	38	of which rubber 30 and tea 6
Malaya	302	of which rubber 200 and tin 100.
Other countries	60	of which 16 West African cocon

The above excludes wool for British-owned reserves in U.S.A., barter rubber, and rubber and tin of Dutch origin. The values are taken f.o.b. in the country of origin.

The above estimate of exports from U.S.A. to sterling area exclude munitions of war, but include all civilian supplies. It follows that the financial position will be relieved by the full amount of civilian supplies transferred to the Dominions etc., under Lease-Lend.

The estimate of \$m490 for exports from U.S.A. to the rest of the sterling area includes \$m40 for destinations in the sterling area but outside the British Commonwealth.

F Phillips

Washington, D.C.,
July 10, 1941.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

QUOTE

PRICE NO. _____

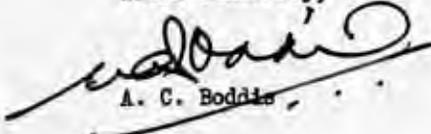
July 8, 1941

Dear Dr. White:

Enclosed herewith is a revision of the estimate I gave you on July 1st to supplement the memorandum on the organization for ferrying airplanes across the North Atlantic. You will note that the current expenditure figure is much higher than the figure I gave you previously but that the others remain the same.

You will also appreciate that the figures are still very rough and while the expenditure covers both U.S.A. and Canadian commitments, actual and potential, money is expressed in U.S. Dollars.

Yours sincerely,


A. C. Boddie

Dr. Harry D. White,
Director of Monetary Research,
Room 214½ Treasury Department,
Washington, D. C.

att.

lh

July 1, 1941

1. Present expenditure of Atfero is about \$450,000 per month, or \$5,400,000 per annum.
2. This total may be expected to be at least raised to \$12,000,000 per annum.
3. Of the estimate at (2), gas and oil equals--\$2,500,000 per annum.
4. In addition capital expenditure is being incurred of \$5,000,000 total.
5. Expenditure on spares and equipment is already covered by British Air Commission expenditure.

Prima facie, only gas and oil at (3) and spares etc. at (5) can be lease lent.

As the latter is already covered by existing British Contracts or is being lease lent we are left with gas and oil at \$2,500,000 per annum.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 10, 1941

TO Secretary ^{Miss Channery} ~~W. E. W. W.~~ W. E. W. W.

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 4 p.m. yesterday afternoon the Secretary received Assistant Secretary of War McCloy. With the Secretary were Messrs. Cox and Brown of Mr. Hopkins' office and Messrs. Foley, White and Cochran of the Treasury.

The Secretary came directly to the point, namely, that he was looking to Mr. McCloy to help in obtaining further relief for the British. The Secretary stressed that the morale of the British officials, particularly Mr. Purvis, was just about as low as their dollar position, which was near the bottom. The Secretary hoped that arrangements might be made which would relieve the British officials here of coming in each week with their hats in their hands pleading for dollars to meet immediate requirements. The Secretary and his Group had been giving much time to meeting with the British and studying their problems and possible solutions. Likewise, the staff of Mr. Hopkins' organization had been exploring all possibilities. Mr. Cox now had a definite proposition to submit to Mr. McCloy, and the Secretary hoped the latter would give it a most sympathetic reception.

Mr. Cox then put forward concisely the proposal which he had in mind. This, in brief, was an idea with respect to British commitments for armaments made prior to March 11, 1941, the date of passage of the Lend-Lease Act. It would involve the War Department taking over certain contracts of this type. That is, the Army would replace the British under these contracts and accept delivery of the goods when finished by the contractors. The U. S. Army would pay therefor out of their own appropriations for aircraft and ordnance. The Army would then lend-lease to the British, off their existing lines, engines and tanks to take the place of those expected from the United Kingdom contracts so taken over by the U. S. Army. Such items so lend-leased to the United Kingdom would count against the 1.3 billion limitation in the Lend-Lease Act. When Mr. McCloy asked whether any specific list of contracts was in mind, the reply was given in the affirmative. Mr. McCloy responded cordially to the Secretary's approach on this subject and promised to look into it immediately. It was agreed that he would receive at 11 o'clock this morning Mr. Cox, who was to bring with him the appropriate British representatives. Mr. McCloy, in turn, was to consult with the people in the Air and Ordnance Services interested in this matter, as well as Secretary Stinson. The meeting adjourned with further consideration of the problem left to the session to be held this morning at the War Department.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 10, 1941

TO Secretary Morgenthau
FROM Mr. Kassarck
Subject: Airplane Deliveries

Summary

A total of only 42 planes is reported as shipped in the last statement received. 20 were sent to the Middle East (all P-40's) and 22 to England (medium and patrol bombers).

The total of 42 planes shipped is considerably below the 62 plane average of the past twenty-two weeks. It is also the lowest total reported for any week in the past three months.

- 2 -

Division of Monetary
ResearchAirplane Shipments to the British
(From February 1 to July 6 by air
January 11 to June 14 by sea)

Table A. - Shipments by Area

	Latest Week	Total Reported To Date
<u>To the United Kingdom</u>		
Light and medium bombers	19	490
Heavy bombers	0	41
Naval patrol bombers	3	68
Pursuit	<u>0</u>	<u>9</u>
Total to United Kingdom	22	608
<u>To the Middle East</u>		
Light and medium bombers	0	150
Pursuit	<u>20</u>	<u>391</u>
Total to Middle East	20	541
<u>To the Far East</u>		
Light and medium bombers	0	6
Naval patrol bombers	0	9
Pursuit	0	139
Trainers	<u>0</u>	<u>55</u>
Total to Far East	0	209
<u>Totals</u>		
Light and medium bombers	19	646
Heavy bombers	0	41
Naval patrol bombers	3	77
Pursuit	20	539
Trainers	<u>0</u>	<u>55</u>
Grand Total	42	1,358

- 3 -

Division of Monetary
Research

Table B. - Shipments by Types

	Latest Week	Total Reported To Date
Boeing B-17	0	21
Brewster Buffalo	0	139
Consolidated Catalina	3	77
Liberator	0	20
Curtiss Tomahawk	20	391
Douglas Boston I	0	1
Boston II	0	72
Boston III	0	69
Glenn Martin Maryland	0	150
Grumman Martlett II	0	9
Lockheed Hudson I	0	1
Hudson III	0	57
Hudson IV	0	18
Hudson V	15	250
Electra	0	3
North American Harvard II	0	55
United Chesapeake	<u>4</u>	<u>25</u>
Grand Total - All Types	42	1,358

