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August 14, 1941  
9:30 a.m.

GROUP MEETING

Present: Mr. Schwarz  
Mr. Cochran  
Mr. Bell  
Mr. Kuhn  
Mr. Sullivan  
Mr. Gaston  
Mr. Viner  
Mr. Thompson  
Mr. Graves  
Mr. White  
Mr. Foley  
Mr. Haas

H.M.Jr: Dan, if you will stay after this meeting, we will continue. I am sorry.

Bell: That is all right.

H.M.Jr: I thought it was very thoughtful of Congress to put off hearing me today so they could all concentrate on the President's address. There was great complaint all around here. I mean, Ed came in and he was so sad about putting this thing off.

Thompson: I have the 1943 budget estimates of the National Gallery of Art. They would like to have your approval on it, as chairman. I have been over them very carefully and I think they are all right. There is just a slight increase for some more guards and a few laborers. They had anticipated a million

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visitors the first year and they will have about three million at the rate they are going.

H.M.Jr: Wonderful. What else?

Thompson: I wonder if Mrs. Klotz cleared with you about our moving picture room downstairs.

H.M.Jr: She will be back in a minute. She is looking after the lunch. You know you are all invited for lunch today, don't you?

Gaston: We know it now. It is the first I have heard of it.

H.M.Jr: Well, it is a special occasion.

Gaston: Thank you.

Bell: There must be a vacation coming on or something.

H.M.Jr: Well, I don't know whether you would call it a vacation or not.

(Mrs. Klotz entered the conference).

Bell: A release.

H.M.Jr: Didn't you all know you are being invited for lunch?

White: No, we usually have it before you go away.

H.M.Jr: No, that isn't the reason. We will wait until luncheon.

Bell: Do you take it for granted?

H.M.Jr: Didn't you know you were being invited? Don't you know why the luncheon is? You don't know

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the occasion of it?

Bell: No, not unless it is because you are going away.

H.M.Jr: Well, we will wait. Ed and I are making a little trip, that is all, but not together. (Laughter). I don't think anybody knows, do you?

Bell: I don't know. I am completely in the dark.

H.M.Jr: It will leak out gradually.

Klotz: It won't unless you do some joking. (Laughter).

White: I hope this isn't a farewell lunch.

Klotz: For somebody?

H.M.Jr: You don't know?

Gaston: No.

Klotz: You have frightened everybody now.

H.M.Jr: That is wonderful.

Bell: He isn't going to get married, is he?

Gaston: This is the best kept secret.

H.M.Jr: Yes, this is good. All right, I will let it out between now and noon.

Bell: May I ask the question again?

H.M.Jr: Sure.

Bell: Is he going to get married?

White: If he were you wouldn't want to give him a

lunch, would you? (Laughter).

Bell: I don't know.

H.M.Jr: Anyway, do you have anything, Bell?

Bell: Mr. Peble has asked the Comptroller to put some bank examiners in some Japanese commercial concerns. I think possibly we ought to review this whole bank examiners business in the Foreign Funds because you have got now about a hundred. You are a month behind in New York and a month behind in Frisco and in examining banks this year. If you want the Comptroller to have charge of it and a bank examiner maybe supervising I think it is all right, but these bank examiners are not specially qualified for this work and we can't hire bank examiners on the street. They are trained, you know.

I am wondering - if you want them to have charge of it, couldn't we pick up accountants and put them on the Foreign Funds roll and then just have, say, one bank examiner supervising them? Because I am afraid you are using up so many bank examiners that we are not going to comply with the law in 1941 in examining banks.

H.M.Jr: Well, I want just as tough an examination to be made as possible. I am going to hold the Comptroller of the Currency responsible. Now, if he wants to hire some extra people, it is his responsibility to work it out. I don't care how he does it, just so long as the examination is tough.

Bell: Now you are talking about banks. These are commercial concerns.

H.M.Jr: Whatever it is, I want the Comptroller to be

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responsible. Now, if he can hire accountants who are capable to do this and they can put them on Foreign Funds, that is all right. I am going to hold Preston Delano responsible.

Foley: I think that is right. He says he needs about sixty or seventy additional people to do this job.

Bell: Well, you have got a hundred of his examiners so what he needs is a hundred and fifty.

Foley: He told me fifty or sixty would take care of it. We will reimburse him for all the people we use. We are all adding to our staffs in order to handle this work and I don't see any reason at all why in the Treasury the Comptroller of the Currency isn't the best suited fellow to handle this kind of work.

H.M.Jr: I think he is.

Bell: I say it is all right if you want him to supervise but bank examiners are not particularly qualified for this job.

H.M.Jr: Dan, I am going to repeat, I personally hold Preston Delano responsible. If he can get other people and they are available to do it - but he is to do the job. He has got to work it out, just like a thousand other emergencies every day.

Bell: You are not particular whether they are bank examiners, that is the question I want.

H.M.Jr: No.

Bell: Because they are not available.

H.M.Jr: Just as long as they are competent.

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- Bell: He can go out and get accountants and they will have to work out the Civil Service things.
- H.M.Jr: Is that agreeable to you?
- Foley: Yes.
- H.M.Jr: Delano is responsible to me to see that the work is done and done tough. They are tough.
- Gaston: You have thirty enforcement men helping them, helping the Comptroller on those banks now.
- Bell: Well, I understand you want the thirty men back, so you see that augments his problem.
- Gaston: They can be replaced if they get the money from Foreign Funds. Our men can help the examiners in selecting temporary men to take their places.
- Thompson: Maybe we will have to get more Foreign Funds money.
- H.M.Jr: All I can do is to set the policy.
- Bell: Well, that is what I want.
- H.M.Jr: I am setting the policy and the rest is up to - just the way I told Herbert Gaston, he is to check these people. It is up to him to find more people and I am not going to go out on the street and hire the people.
- Bell: No, I didn't expect that. What I wanted was a policy decision.
- H.M.Jr: And I take it you (Gaston) are all right on your investigators?
- Gaston: Oh yes, we have got a pile of cases but we are

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Bell: He can go out and get accountants and they will have to work out the Civil Service things.

H.M.Jr: Is that agreeable to you?

Foley: Yes.

H.M.Jr: Delano is responsible to me to see that the work is done and done tough. They are tough.

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H.M.Jr: And I take it you (Gaston) are all right on your investigators?

Gaston: Oh yes, we have got a pile of cases but we are

going to get more.

H.M.Jr: All right, Dan?

Bell: Fine.