- 4 -

Division of Monetary
Research

Table C. - Plane Deliveries to the British by Weeks

Week Ended	Light and Medium Bombers	Heavy Bombers	Naval Patrol Bombers	Pursuit	Trainers	Total
Feb. 8 *	22	-	3	-	-	25
Feb. 15 *	42	-	-	100	-	142
Feb. 22 *	35	-	-	27	-	62
Mar. 1 *	7	-	5	25	-	37
Mar. 8 *	16	-	3	10	-	29
Mar. 15 *	26	1	4	-	-	31
Mar. 22 *	17	-	2	22	-	41
Mar. 29 *	25	-	3	18	-	46
Apr. 5 *	21	-	7	73	-	101
Apr. 12 *	21	2	2	27	-	52
Apr. 19 *	20	3	4	5	-	32
Apr. 26 *	23	2	3	-	28	56
May 3 *	61	1	2	15	27	106
May 10 *	36	1	8	10	-	55
May 17 *	61	13	7	19	-	100
May 25 *	30	10	-	25	-	65
June 1 *	28	5	5	21	-	59
June 8 *	37	2	7	-	-	46
June 15 *	26	1	4	20	-	51
June 22 *	28	-	4	52	-	84
June 29 *	45	-	1	50	-	96
July 6 *	19	-	3	20	-	42
	646	41	77	539	55	1,358

* The date given is for shipments by air. Shipments by water start three weeks earlier. That is, the statement reporting the shipment of planes by air for the week ending July 6 would report the shipment of planes by water for the week ending June 14.



OFFICE OF THE CHIEF
U. S. SECRET SERVICE

TREASURY DEPARTMENT

WASHINGTON, D. C.

July 10, 1941

Memorandum for the Secretary of the Treasury

From: Chief, U. S. Secret Service

The Packard automobile which is used by the President on most of his trips is equipped with Life Guard inner tubes.

The closed automobile which the President occasionally uses has not been equipped with the Life Guard tubes but arrangements are now being made to use Life Guard tubes in place of the special tubes now in use.

One of the open Secret Service automobiles which the President occasionally uses is equipped with Life Guard inner tubes. Arrangements have been made to have the other Secret Service automobiles equipped with Life Guard tubes.

KNOW YOUR ENDORSERS
Do not give checks for strangers

July 10, 1941

My dear Mr. President:

I am simply delighted at receiving your memorandum of July 9, and learning that you are prepared "to make a strong statement to Congress on the tax bill".

In the light of this memorandum, I asked Speaker Rayburn's advice, in strictest confidence, as to how he thought we had better proceed. He informed me that the Ways and Means Committee will not report out the tax bill until a week from Tuesday. Both the Speaker and I feel that before you make any statement, it would be politic to send for Bob Doughton, Jere Cooper, John Sullivan and me, and review the whole matter.

Not later than Monday, I will have in your hands the pros and cons of the excess profits provisions of the bill as it is now written.

I am sending you herewith a summary that I have had prepared for myself on the status of the tax bill. You might like to glance through this.

Yours sincerely,

The President,
The White House.

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The President,
The White House.

THE WHITE HOUSE
WASHINGTON

July 9, 1941.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I am ready to make a strong statement to Congress on the tax bill whenever you think the time is appropriate. I would lay particular emphasis on the excess profits tax.

Will you consider also the means which I should employ to give expression to this matter.

F.D.R.



July 10, 1941

I let Speaker Rayburn read the memorandum from the President dated July 9. He said, "Why does the President want to do this?" and I said, "Because as the bill is drawn at present, a corporation pays no excess profits on its average earnings from 1936 to 1939."

(-Wed 7/11
late
Horn
ack'd)

Rayburn said, "The bill is not going to be reported out until a week from Tuesday and", he said, "please urge the President as strongly as possible to first talk with Doughton and Cooper and you before he does anything else." I said I would do so in writing.

The Need for a Fiscal-Defense-Planning Committee

1. The Treasury as the agency responsible for raising money by taxation and borrowing is, of course, vitally interested in the scope, progress and ramifications of the defense program. It could do a better job in planning its borrowing and tax program if it had the available data on:

- (a) How much money is going to be needed for defense in the next year or two and when.
- (b) How much we are going to lend to foreign countries in connection with Lend-Lease, inter-American unity, and other aid to foreign countries.
- (c) To what extent it is necessary to expand production and where.
- (d) To what extent it is necessary to curtail consumption and where.
- (e) The probable magnitude of the national income next year, its probable distribution and the probable scale of investment and consumption.
- (f) To what extent it is necessary to expand or curtail expenditures not immediately connected with defense.
- (g) To what extent prices are going to rise, how effective our present price controls are, and what monetary measures may be necessary to curb price rises.
- (h) What controls of the money market are necessary in order to facilitate and finance the defense effort.

2. With this essential knowledge the Treasury could perform its normal functions more effectively and probably exercise a more potent influence in securing an adequate defense program.

- (a) A comprehensive tax program is an indispensable instrument not only for raising revenues and equitably distributing the burdens of the defense effort but also for curtailing

7/9/41 - Original to the Secretary.

consumption, facilitating plant expansion, stimulating the expansion of investment in some branches of production and curtailing it in others, and for the maintenance and strengthening of national morale and unity.

- (b) There can hardly be efficient organization of government borrowing even now without a pretty good idea of how much has to be raised in the course of the next 18 to 24 months, the people's capacity to absorb new issues, and what will be the best timing of new issues from the point of view of interfering as little as possible with the defense effort and of getting the new issues absorbed on the most favorable terms.
- (c) Monetary measures to curb inflation cannot be carried out unless they are coordinated with the measures which are being undertaken by other agencies in connection with priorities, price controls, etc.

3. Yet at the present time there is neither a single agency which can provide the Treasury with this essential information nor is there any routinized administrative machinery within the Treasury or without by which the Treasury can obtain this information. To my knowledge no person or group of persons in the Treasury or outside the Treasury has been assigned this task, which is as important as anything the Treasury is now doing.

What makes the whole situation more difficult to defend is that we are using a large amount of technical ability on problems like post-war reconstruction and post-war economic adjustment. The National Resources Board, the Federal Reserve Board and a large inter-departmental committee under the auspices of the State Department are between them absorbing the labor of probably over 50 highly trained capable technicians preparing a program of post-war adjustment to avoid depression after Nazism is defeated but we make no comparable effort to prepare the kind of programs needed to prevent a victory of Nazism. We are apparently preparing for a total peace without preparing for total war.

4. To remedy this situation:

- (a) A Treasury committee consisting of several members of your staff under the chairmanship of the new under-secretary could be set up to initiate, supervise and collect studies on this problem. It would be empowered to go into the various agencies and get all the necessary information and make the relevant recommendations to you. A number of isolative studies already exist somewhere in Washington which can provide the basis for reports.
- (b) Or, a formal or informal inter-departmental committee could be set up under your auspices and under the chairmanship of your new under-secretary to prepare an over-all fiscal-defense program. I can submit for your consideration some 25 of the best technicians in Washington (most of the best are in D. C. now) who can be divided into small groups to work on various aspects of the problem either as part of their regular work or in their evening and week-end time. Much individual work has been done so that they wouldn't have to start from scratch. The main advantages of such a committee is that it would inevitably cover not only the fiscal-defense program, but the over-all economic defense program. It might even serve as the nucleus or fore-runner or substitute for the planning committee of your proposed Department of Supply.

5. The committee would immediately initiate work on a program embracing:

- (a) A report on the scale of defense effort needed in the next year or two.
- (b) A report on plant expansion necessary for the full war effort and how that expansion can be advanced.
- (c) What items of consumption and how much must be curtailed to attain a full war effort. How rapidly should such curtailment proceed and how should the unemployed be put to useful work.

- (d) How best to finance a full war effort? How high can taxes go? And what kind of taxes?
- (e) What kind of borrowing is best? How should it be distributed between long and short-term? How should it be timed?
- (f) What monetary controls are necessary in order to prevent inflation.
- (g) What controls of the money market are needed.
- (h) Which expenditures should be curtailed and which expanded, in order to strengthen the morale and unity of the American people.

HW:mgg
7/8/41

THE SECRETARY OF THE INTERIOR
WASHINGTON

July 10, 1941.

My dear Henry:

Thank you for your letter of July 1, with enclosure.
This was the information that I desired.

Sincerely yours,

(Signed) Harold L. Ickes
Secretary of the Interior.

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

*original in 'Original
Documents File'*

TREASURY DEPARTMENT

446

For Miss Chauncey

INTER-OFFICE COMMUNICATION

DATE July 10, 1941.

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£41,000
Purchased from commercial concerns	£14,000

Open market sterling remained at 4.03-1/2. The only reported transaction consisted of £1,000 purchased from a commercial concern.

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 advanced 1/32¢ to 5-7/32¢. Sterling was unchanged at 3.90-1/2.

We learned today that two of the New York banks bought substantial amounts of Swiss francs from the Swiss National Bank at a rate equivalent to .2322-7/8. The Swiss francs so purchased have been paid out to Swiss watch companies.

We sold \$2,992,000 in gold to the Bank of Brazil, which was added to the account of the Bank of Brazil as fiscal agent of the Brazilian Government.

The Federal Reserve Bank of New York reported that the Bank of Canada, Ottawa, shipped \$3,020,000 in gold from Canada to the Irving Trust Company, New York, for account of the Banque Mellie Iran, Tehran, for sale to the New York Assay Office.

In London, the price fixed for both spot and forward silver was 23-1/4d, off 1/8d. The U.S. equivalent of this price is 42.21¢.

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 199,856 ounces under the Silver Purchase Act. This silver consisted of new production from Java, and was bought for spot delivery.

- 2 -

The report of July 2 received from the Federal Reserve Bank of New York giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$4,997,000, a decrease of \$1,035,000 in the short position since June 25. Net changes were as follows:

Country	Short Position June 25	Short Position July 2	Change in Short Position*
England**	\$ 485,000	\$ 193,000	- \$ 292,000
Europe	3,045,000	2,943,000	- 102,000
Canada	535,000 (Long)	572,000 (Long)	- 37,000
Latin America	467,000	484,000	+ 17,000
Japan	643,000	45,000	- 598,000
Other Asia	1,880,000	1,887,000	+ 7,000
All others	<u>47,000</u>	<u>17,000</u>	- 30,000
Total	\$6,032,000	\$4,997,000	- \$1,035,000

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

**Combined position in registered and open market sterling.

CONFIDENTIAL

July 10, 1941.

Mr. V. Frank Coe,
Treasury Department,
Washington, D. C.

Sir:-

Reference is made to the letter of the Secretary of State, dated June 26, 1941, advising you of your appointment as Special Assistant to the American Ambassador to Great Britain for such period of time as may be necessary for the performance of the duties to which you will be assigned.

You are hereby authorized and directed to proceed on or about July 15, 1941 from Washington, D. C. to New York, N. Y., and from New York, N. Y. to London, England via Lisbon, Portugal.

In view of the nature of this mission, you are authorized to travel, if the circumstances warrant, by airplane from Washington, D. C. to New York and then either by airplane or foreign steamship lines to London, England. You are also authorized to use any available methods of transportation as may be necessary. This authorization is also applicable as to means of transportation and routes to be traveled on your return from London to Washington.

You will be reimbursed for travel and an allowance of eight dollars (\$8.00) per diem in lieu of subsistence and other expenses incident to the transaction of official business, payable from the Exchange Stabilization Fund. You will also be entitled to reimbursement for loss sustained from appreciation of foreign currencies in their relation to the American dollar as authorized by the Act approved March 26, 1934. A copy of this travel authorization should accompany each voucher making claim for expenses incurred thereunder.

Advances of funds will be made to you to cover cost of travel, subsistence and other expenses, upon your filing a bond of indemnity covering such advances.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

O'D/mw
7/6/41

June 26, 1941.

Mr. W. Frank Cox,
Assistant Director of Monetary Research, \$7,000 p.a., NSF.,
Treasury Department.

Sir:

In view of your appointment as Special Assistant to
the American Ambassador to Great Britain, your compensa-
tion is fixed until further notice at the rate of nine
thousand dollars per annum, payable from the appropriation
"Exchange Stabilization Fund", effective June 26, 1941.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

WFM:mas

July 10, 1941

Dear Mr. Latimer:

I understand from Mr. White that you have agreed to part-time loan of the services of Mr. A. G. Silverman of the Railroad Retirement Board as economic consultant to Dr. White in connection with organizing the research and statistical work for Foreign Funds Control.

It is my understanding that it will not be necessary to reimburse the Railroad Retirement Board for the services which Dr. Silverman will perform. However, should you desire reimbursement, please let me know and I shall endeavor to have suitable arrangements made.

Very truly yours,

(Sgd) H. MORGENTHAU, JR.

Secretary of the Treasury

Mr. Murray W. Latimer, Chairman,
Railroad Retirement Board,
Washington, D. C.

7/10/41 Mailed from Mr. White's office.

2/27/41
H.M., d.l.a.
7/2/41 **FILE COPY**

COPY

July 10, 1941

My dear Mr. Attorney General:

Further reference is made to the letter from you dated July 2, 1941, and its enclosure of a letter from you to the Secretary of State dated July 2, 1941, with respect to the proposed seizure and forfeiture of certain sabotaged Italian and German vessels under section 3 of Title II of the Espionage Act of June 15, 1917, 40 Stat. 220 (U.S.C. title 50, sec. 193). On July 3, 1941, I replied to your letter and sent a copy of my reply to the Secretary of State. In my reply of July 3, 1941, you will recall, I stated that the Department of the Treasury would direct seizure of the vessels concerned immediately upon advice from the Department of State that such seizure would not contravene the foreign policy of the United States.

I am now in receipt of a letter signed by the Acting Secretary of State and dated July 8, 1941, a copy of which is enclosed, in which that officer takes the position that, since it appears from your letter to the

- 2 -

Secretary of State of July 2, 1941, that the President has approved the institution of forfeiture proceedings, it is unnecessary for the Department of State to elaborate further on its letter to me of June 30, 1941.