H.M.Jr: But please get the word to Preston Delano I hold him responsible.

Bell: We will, I think he understands that you want him to do the work but I want you to understand that we are using up bank examiners and we are not doing our job in bank examinations at all.

H.M.Jr: O.K.

Bell: We are falling down on it completely.

H.M.Jr: All right?

Bell: Yes.

H.M.Jr: What else?

Bell: That is all I have, if I may see you afterward on these other matters.

H.M.Jr: Sure. Harold?

Graves: You asked me the other day to have someone show our Virginia set up to Senator Glass, which we did. Mr. George ForteMilton saw him day before yesterday and he was very much pleased with the people that have tentatively been chosen. He suggested two or three times that he thought we should show this to Senator Byrd. You told me not to.

H.M.Jr: Yes.

Graves: And I thought I would ask you again whether you

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would mind one way or the other.

H.M.Jr: Well, since he suggested it I would do it.

Graves: All right. I have nothing more.

H.M.Jr: Did he ask you to take anybody off the list?

Graves: No, no, he was very much pleased with our whole set-up.

H.M.Jr: Then I would do it with Byrd.

Graves: All right.

H.M.Jr: What else?

Graves: Nothing else.

H.M.Jr: Tentatively ten o'clock tomorrow, your group.

Graves: Yes, I have that.

H.M.Jr: Harry?

White: There is one matter that Lend-Lease has brought up sometime ago that is related to the other letter that you approved. This refers to exports. It would only take, I think, several minutes of your time. I can either leave the letter and you can get it but they do want some action before you go.

H.M.Jr: Don't leave me anything, on my desk.

White: Well, if you can give us five minutes I think that is all we need.

H.M.Jr: I have kept this morning for these things. Eleven o'clock.

White: Eleven o'clock, and Bell and Mr. Cochran. I

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can either - Mr. Bell and Mr. Cochran and Mr. Kades ought to be here. I can clear the letter before we come in, with them, but it should have their approval.

H.M.Jr: I don't care. How would you like to do it?

Bell: I don't know what it is.

White: You have read this export letter, on export policies.

H.M.Jr: Would you like to be here at eleven?

Bell: Yes.

H.M.Jr: All right. Now, who is - I have received a letter from the U.S.S.R., Oumansky, on this gold business. It isn't an answer to my letter. It is peculiarly written. Who is handling that?

Cochran: I did the drafting with Ed's collaboration.

H.M.Jr: Why couldn't that be finished up? I think my letter to him took care of it but let's do that at eleven.

Cochran: Did he give you a letter when he came in that day?

H.M.Jr: No, and I take it this is the letter.

Cochran: It was understood that he was to give you a letter.

H.M.Jr: No, he didn't, but you see he doesn't make any mention that he has gotten a letter from me.

Cochran: Well, the thing was to start with a letter from him. That was the original plan. Let

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me check it to see if it agrees with what it was supposed to be.

- H.M.Jr: Let's clear it at eleven. Give the other people a chance to see it before eleven if possible.
- Cochran: This is the one that was drafted originally.
- H.M.Jr: Let's clear that also at eleven o'clock.
- Cochran: All right, sir.
- H.M.Jr: What else, Harry.
- White: That is all. If you have a few minutes, there are a few things I would like to take up with you.
- H.M.Jr: Stay behind after eleven. Bell, here is a memorandum - what luck did you have taking up with Moody's and Standard Statistics to get - on our tax certificates?
- Schwarz: We are having some luck. Some of them have already sent out their letters and have asked to put it in future letters. We will have a report with the circulation of each one. We have already --
- H.M.Jr: After Labor Day could you give me a report, what happened?
- Schwarz: We will have it before then.
- H.M.Jr: Well, it won't be any good to me until after Labor Day.
- Schwarz: There are already about five thousand out and they have promised to use as much as fifteen thousand more.

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- H.M.Jr: Good. Nobody refused?
- Schwarz: Nobody has refused. Their letters were already in the mail at the time we asked. They said they would like to put it in the next one.
- H.M.Jr: George?
- Haas: Here are the last two days on the Savings Bonds.
- H.M.Jr: Not doing so well; you are twenty-one thousand dollars behind. I am being funny. I think for August that is all right.
- Graves: Our people have told me that we would have a bad month in August.
- H.M.Jr: I know. I think it is all right.
- Haas: Mr. Secretary, on those July figures on these planes -- (inaudible).
- White: Mr. Secretary, what would you think of the possibility of launching a movement toward this dismissal wage that you spoke of from the fiscal point of view of getting started either by getting the groups in town and having a meeting after you come back or something and not waiting for that --
- H.M.Jr: What I had in mind, Harry, was this, and I am glad you brought it up, because I wanted to put Ferdinand Kuhn on notice. I am talking, I think, twice in September. One is at Boston.
- Kuhn: September 9 was a tentative date at Boston and October 1 was an official one at Chicago.
- H.M.Jr: If I make the Boston speech - I would like you

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all to think about it - I am inclined to make my so-called "inflation" speech, anti-inflation speech, then and there and not wait for Congress. After all, Congress didn't want to hear me. I could say stuff - I wouldn't be worried about the questions and I might want to make it then and there and if I do, then I will go ahead but I would like to save the thing for then.

- Graves: I doubt if that would be a good place or occasion for that.
- Kuhn: That is the Boston Advertising Club; the October date is the American Bankers Association.
- Bell: That would be a good place. It is a little late.
- H.M.Jr: Too late.
- White: Was he asked to speak on a special --
- Sullivan: I don't know a better place than Boston to make that kind of a speech.
- Graves: It was supposed he would talk about promotion and advertising of our bonds. I may be wrong about that, but I don't think that is a wide enough audience for that.
- Sullivan: Every banker in New England will be there.
- Graves: The Advertising Club, John?
- Sullivan: Certainly they will go as guests if the Secretary is going to speak.
- H.M.Jr: Well, think about it.
- Kuhn: I think that the idea is good, to make a speech

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on that subject and soon.

Schwarz: Day time or evening meeting? If it is evening, you can broadcast it.

Graves: It would be evening. They suggested lunch but we told them it would have to be in the evening in any case.

H.M.Jr: Well, Ferdie, think about it and think about - if it isn't there, maybe we can get a spot on the radio and I can give it in the evening.

White: In the interim, Mr. Secretary, could whoever works on that in George Haas' outfit get in touch with Brown and Kuhn and so on and to work the thing out technically for your own information and so on, so that you could have that two weeks head start, see what has been done, etc.