Inasmuch as in your letter to the Secretary of State on July 2 it was assumed that the President's approval took into consideration your representation to the President that the Department of State had no objections to the forfeiture proposal, it is felt that this Department cannot, under the present circumstances, proceed with the seizure of the vessels involved. This Department is still ready, however, so to proceed if the Department of State or the President will advise me that such seizure will not contravene the foreign policy of the United States. Furthermore, this Department stands ready, on the receipt of such advice, to adopt a seizure of the vessels concerned made by agents of your Department if you should desire to proceed in that fashion. There seems authority for such adoption in seizure and forfeiture proceedings with respect to violations of the

- 3 -

customs laws. See in that connection United States v. Two Automobiles and Five Cases of Whisky, (S.D. Calif. 1924) 2 F.(2d) 264; United States v. 579 Sacks of Whisky, (D. Mass. 1927) 23 F.(2d) 882; In re Commercial Inv. Trust Corporation, (W.D. N.Y. 1929) 31 F.(2d) 494; Gelston v. Hoyt, (U.S. 1818) 3 Wheat. 246, 310; Dodge v. United States, (1926) 272 U.S. 530.

Very truly yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

The Honorable

The Attorney General of the United States.

cc: The Honorable
The Secretary of State.

Sent by Special Messenger 7-10-41 11 AM

ERF:rgs
7-9-41

COPY

DEPARTMENT OF STATE

Washington

July 8, 1941

My dear Mr. Secretary:

I am in receipt of your two letters of July 2 and July 3 with further reference to the institution of forfeiture proceedings against certain foreign flag vessels on which acts of sabotage were committed in our ports.

The conduct of the foreign relations of the United States is, under the Constitution, entrusted to the President. It appears from a letter addressed to this Department by the Attorney General under date of July 2, a copy of which he states was sent to you, that the President has given his approval to the institution of forfeiture proceedings in these cases. In these circumstances it seems unnecessary for me to elaborate on my letter to you of June 30, 1941 on the subject.

I

The Honorable

Henry Mergenthau, Jr.,

Secretary of the Treasury.

- 2 -

I am addressing a similar communication to the
Attorney General.

Sincerely yours,

(Signed) Sumner Welles
Acting Secretary.

OFFICE OF THE ATTORNEY GENERAL

456

Washington, D. C.

July 2, 1941

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

My dear Mr. Secretary:

On June 26, 1941 I received from the Chairman of the Maritime Commission a letter dated June 24, 1941 recommending that the German and Italian boats which had been subotaged should be forfeited pursuant to the Espionage Act of June 16, 1917.

In view of the fact that when this question was up previously the Department of State had certain queries about proceedings by forfeiture, Mr. Shea, the Assistant Attorney General in charge of admiralty matters, called Mr. Sumner Welles. Mr. Welles stated to Mr. Shea that so far as issues of foreign policy were concerned the State Department had no objection at this time to the forfeiture of the subotaged vessels so long as compensation was paid for vessels in respect of which no subotage had taken place.

Mr. Shea asked Mr. Welles whether he was right in his understanding that the President had concerned himself with this matter at the earlier time when it was determined to seek the regulating legislation. Mr. Welles confirmed that to be the case. Mr. Shea then asked whether Mr. Welles had had any conversations with the President about the matter at this time. Mr. Welles said that he had not but understood from Admiral Land that the President had indicated that he now approved proceeding with forfeiture of the subotaged vessels.

Following this conversation Mr. Shea took the matter up with me and I sent the President the following telegram on June 26, 1941. The President was at that time at Hyde Park.

The Maritime Commission has recommended forfeiture instead of regulating title to twenty-four German and Italian boats which were subotaged. The State Department has no objection.

You considered the question at the time it was decided to act for the regulating statute. I would like to know that you are satisfied with the policy involved in proceeding with forfeiture now.²

The following day the President had one of his Secretaries call to inform me that he approved going forward with the forfeiture proceedings.

On June 29, 1941 Mr. Shea, on my behalf, addressed a letter to you to the effect that based on certain data referred to in his letter, this Department was of the view that probably some exists for the seizure and forfeiture of certain named vessels set forth in a list attached to that letter.

Under the terms of applicable statutes, before judicial proceedings for forfeiture can be commenced, it is required that there be an executive seizure of the vessel. The Collectors of Customs are the persons authorized to effect such seizure.

It is my view that under the applicable statutes the authority for determining that executive seizure should be made rests in your Department. Of course, we were willing to preview the evidence for you, and we have advised you that in our opinion probably cause for seizure and forfeiture does exist in respect of the named vessels.

I am ready to proceed at once with the forfeiture proceedings as soon as the executive seizures are effected and the required transmittal of information from the Collectors of Customs to the United States Attorney is made.

I am writing you this letter so that your files may be complete. Also, in view of the fact of the President's reply to my telegram, I am anxious to proceed at once to discharge such responsibility as rest on this Department.

Your further information there is enclosed herewith a copy of my letter of today's date addressed to the Secretary of State. Similarly, I am transmitting to the Secretary of State a copy of this letter.

Sincerely yours,

(Signed) Robert H. Jackson

Attorney General

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July 2, 1941

The Honorable
The Secretary of State

My dear Mr. Secretary:

On June 26, 1941, we received from the Chairman of the Maritime Commission a letter recommending that the Italian and German boats upon which sabotage had occurred should be forfeited pursuant to the Espionage Act of June 15, 1917.

In view of the fact that when this question was up previously the Department of State had certain queries about proceeding by forfeiture, Mr. Shea, the Assistant Attorney General in charge of admiralty matters, called Mr. Sumner Welles. Mr. Welles stated to Mr. Shea that so far as issues of foreign policy were concerned the State Department had no objection at this time to the forfeiture of the sabotaged vessels so long as compensation was paid for vessels in respect of which no sabotage had taken place.

Mr. Shea asked Mr. Welles whether he was right in his understanding that the President had concerned himself with this matter at the earlier time when it was determined to seek the requisitioning legislation. Mr. Welles confirmed that to be the case. Mr. Shea then asked whether Mr. Welles had had any conversations with the President about the matter at this time. Mr. Welles said that he had not but understood from Admiral Land that the President had indicated that he now approved proceeding with forfeiture of the sabotaged vessels.

Following this conversation Mr. Shea took the matter up with me and I sent the President the following telegram on June 26, 1941. The President was at that time at Hyde Park.

"THE MARITIME COMMISSION HAS RECOMMENDED FORFEITURE INSTEAD OF REQUISITIONING TITLE TO TWENTY-FOUR GERMAN AND ITALIAN BOATS WHICH WERE SABOTAGED. THE STATE

- 2 -

DEPARTMENT HAS NO OBJECTION. YOU CONSIDERED THE QUESTION AT THE TIME IT WAS DECIDED TO ASK FOR THE REQUISITIONING STATUTE. I WOULD LIKE TO KNOW THAT YOU ARE SATISFIED WITH THE POLICY INVOLVED IN PROCEEDING WITH FORFEITURE NOW."

The following day the President had one of his Secretaries call to inform me that he approved going forward with the forfeiture proceedings.