H.M.Jr: Well, George, is that in your field?

Haas: We have done a little bit on that.

White: We have somebody to join him in that.

H.M.Jr: Incidentally, I was told last night in South America they have the thing and they call it a separation wage. Most of the republics down there have it.

Kuhn: That is what it is called in business concerns here, separation or severance wage.

White: Severance wage, because separation is tied up with marriage. Severance wage might be a very good term.

Kuhn: Use severance wage.

White: Or untied up with marriage. (Laughter).

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- H.M.Jr: Well, something like that. Are you going to be here, George?
- Haas: I was going to talk to you about it. I would like to get some time off, whenever you think it is most convenient.
- White: Why couldn't he name somebody in his shop and I can name somebody in mine and maybe they could have --
- Bell: Roy Blough ought to be on it. He has given quite a lot of thought to it and also the Social Security end. He has been working with Altmeyer and I am not so sure somebody from Altmeyer's shop shouldn't be in on it. It ties right in with that report.
- H.M.Jr: Is Blough going to be here?
- Sullivan: Yes, sir.
- H.M.Jr: As long as everybody is going to be away, let him carry it.
- Bell: He can head it up.
- White: I think there are different men who know different angles of it. We can have one man from George's shop and one man from mine under his chairmanship.
- H.M.Jr: Why don't you and George get together and write a little memorandum for me that I can leave for Blough and tell him who is going to be on it and have the three statistical, economic groups work together. How is that?
- White: I think that is the way to do it.
- H.M.Jr: But the two of you fix me a memo and give it to me at 9:30 tomorrow.

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- Viner: I think you ought to have him talk to Lubin on that.
- White: Oh yes.
- Haas: This occurs to me, Mr. Secretary, in connection with the publicity. Don't you think it would be better if this came out from the people dealing with the working man? In other words, it is a fiscal measure incidentally, rather than primarily. I think it would go over better.
- White: It would be a joint product but I think the notion of its being an important fiscal measure to meet the demand - the growing demand for enforced savings justifies your initiating it if you wish.
- Viner: Yes. On the other hand, it is also an extension of the Roosevelt reform program and fits in and they may want it to use for a - there has been nothing else for some time.
- White: I take it there will be a lot of discussions before he launches it but I thought they could utilize the time in preparing the ground.
- Bell: I understand that the President is liable to make a report on the Social Security program, and it certainly belongs in that field. It might be well made a part of that report.
- H.S. Jr: Well, with Viner here and Viner and Haas and White, give me a memorandum that I can leave behind for the boys to work on for the next two weeks, will you do that? Let me have it at nine-thirty tomorrow. How far had I gotten?
- Kuhn: Mr. Secretary, will you have time to do that

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two minute recording for the baseball parks?

H.M.Jr: I doubt it.

Kuhn: It will be played in a hundred and forty-two ball parks on August 28. If you can't, I would like to talk to John Sullivan about it and see if he would be willing to do it.

Graves: John L. Sullivan.

Kuhn: John L. Sullivan.

Sullivan: Batter up. (Laughter)

Viner: I think that would go better in a prize ring.

H.M.Jr: Where do I have to go to make a recording?

Kuhn: You can do it right here, but it means bringing in a little radio equipment.

H.M.Jr: You could fix it up downstairs. I tell you what you do. Have it ready - I can do it at ten forty-five tomorrow morning.

Kuhn: Ten forty-five tomorrow morning, downstairs.

Graves: What about that other thing.

Kuhn: There is another thing which was left over from that meeting with the retailers the other day, which was to have you make a film on sixteen millimeter which they can show to all the retailers throughout the country, and their people, who will be working on this thing. It will not be shown to the public, but it will be a little talk from you to the store people, who are going to do our selling.

H.M.Jr: I will give you from ten forty-five to eleven fifteen tomorrow morning, but give me the stuff tonight.

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Kuhn: For both those things?

H.M.Jr: Yes. I will tell you what I will do with those things.

Klotz: You will probably need an hour.

H.M.Jr: I will tell you what I will do, Ferdie. About eleven thirty this morning come in and we will see what you have got.

Kuhn: All right, sir.

H.M.Jr: I will tell you, Harold, if they are going to do all that monkey business, tomorrow, I am not --

Graves: Cross me off.

H.M.Jr: I think I would cross you off.

Graves: All right.

H.M.Jr: I am leaving you there with a question mark.

Kuhn: That is all I have, sir.

H.M.Jr: But I want those things given to me at eleven thirty this morning to read.

Kuhn: I will have them here.

Cochran: I have three plaques now for those ships that carried the gold. You know, we had the one sample. I wonder if Mrs. Klotz has copies of any letters bestowing plaques on any of these Commanding Officers. I haven't any in my files.

H.M.Jr: I asked the President, and the President finally said he would like to present it himself. I think you can look it up and find that he wanted to present it himself.

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- Cochran: If I could see that, we will fix something up.
- H.M.Jr: All right. I think you will find I wrote the President, and asked him to do it, and he said he would do it.
- Cochran: I have one Lend-Lease matter that I will mention at eleven o'clock.
- H.M.Jr: Please.
- Cochran: The only other thing, the court up in New York decided that it had jurisdiction to hear this case on the Bank of Belgium against the Bank of France for an attachment of gold.
- H.M.Jr: That is somebody else's ox being gored. The majority leader from Massachusetts, the Congressman, who was in - have you got a pencil?
- Sullivan: I know the name. He was in college with me. I talked with John when he came out and he told me about it.
- H.M.Jr: He only told me the good points about it.
- Sullivan: He is a nice fellow.
- H.M.Jr: Yes. Now, do you know the story?
- Sullivan: I know that John said he was a Deputy Collector and he was being obliged to be suspended because of an insurance business that was incorporated, that his wife was to take over and she was unable to pass the insurance examination. Do you want him kept on, is that it?
- H.M.Jr: Well, I don't know what the facts are, but if it can be done.

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Sullivan: Yes, sir.

H.M.Jr: And if it can be done, I would do it, yes.

Sullivan: All right.

H.M.Jr: After all, he gets eighteen hundred dollars and if it can be done without breaking any - it is one of those things that I say do it and if it can be done, I would do it, without upsetting the whole organization.