Under the applicable statutes forfeiture proceedings are commenced by an executive seizure which is carried out by the Collectors of Customs. The Collectors of Customs are authorized by statute to make a seizure where evidence of sabotage comes to their attention. They then refer the matter to this Department for judicial proceedings. Those proceedings are commenced by the filing of a libel. We stand ready to initiate the judicial proceedings as soon as the necessary executive seizures are accomplished and the required information transmitted by the Collectors of Customs to the United States Attorneys.

I understand that in view of the fact that foreign policy issues were considered involved at an earlier date the Treasury Department, before causing the executive seizure to be made, desires a letter from the Secretary of State to the effect that insofar as foreign policy issues are involved the Secretary of State has no objection to proceeding with forfeiture of the sabotaged vessels.

I am setting forth the foregoing matters so that your files may be complete. Also, in view of the President's response to my telegram I am anxious to proceed with the forfeiture program insofar as this Department is responsible.

You will note that in my telegram to the President I represented that the Department of State had no objection. I assume that the President's willingness to proceed took that statement into consideration. If further thought about the matter in your Department has developed any objection, I should feel of course that the problem ought again to be reviewed with the President before proceeding with the forfeiture program.

For your further information, there is enclosed herewith a copy of my letter of today's date addressed to the Secretary of

- 3 -

the Treasury. Similarly, I am transmitting to the Secretary of the Treasury a copy of this letter.

Sincerely yours,

Attorney General.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE July 10, 1941

TO

Mr. Miss Channon,
Secretary Morgenthau

FROM

Mr. Cochran

STRICTLY CONFIDENTIAL

At the Staff Meeting on Tuesday morning, July 8, the Secretary mentioned that he desired that the servicing of Mr. Fox in China be handled by Mr. White.

At 11 o'clock on Tuesday morning the Secretary had in his office Messrs. Bell, Foley, White and Cochran to discuss the applications of Mexico and Colombia for loans under the Stabilization Fund. When these discussions were terminated Mr. Cochran referred to the Secretary's instruction to Mr. White earlier in the morning, and stated that this confused him somewhat. Mr. Cochran explained that the servicing of Mr. Fox had so far been taken care of entirely in the office of the Stabilization Fund, and inquired whether the Secretary desired that this be transferred to the Division of Monetary Research. Mr. Cochran continued that the Chinese cablegrams, as well as all other cablegrams coming into the Treasury Department, came to his office and were distributed to the appropriate officers, and action taken when necessary. The Secretary made the point that he had been receiving directly some messages from Mr. Fox and had had photostat copies sent to those of us who constitute the group which has been acting on China in the past and negotiated the Stabilization Agreement. He said that since he no longer has much material sent to him at his residence he was not aware as to whether action had been taken on these messages and he thought of the idea of letting Mr. White be responsible for action considering Mr. White's special interest in China.

Mr. Bell made the point that all of us in the group had been seeing these messages regularly and that where action was necessary this had been taken. The Secretary said he had seen no cablegrams going out. Mr. Cochran reminded him that a cablegram covering several points had been prepared after full consultation in our group and had been initialed by the Secretary before being sent by Mr. Cochran to the State Department for cabling to China.

Mr. Cochran explained that the matter of Mr. Fox obtaining a confidential secretary had not yet been settled. A message had been sent to Mr. Fox this week asking him whether he had been able to obtain a suitable secretary while on his trip through Hong Kong and Shanghai. If not, he was to cable confirming his needs and we would then take steps to send someone. Messrs. Bell and Cochran explained that the only other outstanding question submitted by Mr. Fox was that as to whether the Stabilization Board should be set up and begin to function in China with only four members, that is, before the British appoint their representative. It was explained to the Secretary that there had been a delay in the appointment of a Britisher, since the nomination of Mr. Rogers has not been found acceptable to the Chinese officials. Messrs. Bell and Cochran explained that the legal aspects of the question were under consideration by Mr. Bernstein, and that they had talked with Sir Frederick Phillips recently in regard to the problem. Sir Frederick Phillips had hoped to have some message from London in the near future that would throw light on this question.

- 2 -

The proposal was accepted that the group which had negotiated the Chinese agreement, Messrs. Bell, White, Bernstein and Cochran, should continue to deal with the situation insofar as Mr. Fox and the Stabilization Fund are concerned. In addition to the ordinary consultation which might be involved, there is to be a meeting weekly under Mr. Bell's auspices of these four officers to which Dr. Currie should also be invited. If Mr. Cochran has any cablegram between meetings which requires urgent attention, he will seek the advice of his colleagues. It was understood that Mr. Cochran would continue to forward to Mr. Fox the envelopes which he has been sending weekly containing Treasury and other material of possible assistance to Mr. Fox and his group. Mr. Cochran has also been responsible for sending messages from Mr. Fox and his associates to their wives in the United States.

As a final point, Mr. Cochran asked the Secretary's authorization to provide the Department of State with copies of those messages from Mr. Fox which are received through Treasury as distinct from State Department channels. The Secretary agreed to this. Following the meeting, Mr. Cochran spoke with Messrs. Currie, Livesey and Hamilton in the Department of State and told them that such messages now on hand and those to be received in the future would be sent the Department of State for their confidential information. Three sets of those messages which have already been received were sent to Mr. Livesey yesterday. Mr. Currie was also informed by Mr. Cochran of the contemplated arrangement for weekly meetings on China. Mr. Currie said he would be delighted to attend such meetings.



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(CONFIDENTIAL)

PARAPHRASE

A telegram (no. 825) of July 10, 1941 from the American Consul General at Shanghai reads substantially as follows:

Soon again the Shanghai Municipal Council may have to consider a proposal to accept notes of the Central Reserve Bank in payment of rates. Chinese (?) hsu (?) put forward informally a similar proposal about four weeks ago. However, through intervention on the part of American members of the Council, with the assistance of Okamoto, a Japanese member, the question was deleted from the agenda of a council meeting. Now the proposal has been advanced again, with more pressure than was exerted the first time. It is likely however that it will not be possible to muster enough votes to adopt the proposal as two Chinese members of the Municipal Council are away from Shanghai. However, this new agitation looking toward acceptance of the currency together with a previously reported proposal concerning the court is indicative of what the Wang Ching-wei Government may be expected to do in its attempt to obtain a stronger foothold in Shanghai and vicinity. It is likely that these developments grew out of Wang's visit to Tokyo.

Although the American Consul General has noted no desire on the part of any American member of the Council to yield concerning

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the currency matter, he has learned that the proposal is regarded favorably by certain administrative assistants in the Council because the sponsors of the proposal have guaranteed that all moneys collected in the Central Reserve Bank notes will be converted daily into fapi. Until the new currency attains a greater circulation than it has at the present time, its acceptance would not be advisable even if a guarantee such as mentioned above were acceptable and could be relied upon for a definite period.

Copy:lg 7/14/41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London

DATE: July 10, 1941, 9 p.m.

NO.: 2939

Reference is made to the telegram of the Department, dated June 11, 1941, 9 p.m. No. 2067.