Sullivan: Right. You received a request through the Department of State from the Canadian Government to resume negotiations on a tax treaty. I have talked with Commissioner Helvering and we both feel that perhaps it would be just as well if Roy Blough headed up those negotiations rather than Eldon King. We likewise feel that although the request was for negotiations to start this week, that it would be unwise to do it while the bill was pending on the Hill, and if you are in accord, I will write a letter for your signature to Mr. Hull suggesting that we prefer to wait until October and have Roy head that up.

H.M.Jr: All right.

Sullivan: It looks now as though we have a pretty fair chance of getting the tax bill out of the Senate before - by the end of the first week in September. Then we have to stand by until the House comes back, so I talked with Mr. Doughton and Jere Cooper and John McCormack yesterday and I think there is a fair chance of having the conferees appointed while the House is not in session. They are not going to do any business until the twenty-second of September. We would be losing at least two weeks under that arrangement, but I don't know a thing that we can do about it.

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- H.M.Jr: Well, just so there is no misunderstanding, I am counting on Herbert Gaston, first and you, second, to carry the load beginning with tomorrow afternoon through until after Labor Day. I mean, Herbert will be acting and you will be second in command. So that is the deal, isn't it, gentlemen?
- Sullivan: Sure.
- Gaston: And we are to postpone everything possible until you come back, is that right? (Laughter).
- H.M.Jr: If you do, don't be here to receive me. I think I sense what you are leading up to.
- Sullivan: No, no, I mean --
- H.M.Jr: Did I do you dirt?
- Sullivan: Oh no, you got that wrong, because you see, we will be right in executive session through the eighth. That is September I am talking about.
- H.M.Jr: I thought right from now on there will be nothing to do.
- Sullivan: Oh, no, I will be up there all the time. What I mean is, after we get out of the Senate there will probably be a two week lapse.
- H.M.Jr: Hiatus.
- Sullivan: Yes, two and a half million bucks a day.
- H.M.Jr: Well, during that hiatus you go out and play.
- Sullivan: Well, what I am trying to do is to arrange

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it so that the conferees, although not really appointed by the House, can do the work in the meantime.

H.M.Jr: All right, John. Do we understand each other?

Sullivan: Sure.

H.M.Jr: Good. (Laughter) What else?

Sullivan: That is the whole story.

H.M.Jr: All right. I have got to see you today, Foley, about this whole business. I will work it out somehow.

Foley: Yes. Insofar as the two Swiss banks of deposit are concerned, there are only two, the Credit Suisse and the Swiss Banking Corporation. There are four men in each one of those banks, a man in the vault, a man who looks at every single transaction, and there is a pre-audit on those transactions and nothing can go through those banks without our catching it.

H.M.Jr: Four of our men?

Foley: Four of the Comptroller of the Currency's men in each bank, one down in the vault, one upstairs --

H.M.Jr: Are they machines or have they got imagination?

Foley: Towson went up there and spent the day and he came back and made a couple of suggestions to Delano. Otherwise they are entirely satisfied that nothing can go through either one of those banks that we won't catch. There is a pre-audit on every transaction and insofar as the transactions are concerned under the general license, we get a report at the end of each day and those reports are analyzed and

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they are only two or three days behind the actual transactions, so John is satisfied that insofar as your fears are concerned, that something like the Silesian-American might be pulled off through those banks, he is satisfied it can't be done.

H.M.Jr: All right, I am glad to hear it.

Foley: If it is agreeable with you, while I am away I thought I might ask Dean Acheson to hold policy meetings in his office and Bernie, who will be back this afternoon, can be in charge, and if there is anything unusual he can take it up with Herbert, but on the ordinary stuff he can clear it with the policy committee and go ahead and act.

H.M.Jr: Yes.

Foley: John Pehle left last night for a very much needed rest. Bernie has been away a week. We are trying to give each of these fellows that has been working so hard on Foreign Funds a week between now and the first week in September.

I don't know whether or not you saw this article of Edgar Mowrer's. Did anybody bring it to your attention?

H.M.Jr: No.

Foley: It is on Silesian-American. It is a pretty good article.

H.M.Jr: I wonder how that got in there. Robert Casey?

Foley: Next to that.

H.M.Jr: Did that get in there?

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Foley: Yes, it slipped in.

H.M.Jr: All right, I will read that.

Foley: I am ready to talk to you about that compromise that the President asked you to look into.

H.M.Jr: All right.

Foley: If you want to do it before I go - if you want to wait until afterward --

H.M.Jr: We will wait until afterward.

Foley: We will hold it.

H.M.Jr: Yes.

Foley: O.K.

H.M.Jr: I have got you down here but I don't know how it will work out this morning.

Gaston: We got yesterday our first batch of names of dollar-a-year men from across the street. There was a list of men already on the rolls and then about a dozen candidates which I have sent over to Elmer to be looked at, solely from the standpoint of income tax.

H.M.Jr: How big a list is it?

Gaston: Well, there were about twenty different new names and then the old names; there must be - I didn't count it but there must be fifty or more on the existing --

H.M.Jr: Could I get a report as it progresses?

Gaston: I have asked them to send them to me and I will let you see them. That is, if there is - you want to see the individual reports or whether - if there is anything develops.

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H.M.Jr: Just a progress report. You might tell Coast Guard that I was pleased that they were sufficiently broadminded to reverse themselves on that sailor out in Seattle.

Gaston: Oh yes, all right.

H.M.Jr: And that officer that passed on that, is he still in the Coast Guard, the man that handled that case originally?

Gaston: Well, that was - it was a board.

H.M.Jr: Yes, but there was one particular officer that handled the man on the ship.

Gaston: I am not certain.

H.M.Jr: Well, I would like to have his record looked into. I read the case very carefully. There was one particular officer on the ship who in the first instance was responsible for having that man handled the way he was.

Gaston: For putting the sentence into effect after the board had reached it?

Klotz: No.

H.M.Jr: No, there was a man on the ship that handled this case the way it was handled.

Klotz: His superior officer at that time.

H.M.Jr: Would you look it up?

Gaston: Yes, I will look up the man's name.

H.M.Jr: I would like to know who he is and what his record has been since then. Has he mishandled any other cases this way? I would like to have - to know what that man's record is. I remember very clearly there was an officer on

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the ship who handled that case. I would like to know what is record is.

Gaston: Yes, I will look that up.

H.M.Jr: I mean, has he had other trouble or has he been unnecessarily hardboiled in other cases?

Gaston: I wouldn't say that anybody had been unnecessarily hardboiled in this case.

H.M.Jr: Well, you and I differed on it originally.

Gaston: I think, due to what has occurred since then, I think there is a good case for giving the boy what he wants, but I don't think anybody is censorable for the way it was handled. It was an aggravated case of desertion.

H.M.Jr: Herbert, the difference is this: It is easy enough to break people. The difficult thing is to re-make them. That is the difficult thing. It is very easy to break a person. Anyway, get that officer's record and I would like to just see what it looks like.

Gaston: You sent me a note of the conversation with LaGuardia about a week ago on this - he wanted to know if we could take over completely the guarding of all ships in New York Harbor.

H.M.Jr: Yes.

Gaston: Well, we can't do it without more men and more boats.

H.M.Jr: We will forget about it.

Gaston: We are just up against it. What I think is, if you don't object, I would like to have Dempwolf have another talk with La Guardia about the whole situation. If we let the City withdraw entirely from the waterfront guarding in New York, we are stuck everywhere else.

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- H.M.Jr: The case is - I have no personal interest in the matter. If somebody will see La Guardia - you use your own judgment. I have no interest.
- Gaston: I would like to have Dempwolf or Bayliss see La Guardia.
- H.M.Jr: I have no interest.
- Gaston: Right. This --
- H.M.Jr: Excuse me. Just as a matter of interest, look up and let me know tomorrow. There was an argument in Cabinet, were they Federal or State Militia or guards that guarded things like railways and waterworks during the last war. There was a great discussion. Some said they were Federal and some said they were State. I would like to know.
- Thompson: All right.
- Bell: All the National Guards are in the Army.
- H.M.Jr: Well, they had special police that guarded railways and power lines. Some said it was State and some said it was Federal. Just for curiosity, I would like to know. Nobody knew. The President didn't know.
- Gaston: Here is quite an interesting letter. The man Leahy is head of the Selective Service here in Washington. He writes quite a high praise of Frank and his work in the Atlantic City cases. Leahy had apparently pretty close touch with the cases.
- H.M.Jr: That is good. I thought you people might like to know my conversation with La Guardia yesterday. It was quite interesting in one way, and very discouraging in another. He came over to ask ostensibly my advice, but

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he did all the talking. He has Russell Davenport and Bob Kintner working for him, doing a survey of the various publicity and so forth, and so called morale that is going on in Washington. He had us down as Secret Service being in charge of publicity. That is how accurate it was. He is going to send a plan in which would naturally go to you and then he wants it okayed or disapproved, what he wants to do. Well, the only good thing in it at all, I think, and I told him, in as much as Lowell Melleit doesn't want him to be the central clearing house for all publicity and information - that is what he is groping for - that if he would do just one thing that he mentioned, and that is to start a speakers' bureau, which would have speakers to go into the camps and talk to the Army and Navy and tell them what this whole affair is about - because nobody is doing that - and second, the other thing which he mentioned, that if for instance a man like Lindbergh speaks, immediately they would have somebody go into the same town and either precede or follow Lindbergh and really run it with a speakers' bureau.

There is no competition on that, because nobody is doing that. But if he thinks he is going to coordinate all information and have all bulletins, all radio contacts, all radio programs - he is going to control the whole business. I told him he would run into a lot of trouble. But I just thought I would pass it along for what it is worth. That is what he is groping for. Now, with White away next week, Herbert, if the Vice-President calls any meetings of that Committee, would you go, please.

Gaston: Yes.

M.C. Jr: Have you got anything else?

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Gaston: No, I have nothing else.

H.M.Jr: Bell, I am at your service.

RECEIVED  
1971 MAR 28 AM 5 21  
COMMUNICATIONS SECTION  
OFFICE

August 14, 1941

T. V. Soong called on me today, and said that his secret agent from Germany had returned to Washington, and after cross examining him, he is convinced that the German Army wants to throw Hitler out; that people like General Keitel and I think he said Tomlinson, and the head of the State Police - not the Secret Police - are the kind of people who want to do it. They feel if Hitler should win now the Nazi Party would be in control forever, and this is their chance. However, they don't want to have a coup unless they could come to some understanding with the United States and England first. They want to stop fighting but, on the other hand, they do not want to have another Versailles Treaty.

Soong said they wanted to work through Chiang Kai-shek, so I asked, "Is this a message from Chiang Kai-shek to the President?" He said, "Oh, no. He knows nothing about it. It is T. V. Soong who has the message." (Following my usual practice of steering clear of anything which comes out of Germany, as I never know when a trap is being laid for me, I told him that I was very glad to receive the information, but I would not forward it to the President. I told him he would have to find some other channel like Currie, or somebody else. He said, "I understand." I told him that I am always glad to receive any information, but in this case I did not want to be a part of it.

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August 14, 1941  
11:15 a.m.

RE AID TO BRITAIN AND RUSSIA

Present: Mr. Foley  
Mr. Cochran  
Mr. White  
Mr. Bell

H.M.Jr: I got my chance to talk about Social Security. It seems that yesterday Henderson came out for forced savings, and he said I agreed with him, so I had a chance to talk for fifteen minutes about a separation wage.

White: To whom.

H.M.Jr: To press.

White: Oh, were they here this morning?

H.M.Jr: All right, Bell, what have you got?

Bell: Harry has got it.

White: Well, we have this letter which they were awaiting your approval on before they send it to England, and you can read it or I can tell you what is in it.

H.M.Jr: What am I to do, simply say "Yes"?

White: I think if you don't object - or if you approve, they will send it.

- 2 -

Bell: It is all right, I think.

H.M.Jr: I have no objection.

Bell: I think everyone feels that way.

White: Yes. I didn't talk to Ed, though.

Bell: Well, Kades was in on a conference the day we considered this, and suggested that the last sentence in the last paragraph be altered and they have done that. I think it is a good letter.

H.M.Jr: Who else has got anything?

Cochran: You asked about this Russian letter. I have checked it over, and it is word for word as drafted and sent to the Department of State and sent over to us. They just changed Welles' name to yours, so it is all right. If I may keep a copy of that and give you the original, then the question is, shouldn't we give a copy to the Department of State?

H.M.Jr: Definitely.

Cochran: All right, I will send it over.

White: I didn't see this, but is that the letter in which you added that sentence that you wanted added on there?

Cochran: No, no, this is a letter from the Russians.

H.M.Jr: These letters are not circulated.

Cochran: I have given Harry a copy of the one which went out and I will circulate this now, and I will write the letter to the State Department for you sending these copies.

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H.M.Jr: The letter is the one which makes it coterminous with the trade treaty.