Sir Otto Niemeyer is a Director of the Bank of England and formerly was Chairman of the Board of Directors of the Bank for International Settlements. Following the suggestion of the British Treasury, an approach was made to Niemeyer who informed the Embassy as regards the following:

The policy of the British in regard to the Bank for International Settlements is based on Article 10 of the constituent charter of the bank which was subscribed to by the Government of Great Britain. This charter guarantees that, in the event of war, property and assets of the bank shall be immune from seizure and restraint.

The British officials have not actively concerned themselves with the Bank's management because there has been no meeting of the Board of Directors subsequent to the outbreak of the war. The business affairs of the bank, which are run on a greatly reduced scale, virtually rest in the hands of Mr. McKittrick, the President of the Bank.

Early in 1939, Niemeyer anticipated the probability of war. He, accordingly, made arrangements with the authorities of the British Government that ~~the bank's~~ the bank's communications should be passed directly through the censorship since the bank

had

had correspondence only with the Bank of England and with the Treasury. During the month of March 1939, Klemmeyer had a discussion with Bogen as to the lines of policy which were to be adopted in the event of war. (Bogen was President of the Bank in March 1939.) Eventually, these discussions were incorporated in the following undertakings given by the bank which were articulated in December 1939 to its clients: ^(not paraphrased) (First) The bank will

abstain from any transaction the result of which would be to carry out directly or indirectly for the account of the Central Bank (or other institution) of a belligerent country a financial operation on the market or in the currency of another country with which the former is in a state of war at the time of such transaction.

(Second) The bank will abstain (a) from disposing of its assets on the market of a belligerent country for the purpose of making or facilitating any payment to or on behalf of another country with which the former is at war (b) from holding its own name for the account of the Central Bank "or other institution" of a belligerent country gold under ear mark or against assets on the market of another country with which the former country is at war. (End of non-paraphrased section.)

It is Klemmeyer's belief that the bank had granted the same undertakings to the U.S. Federal Reserve Bank.

These arrangements, from the standpoint of the British, have

-3-

have worked fairly well. Occasionally, questions have been raised in regard to a few of the transactions which have been made. Apparently it is true that, when the war broke out, the bank, due to the Czechoslovakia gold affair, had a bad public press in England. (Reference is made to telegram No. 896, dated June 24, 1938, 8 p.m., from the Embassy.) However, according to the view of Niemeyer, this was due, in some measure, to the mishandling of the question in Parliament.

The Bank of England and the Government of Great Britain are still clients of the bank. Acceptance of the last annual dividend has been made. In spite of occasional voiced demands by Parliament and the Press for withdrawal, it is Niemeyer's belief that the British should continue their association, as well as lend the bank their tacit approval, if only for the reason that a useful role in post-war settlements might later have an effect.

In the early days of the war, even though the French had pressed for a convocation of the directorate, the authorities of Great Britain opposed this move. They believed that the bank should remain in its present state of restricted activity. Therefore, it was felt that it would be of no use at this time to raise difficult legal questions with respect to the relationship of the various countries overrun by the Germans. It was stressed by Niemeyer that the bank had given adequate undertakings in regard to its strict neutrality. He also stressed the fact

-4-

fact that the bank had lived up to these undertakings. Furthermore, Niemeyer had full confidence in the integrity and ability of McKittrick.

The following is strictly confidential.

The statement was made by Niemeyer which indicated that he had reason to believe that McKittrick might be concerned with the effect of the U.S. Treasury orders blocking foreign funds upon the operations of the bank; particularly since the United States was not a party to the constituent charter (referred to above).

It was Niemeyer's opinion that McKittrick should stay in Switzerland, because he is, in a certain sense, in his present position, the guardian of the bank against any danger that might occur. However, Niemeyer suggested that McKittrick might want to get in touch with the American Minister in Switzerland and explain his problems to him. Consequently, a discussion along these lines might prove to be mutually advantageous to the United States and to the bank.

Furthermore, Niemeyer stated that he would be glad to furnish any other information in regard to the bank which might be desired; especially in regard to the present relationship of the bank and Great Britain.

This is the end of the message.

RECEIVED

WINANT

462.00 R 296 B.I.S./1048
EA:PAK

(Handed by the Ambassador of Colombia to Mr. Cochran in Under Secretary Bell's office at 12:30 noon, July 10, 1941.)

MEMORANDUM

Sobre la Organizacion y Funcionamiento
del Fondo de Estabilization.

Personeria Juridica

El Fondo de Estabilization es una persona juridica independiente. (Articulo 1º - Decreto extraordinario-548 de 1940).

Administracion

La administracion del Fondo esta al cuidado de una Junta autonoma integrada por el Ministro de Hacienda y Credito Publico, el Gerente del Banco de la Republica y un miembro designado por el Presidente de la Republica.

Capital

El capital pagado del Fondo de Estabilization es de \$3,300,000, suscritos asi: \$3,000,000 por el Gobierno Nacional y \$300,000 por el Banco de la Republica.

Operaciones

El Fondo de Estabilization esta autorizado para efectuar, entre otras, las siguientes operaciones:

- a) -Conseguir emprestitos en moneda nacional o en divisas extranjeras;
- b) -Negociar pagares, giros, letras de cambio y otros titulos de deuda;
- c) -Celebrar contratos de compra y venta de cambio exterior a la vista y a plazo.

En desarrollo de esta ultima facultad, el Fondo de Estabilization ha prestado hasta ahora al comercio nacional un servicio de singular importancia, que se explica, a continuacion:

Por medio de la Resolucion numero 89, de 8 de abril de 1940, las licencias para el pago de mercancias importadas a Colombia se clasificaron en cuatro turnos.

El turno numero 1º comprende las materias primas para la industria, la maquinaria, las drogas que no se producen en el pais y otros articulos de primera necesidad. Este turno numero 1º incluye, desde luego, el mayor volumen de las importaciones colombianas.

- 2 -

Las mercancías de los turnos 2º y 3º y 4º se determinaron teniendo en cuenta su importancia para el consumo nacional.

La clasificación se llevo a cabo por una comisión de expertos integrada por representantes de los Ministerios de Relaciones Exteriores, de Hacienda y Crédito Público y de la Economía Nacional, y por el Jefe de la Oficina de Control de Cambios y Exportaciones.

El pago de las mercancías del turno 1º se autoriza inmediatamente que son presentadas las licencias correspondientes, expedidas por la Oficina de Control de Cambio, y para tal efecto el Banco de la República vende dolares al tipo de 175-1/2%. A este objeto se destinan especialmente los depósitos en monedas extranjeras que va recibiendo el mismo Banco central de emisión.

El pago de las mercancías de los turnos 2º, 3º y 4º hubo de ser graduado, de acuerdo con la posición de la balanza de pagos internacionales y según el estado de las reservas del Banco de la República. Este sistema es razonable, si se considera que las mercancías comprendidas en dichos tres turnos no interesan vitalmente a la economía del país, ni a las necesidades primordiales de su desarrollo.