White: Well, I suppose you know - I don't know how important it is - I know, I disapproved of that.

H.M.Jr: I was told that.

White: Were you?

H.M.Jr: Cochran told me that you would not initial it.

White: That is right.

Cochran: Well, I have circulated that.

H.M.Jr: And he told me that Foley said it was all right, he was for it.

White: I thought Foley agreed with me.

Foley: Well, I think I initialed both letters, didn't I?

Cochran: Yes.

H.M.Jr: No, Cochran was very careful to tell me that you didn't approve of it and Foley and Bell did initial it.

White: I see. Well, I thought that we were in agreement, but I felt it was an interference with monetary matters which might be a serious precedent and wasn't necessary.

H.M.Jr: Well, I said I wanted it coterminous. My whole discussion with the Ambassador was along those lines, Harry. It is unimportant.

Cochran: Well, the Russians have sold a little gold yesterday. Three and a half million dollars came in at San Francisco. We bought it through the Chase out there.

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Then the only other matter I had was a Lend-Lease letter which I received from Bewley this morning. He thought it was quite urgent. It is on Liberty Motors, and I have circulated that to the people. There is a difficulty in getting them because they have raised their price to the Ordnance people above the old listed price. Now, it is a question as to whether the - and the Ordnance people don't want to pay more than the old price. The British need them urgently, and they want the Ordnance to go ahead and they would be willing to pay the difference to the Ordnance, but that makes it difficult to administer, you see, so now I have taken it up with Cox and he thought we ought to let it go two or three days, because there is this bill before Congress now for requisitioning which would let Ordnance take that over and then they could be Lend-Leased to the British.

H.M.Jr: Now, just so there is no misunderstanding, this thing of this committee which I have set up on things for the English - I talked with Bell and I may not have talked with you. But I did talk with Bell about it. I don't know what they called this committee, but I call it the Pound-Dollar Committee, you see, and I am looking to White to be in charge of that particular work. I talked it over with you, didn't I, Dan?

Bell: Yes, sir.

H.M.Jr: So, the thing is coming to me from two directions on this particular thing. It has nothing to do with Stabilization. This thing of clearing with Cox and with the British Treasury on the Lend-Lease business, you see, I am looking - I have given the responsibility to White.

Cochran: All right. Then one of us ought to tell the British that they should approach White and not me, then. I mean, that has been their channel of approach on a good many things.

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H.M.Jr: Well, as to Lend-Lease, so I think, Harry, if you would write a letter for me today to Arthur Purvis and to Frederick Phillips and say, on matters pertaining to Lend-Lease I wish that they would please contact you. And then if you will be very careful to see that everything that is shown to Mr. Bell and to Mr. Cochran and to Mr. Foley. That still leaves the other things, such as Stabilization and so forth, with you, Merle.

Bell: Does that include all of their financial statistics and things of that kind that they have been showing you, their balances and what they are paying for things?

H.M.Jr: Well, the things that have to do - I mean, I made Harry Assistant to the Secretary so that he would have the additional authority, that these weekly meetings - the things that go on in those weekly meetings - I don't know everything that goes on, but the things that go on in those weekly meetings, I want Harry to be in charge of it. Now, I don't know just what goes on, but if there is any question, Dan, in your mind or in White's or in yours (Cochran), if there is any overlapping, I want Harry in charge of it. If there is any question --

Cochran: That is entirely agreeable to me. On the other hand, I have had certain contacts with them which I shouldn't like to give up, and if Harry is absent, I don't know who would handle it in his office in his place. I am not asking for it at all.

H.M.Jr: He would have to designate somebody. He would have to designate somebody. It is up to him to take care of his own shop. I went all over it with Bell - what was it, ten days ago?

Bell: Yes.

- 6 -

H.M.Jr: It was my fault I didn't go over it with you. I am sorry. I should have talked to you.

Cochran: That is all right. Then his office will reply on the matter?

H.M.Jr: Yes, please. That leaves plenty for you to do.

Cochran: I have got plenty if I hold my Stabilization thing.

H.M.Jr: Plenty. It is just this particular assignment, whatever those meetings are, the question of the dollars and so forth, and it is between Hopkins and myself and the English on that part of the business, and I want Harry - is that clear to you, Harry?

White: Yes, sir, it is. I think that also includes the question as to how much dollars they have from time to time, and that doesn't preclude his also finding out.

H.M.Jr: No.

But that is the purpose of the thing. We are interested in the dollars. If there is any overlapping, I will try to straighten it out.

Cochran: All right.

H.M.Jr: Now, what else is there today?

Bell: That is all.

H.M.Jr: Who did I say I would see after this meeting?

White: You said you would see me for a few minutes.

H.M.Jr: All right.

COPY

Embassy of the Union  
of Soviet Socialist  
Republics

Washington, D. C.  
August 2, 1941

My dear Mr. Secretary:

For a number of years purchases by the Union of Soviet Socialist Republics in the United States of America have greatly exceeded exports from the Soviet Union to the United States and it is probable that this condition will continue to exist for some time. In view of this situation the Government of the Union of Soviet Socialist Republics may find it desirable to export gold to the United States of America in an amount sufficient to enable it to meet obligations which it has already made or the making of which is under contemplation. It would, therefore, appreciate assurances from the Government of the United States that the State Bank of the Union of Soviet Socialist Republics will be permitted without hindrance to export gold into the United States for the purpose indicated, that the Treasury of the United States will purchase such gold, and in particular that the Government of the United States of America will not take with respect to the Union of Soviet Socialist Republics any measures prohibiting or curtailing exports or imports of gold or silver which shall not be applied with respect to all other countries.

I am, my dear Mr. Morgenthau,

Very sincerely yours,

(Signed) C. Oumansky

The Honorable

The Secretary of the Treasury

COPY

July 31, 1941

Dear Mr. Purvis:

In view of current public discussions of British export policy and its relation to the administration of the Lend-Lease Act, it seems timely to set forth in concrete form certain of the principles which have guided this Division in the administration of the Lend-Lease Act and will continue to do so in the future.

As you know, it has been the policy of this Division from the outset to limit the aid rendered under the Lend-Lease Act to that which is essential to the maintenance of the war effort and to refuse consent under Section 4 of the Act to the use of Lend-Lease articles for re-export in commercial trade. To execute this policy we have required a stipulation in the requisitions that Lend-Lease articles which might be available for such export be used in the United Kingdom or in other parts of the Empire for needs essential to the maintenance of the war effort.

We appreciate that Great Britain must continue exports in order to obtain imports. However, this Division has urged and will continue to urge upon His Majesty's Government the importance of Great Britain's making every effort to concentrate her exports in the field of traditional articles, such as Scotch Whiskey, fine textiles, etc., and other similar articles, and cutting down exportation of articles similar to those being provided through Lend-Lease funds to the irreducible minimum necessary to supply or obtain materials essential to the war effort.

I would appreciate your confirming that the foregoing conforms to your understanding of the basis upon which Lend-Lease articles are being provided and receiving your assurance that every effort will be made to carry out the foregoing policy to the fullest extent.

Sincerely yours,

J. H. Burns,  
Major General, U. S. Army  
Executive Officer

Arthur B. Purvis, Exq.  
Chairman, British Supply  
Council in North America  
Willard Hotel  
Washington, D. C.

August 14, 1941  
11:48 a.m.

HMJr: Hello.

Oscar  
Cox: Mr. Secretary?

HMJr: Yes.

C: Can I mention three points to you quickly?

HMJr: Go ahead.

C: One - on that letter that I sent over.....

HMJr: Yeah.

C: .....one - of course, you realize you'll be stepping on Stimson's toes if you send it, because that's stuff right down his alley.

HMJr: I see.

C: And the second is that you may get an argument that even though the Army hasn't got the stuff, the Navy has.

HMJr: Yeah.

C: The Navy's in the same soup on the small arms ammunition.

HMJr: I see.

C: The other problem I wanted to talk to you about was Burma. Did Harry White mention that to you?

HMJr: No.

C: Well, the Chinese got some P-40 planes, as you know.

HMJr: Yes.

C: The planes are no good without the ammunition.

- 2 -

HMJr: That's right.

C: Now, up to now the State Department has taken the view that Burma was a part of the United Kingdom.....

HMJr: Yeah.

C: .....and that no American vessel could carry ammunition to Burma.....

HMJr: Yeah.

C: .....or Rangoon.

HMJr: Yeah.

C: We pointed out to them that that was wrong.....

HMJr: Yeah.

C: .....because Burma is part of the British Empire but not part of the United Kingdom.

HMJr: Yeah.

C: And Acheson wrote a letter agreeing with us.

HMJr: Yeah.

C: Now, it got over to the Treasury, and they took the view that because Berle in an oral statement at one time said Burma was within the United Kingdom.....

HMJr: Yeah.

C: .....they - the Customs fellows - wouldn't let the boat go out until Hull signed the letter.

HMJr: Yeah.

C: Now, it seems to me that the powers within the State Department are up to them and not up to the Treasury as to whether Acheson's got authority to sign a letter as a deputy of Hull or not.

- 3 -

HMJr: Yeah.

C: And the thing is getting a little complicated on the transportation and the shipment of the boat, because right in the middle of this thing a strike broke out; and if the stuff isn't loaded and cleared, the strike will probably drag the thing out indefinitely.

HMJr: Well, Oscar, I just can't do these things myself. It's just too much.

C: Yeah.

HMJr: If you'll talk to Herbert Gaston and.....

C: All right. Why don't I talk to either him or Ed Foley about it?

HMJr: Either one. I just can't do it, Ed - Oscar.

C: Oh, that's all right. I just thought I'd acquaint you with it, anyway.

HMJr: Well, it's too much.

C: Right.

HMJr: I mean, I'm interested, but the day isn't long enough.

C: I know.

HMJr: But you can talk to either Ed or Gaston; and if you don't get immediate reaction or if they have any doubts, tell them I want them to talk with me about it today.

C: All right.

HMJr: We'll settle it before sunset.

C: That's fine.

HMJr: Tell them if you can't - if they don't agree to go along with you, ask them please to talk to me today.

- 4 -

C: Right.

HMJr: See?

C: Yeah.

HMJr: Thank you.

C: Thank you.

August 14, 1941  
3:20 P.M.

Isadore Lubin: I checked further on him and he looks awfully good. I learned also that he's a very intimate friend of Barkley's.

H.M.Jr: Oh yes.

L: Now my idea was if you had - you're leaving though aren't you tomorrow?

H.M.Jr: That's right.

L: Perhaps when you got back we might arrange lunch together and just feel - to learn from him what's happening over in the Army - you might get an idea what kind of a person he is.

H.M.Jr: I think that would be swell. I'd love to do that.

L: And could you let your Secretary know the first free luncheon you have, I'll arrange it.

H.M.Jr: She'll do that.

L: Yes.

H.M.Jr: That's fine.

L: All rightie.

H.M.Jr: Now the thing I wanted to talk to you about was - you be thinking about it when I get back - the possibility of my signing a letter to a statement trying to impress the President of immediate shortages and of the cases where there's no prospect for six months that there's going to be any improvement, see?

L: Yes. Now George Haas was over today and we talked this thing over and I think that we can add half a dozen things very short and concise.....

H.M.Jr: I don't want to editorilize.....

L: Just statements of facts.

- 2 -

H.M.Jr: I just sent him over the airplane thing showing there was 603 or whatever it was fighting planes for July as against 680 odd or whatever it was for June. Then I sent a copy of it to State, War and Navy.

L: Yes.

H.M.Jr: Now - ah - I got Mr. Hull kind of excited again and he said if our friends will come with the stuff he'll go to town on it. Hello

L: I've got some pretty charts showing it too.

H.M.Jr: So when I get back - I don't want to sort of do it - have the President think I do it and then leave town, so I'd like to do it.....

L: Well I'll be glad to.

H.M.Jr: If you had anything in mind - the stuff - where we know that there's - either they've ordered too few or for six or eight months they won't get any. Mr. Hull put it to me this way - he said if the stuff was coming off the line today we wouldn't be having all that trouble with Japan.

L: Well I was looking at what we've got on hand now for initial requirements for a million seven hundred thousand men and we've got 8% of machine guns we need.; 4% of the 37 milimeter guns; we have no 75 milimeter tank guns; 8% of 50 caliber machine guns; we've got 3% of 105 howitzers; we've got 22% of 155 milimeter guns; 14% of the 50 caliber machine guns - hell it's pathetic.

H.M.Jr: Well it's that kind of stuff - it's that kind of stuff, so if you'd have it in mind - and right after I get back let's sit down and I'm willing to walk it over or put my name to it or anything.

L: Yep.

H.M.Jr: But I - Knox takes it very well - these things when I send them around - Stimson doesn't; he takes it very personally but Knox takes it very well and says he'll look into it - you know.