Pero es indudable que el aplazamiento en los pagos de las mercancías de los turnos 2º, 3º y 4º es perjudicial, tanto para las casas despachadoras del exterior, como para el mismo comercio colombiano cuyo crédito necesariamente sufre quebrantos con la demora en atender oportunamente sus compromisos.

Para evitar estas dificultades, el Fondo de Estabilización, mediante recursos obtenidos por medio de créditos, podría organizar un sistema para garantizar el pago, en su fecha de vencimiento, de las mercancías incluidas en los turnos distintos del primero. De acuerdo con la Junta Directiva del Banco de la República, se calcula que un crédito disponible de \$3,000,000 (dolares) a favor del Fondo de Estabilización y manejado por el Banco, podría dejar resuelto el problema que se enfrenta actualmente.

El Gobierno de Colombia se obligaría a garantizar cambio exterior al día para el pago de mercancías que fueran exportadas por los Estados Unidos para Colombia, utilizando para ello los servicios de la Junta de Control. Dicho compromiso consistiría en dar las seguridades de pago, en su fecha de vencimiento, para toda mercancía que fuera importada a Colombia mediante la licencia correspondiente otorgada en su debida oportunidad.

Anexo

Datos globales sobre licencias de importaciones concedidas por las Oficinas de Control de Cambios y Exportaciones durante los años de 1938, 1939 y 1940 y en los 5 primeros meses de 1941, y cuadro comparativo con los permisos de giros autorizados.

(Cifras en Dolares)

<u>Años</u>	<u>Licencias de Importación</u>	<u>Autorizaciones Varias</u>	<u>Autorizaciones para mercancías</u>
	(Comprende el valor total de licencias de importación concedidas por las Oficinas de Control en todo el país.)	(Comprende gastos de residentes en el exterior, Gobierno Nacional, seguros y conceptos varios).	(Comprende la totalidad de las autorizaciones concedidas en todo el país para pago de importaciones).
1938	90.001.783.30	18.024.012.75	72.210.914.68
1939	114.677.905.40	21.921.330.84	84.605.462.57
1940	80.735.661.98	19.971.533.61	73.278.183.29
1941 ¹	56.986.020.52	7.249.527.11	30.219.643.75

¹Enero a Mayo.

Washington, Junio de 1941.

PARAPHRASE OF TELEGRAM SENT

TO : American Embassy, Istanbul, Turkey.

DATE: July 10, 1941, 10 p.m.

NO. : 22.

The Treasury Department has been interested in an Associated Press report from Istanbul, dated the 8th of July, in which it is stated that German bankers are buying out Belgian and French holdings in Turkey with funds which have been extracted from occupied countries. The Treasury Department has requested that you telegraph at its expense any available information on this subject.

WELLES, Acting
(FL)

HA;FL;MNH

EE

HA;VCL

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

04 11 MA 51 JUL 1941

TREASURY DEPARTMENT
RECEIVED

473

BRITISH EMBASSY,
WASHINGTON, D. C.

July 10th, 1941.

PERSONAL AND
SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

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

Telegram from London dated July 8th

1. Naval. One A/P trawler bombed and damaged one A/P drifter mined and sunk, both off east coast on July 7th.
2. British 6000 ton ship mined and sunk off Alexandria p.m. July 5th. Hope to salvage some cargo.
3. During intense enemy minelaying Thames estuary night of 6/7 patrol ships heavily engaged enemy aircraft. Some were hit, one crashed.
4. Dutch submarine reports sinking large fully laden enemy tanker in Mediterranean.
5. Home broadcast Gorizia still afloat undamaged. Possible Bolzano was cruiser torpedoed and sunk by British submarine.
6. Royal Air Force. p.m. July 7th. Two miles off Calais six Blenheims obtained direct hit merchant vessel estimated 5000 tons in Convoy. Other ships claimed damaged, one L boat sunk. Off Dutch coast Bomber Command aircraft attacked eight enemy ships of between two thousand and five thousand tons each in escorted convoy. Six were left sinking or on fire.
7. Night of 6/7 when 101 bombers attacked Brest 2000 lb. bombs were dropped in target area. Daytime July 7th eight Stirlings with fighter escort attacked various objectives Belgium. Fighters shot down seven, certainly four probably damaged, three. We lost four Spitfires (3 pilots safe).
8. 7/8 301 aircraft sent Cologne, Osnabruck railway centre, Munster, Rhaydt railway centre, Frankfurt.
Five bombers missing. At Munster railway centre many bursts seen, railway centre appeared to be demolished; warehouse and aerodrome buildings set on fire.

- 2 -

9. German Air Force. night 7/8 some fifty aircraft operated south coast. Five were destroyed. Southampton experienced sharp two-hour attack. Serious damage gas works, commercial and residential property also damaged but all fires controlled by 4.30 a.m.
10. Military. Libya: Egypt. Enemy artillery continue shelling Tobruk harbour and town from the east. Fifteen dive bombers attacked the harbour. No damage or casualties.
11. Abyssinia. Italians ninety miles north west of Gimma have requested our help to restrain patriots operating against them.
12. Syria. Forces moving west from Palmyra report that road Palmyra-Hama clear of enemy up to 34 miles from Hama. Patrol reaching point fifteen miles east Hama obtained information that a large number of Vichy French in Hama area. Damascus area Free French patrols gained touch with our forces moving south west from Palmyra. Five miles north of Jezzine we have reached Beilkoum. Coastal sector attack launched July 6th succeeded in capturing Alboun (2 miles south of Damour).
13. Russia. In White Russia, Germans appear to be attempting to make good line Dnieper river on broad front in thrust towards Smolensk. In Bukovina against the enemy are advancing from Line Balti-Chernovitz.

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BRITISH EMBASSY,
WASHINGTON, D. C.

10th July, 1941

PERSONAL AND
SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

H. Halifax

The Honourable

Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.

TELEGRAM RECEIVED FROM LONDON JULY 9TH, 1941

Naval

Twenty aircraft dropped mines and bombs Alexandria Harbour night of 6th/7th; no naval damage. Following night mines dropped inside Haifa Harbour.

2. During attack on East Coast convoy off Cromer night of 8th/9th no damage caused, one JUSS shot down.

3. Reference air attack on Palermo on 8th photographs show a merchant vessel 10,000 tons and two smaller sunk. One 10,000 ton vessel which was on fire is still afloat.

4. Military

Libya 6th. Enemy continued blasting operations Halfaya-Sollum area and shows increased activity south of Scheferzen. Fresh digging noticed Sidi Omar.

5. Syria Northern column from Iraq reached Kamrahi (near Turkish border 50 miles west of Tel Kotehek) July 4th. Our troops moving north west from Deir Es Zor occupied Raqqa (120 miles east of Aleppo) 5th. Vichy aircraft are bombing Deir Es Zor twice daily. Deir Atiye (6 miles north of Nebek) clear of Vichy troops. Seven miles north of Jessine we hold positions on high ground. South of Damour our troops established line three miles from the town, fighting continues.

6. Russia German pressure in the last 24 hours directed on western Dvina crossings about 80 miles north-west of Vitebsk and from Novograd-Volynsk and Schpetraisk towards Kiev.

7. Royal Air Force 8th. In addition to the attack on oil plant near Lens attack carried out on chemical works and power station near Lille. At the latter target

heavy /

-2-

heavy Anti-aircraft fire prevented observation but at Lens bursts seen on oil plant and on Gasometer. Our fighters destroyed 18 ME 109's with seven probable and nine damaged. We lost 14 fighters (4 pilots safe). One Stirling shot down by anti-aircraft fire. Two heavy bombers attacked Wilhelmshaven hitting naval barracks. Five Blenheims despatched to attack shipping off Denmark damaged a small vessel and trawler.

8. 8th/9th. 172 aircraft despatched Bielefeld power station, Munster, Leuna synthetic oil plant and Hamm, ten missing. At Bielefeld most bombs fell in the target area starting many fires. Several fires started at Munster.

9. Middle East. Night of 6th/7th, Wellingtons from Malta attacked engine sheds Tripoli (L) starting large fires. Wellingtons bombed Aleppo hitting railway station, destroying three aircraft on the ground, and Beirut starting large fire amongst oil cisterns.

10. 7th/ The Hurricanes destroyed 6 aircraft on the ground at Gambut (Libya); five Hurricanes missing.

11. German Air Force 8th/ Activity negligible.

2 ME 109's crossed the south coast, one being destroyed the other damaged.

12. 8th/9th About 140 German aircraft operated, 113 were over land principally in Birmingham and Yarmouth district, three destroyed, two more unconfirmed.

13. CYPRUS. In attack on Nicosia aerodrome, 2 petrol dumps destroyed, 4 aircraft damaged.

RESTRICTED

G-2/2657-220 No. 437 M.I.D., W.D. 12:00 N., July 10, 1941.

SITUATION REPORTI. GERMAN-RUSSIAN FIGHT.

Ground: A German-Finnish force has captured the former Finnish town of Salla on the Arctic front in the direction of Kandalaksha.

German troops have broken through the Russian zone of frontier fortifications on both sides of Ostrow. The German advance in this area is proceeding in a northeasterly direction towards Novgorod. The situation in the region between Polotszk and Orsha is obscure. Farther south, on the west bank of the Dnieper, a German column has captured the city of Mogilev. To the east of Bobruisk a considerable German bridgehead has been formed on the east bank of the Dnieper opposite Rogatschew.

In the northern Ukraine a German column was approaching (on July 8) Radomysl, 50 miles west of Kiev. Another German force has captured Berdichev, 70 miles to the southwest of Kiev. In this portion of the Ukraine the Germans have penetrated deeply into the Russian fortified frontier zone.

The German Eleventh Army, after advancing through northern Bessarabia, has established a bridgehead to the east of the Dniester at Mogilev-Podolsk. In southern Bessarabia the situation is obscure. Here also German-Roumanian columns appear to be advancing.

Air: No change in the general situation.

II. GERMAN-BRITISH FIGHT.

Air: German. Reduced activity over Great Britain.

British. Renewal of daylight cross-channel sweeps and of night attacks. Night-bombing targets included Aachen, Osnabruck, Bielefeld, Munster and Ostend.

III. MEDITERRANEAN FIGHT.

Ground: General Dentz, Vichy Commander in Syria, has asked for an armistice.

Air: Axis. Scattering raids on Haifa, Cyprus, Tobruk and Sidi Barrani (Egypt).

British. Attacks on Naples, Tripoli (Libya) and Benghazi.

RESTRICTED

Paraphrase of Code Cabbagegram
Received at the War Department
at 18:19, July 10, 1941.

London, filed 19:50, July 10, 1941.

1. British Air Activity over the Continent.

a. Night of July 8-9. The numbers of tons of high explosive bombs and numbers of incendiary bombs dropped upon the targets named were as follows: Munster, 60, including two 4000 pound high explosive bombs, and 5400; Le Havre, 32 and 28000; Bellefield, 20 and 400; and 4 tons of high explosive bombs upon Marseburg.

b. Day of July 9. The disposition of British fighters was as follows: 224 in the protection of shipping, 179 on offensive patrols, 181 on interception patrols, and 85 on special patrols. The oil plant at Maxin-surbe was attacked by three Stirlings. Fifteen Blenheims attacked shipping off Ameland, without any losses to themselves.

c. Night of July 9-10. Bombers were sent out as follows: 56 to Osnabruck, 2 to Le Havre, and 82 to Aachen.

2. German Air Activity over Britain.

a. Day of July 8. Germany operated with 15 reconnaissance aircraft, 5 long range bombers, 5 offensive fighters and 450 defensive fighters.

b. Night of July 8-9. Sent out on this night were 10 reconnaissance aircraft, 10 fighters, 5 mine-laying aircraft and 100 long range bombers.

c. Day of July 9. On this day German air activity consisted mainly of strong defensive patrols over the coast of occupied France.

d. Night of July 9-10. Operations were principally directed against shipping and were widely dispersed, although on a small scale.

3. Aircraft Losses Reported.

a. British losses. During the night of July 9-10, four bombers were unreported from the raid on Aachen and two from the raid on Gumbrecht. During the day of July 9th two Hurricanes and seven Spitfires were lost.

b. Axis losses. On July 9th, the German losses were as follows: 4 Me 109's and 8 Me-109F's shot down; 1 Me-109 and 2 Me-109F's probably destroyed; 6 Me-109's and 1 Me-109F damaged. During the night of July 8-9 losses were as follows: 5 aircraft shot down, 1 probably destroyed and 3 damaged.

According to the information possessed by the Air Ministry, the Germans have in the area of the West-German front, 300 long range bombers, 342 single engine fighters, and 279 two engine fighters. 150 operational training aircraft are being used as fighters. During the night of July 8-9 the radio control of the German Air Force was intercepted by the British, from which it was indicated that reconnaissance bombers and mine-laying aircraft were being used for inland bombing and that operational training equipment was being used as night fighters.

The Germans are employing evasive tactics, believed to have been adapted because of the strength and efficiency of the British nightfighters, in attempting to reach objectives in the North and in the Midlands. These consist of following sea routes over the North sea and along the Welch coast.

Another raid has been carried out by B-17's, three of which reached their target. Six bombs were dropped upon the objective by two of these aircraft while the remaining bomber dropped four bombs on the town. As one B 170 was nearing its objective at an altitude of 28000 feet, two German fighters were encountered. The bomber, thereupon, climbed to 30000 feet and levelled off. Apparently the fighters could not obtain this altitude as one turned away and the other was in a spin when last observed.

LHM

Distribution:
Sec. of War; State Dept.; A.C. of S., G-2; WFO; GHI; S.H.Q.; Chief of the Army Air Forces; Sec. of Treasury; A.C. of S., G-3; Air Corps

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