- 3 -

L: Of course - he - his situation is worse than Stimson's.

H.M.Jr: Really?

L: I mean if you look at the authorization for your two ocean Navy and this talk of having been two years ahead of time - hell they haven't even got contracts for most of the heavy cruisers let alone building.

H.M.Jr: Well I'd like some of that. But also what percentage of the money which has been voted has actually ben let to contracts.

L: Yes, well I've got that too and again you've got some terrible stuff. I mean certain antiaircraft bombs, for example, 47% of the authorized has been contracted for.

H.M.Jr: Terrible.

L: Ah - shells for 75 milimeter guns 3% have been contracted for.

H.M.Jr: Well when I get back I may want to spend a couple of evenings with you. Thank you.

L: All rightie, swell.

H.M.Jr: Thank you.

L: Goodbye.

August 14, 1941  
3:40 p.m.

Cordell  
Hull: Yes, sir.

HMJr: Cordell, John Wiley is here with me now.....

H: Yes.

HMJr: .....of your department.....

H: Yes.

HMJr: .....you know you loaned him to us for months.....

H: Yes, I know all about John.

HMJr: .....and he's been doing very well here.

H: Yes.

HMJr: Now, Colonel Donovan would like him to come with him, and.....

H: Are you thru with him?

HMJr: We can spare him if he wants to go over there.

H: Oh, he wants to go?

HMJr: But he'd like to talk with you about it, if you could spare him a few minutes. Could you.....

H: Yes, I think he'd better first talk with our staff fellows who have to do with that.

HMJr: Well, who would that be?

H: Well, he would know.

HMJr: I see.

H: And then they can talk to me.

HMJr: I see.

- 2 -

H: But it's a good idea to bring it up in that fashion, because I'd have to send for them.....

HMJr: I see.

H: .....for a little conference.

HMJr: Well, I - you were kind enough to loan him to me in the first instance, and I didn't want.....

H: Yes, I'll be glad to talk with him then.

HMJr: Thank you, Cordell.

H: All right.

HMJr: Thank you.

August 14, 1941  
4:08 p.m.

Archibald  
MacLeish:

I had quite a talk with him. Do you want me to tell you about it now or some other time or never? I mean, are you interested in it now.....

HMJr: Oh yes, I'm very much interested.

M: All right, I'll tell you the results to date.

HMJr: Please.

M: He got a - he had some trouble getting hold of Howard Dietz in the first place; and when he did get hold of him, Howard did not give him the outline of the plan as we talked about it at your house, that is, he simply suggested to him that there might be a series of shorts in "Mein Kampf" and told him to go ahead.....

HMJr: Yeah.

M: .....and run it out himself; and that explains why his own scenarios were, I thought, not at all what we wanted. I don't know how you felt about them. They didn't excite me very much.

HMJr: No. I agree with you.

M: I told him what we'd been talking about, and how much excited about it I'd been; and he took fire right away. He said he thought it was an absolutely swell idea and ought to work very well indeed, and he'd be delighted to go to bat on it, but he wondered a little bit where he stood on this.

HMJr: Well, I can tell you very quickly. They've gotten cold feet.

M: Uh huh.

HMJr: And that's - and they're just stalling.

M: Uh huh.

- 2 -

HMJr: Now, they put it up to me, you see, and they say that they're afraid of Senator Nye and his investigation of the movie industry.....

M: Yeah.

HMJr: .....and Nazi - they didn't say all this quite so baldly, but they've gotten cold feet.

M: Uh huh.

HMJr: Now - so I wasn't going to urge them and then have them investigated some time and have them say they were doing all of this because I asked them to do it.

M: Yeah.

HMJr: So I'm going away Friday for two weeks - I hope.

M: Yeah. Good. I hope so, too.

HMJr: And then I thought when I got back, I want to sit down and talk with you alone.....

M: All right.

HMJr: .....and decide just how far we wanted to go and if this crowd was afraid.....

M: Uh huh.

HMJr: .....why, we could do it some other way.

M: Uh huh.

HMJr: Bee?

M: All right, Henry.

HMJr: That's the whole story.

M: Okay.

HMJr: And, of course, naturally I was disappointed but I'd like very much to sit down alone with

- 3 -

you and go over the whole thing.

M: All right, Henry. Whenever you're ready,  
I am. Meantime I'll tell Francis to sit on  
his pants.

HMJr: That's right.

M: All right.

HMJr: Good-bye.

CONFIDENTIAL

## UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During  
First Eleven Business Days of June, July, and August, 1941  
(June 1-13, July 1-14, August 1-13)

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	August	July	June	August over July	July over June	August over July	July over June
Series E - Post Offices	\$ 19,741	\$ 24,677	\$ 19,077	-\$ 4,936	\$ 5,600	- 20.0%	29.4%
Series E - Banks	<u>36,916</u>	<u>40,485</u>	<u>28,388</u>	- <u>3,569</u>	<u>12,097</u>	- <u>8.8</u>	<u>42.6</u>
Series E - Total	56,657	65,162	47,464	- 8,505	17,698	- 13.1	37.3
Series F - Banks	10,787	11,338	17,012	- 551	- 5,674	- 4.9	- 33.4
Series G - Banks	<u>67,129</u>	<u>72,252</u>	<u>106,888</u>	- <u>8,123</u>	- <u>31,636</u>	- <u>10.8</u>	- <u>29.6</u>
Total	<u>\$134,573</u>	<u>\$151,752</u>	<u>\$171,365</u>	- <u>\$17,179</u>	- <u>\$19,613</u>	- <u>11.3%</u>	- <u>11.4%</u>

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

August 14, 1941.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States Savings Bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

## UNITED STATES SAVINGS BONDS

CONFIDENTIAL

 Daily Sales - August 1941  
 On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales  Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
August 1941									
1	\$ 1,467	\$ 3,296	\$ 1,163	\$ 7,586	\$ 12,045	\$ 4,763	\$ 1,163	\$ 7,586	\$ 13,512
2	1,500	3,030	726	6,101	9,857	4,530	726	6,101	11,357
4	3,606	4,376	1,892	10,092	16,361	7,983	1,892	10,092	19,967
5	1,278	2,822	928	7,334	11,084	4,099	928	7,334	12,362
6	1,810	4,195	1,156	10,752	16,103	6,005	1,156	10,752	17,912
7	1,789	3,475	652	5,636	9,763	5,264	652	5,636	11,552
8	1,812	3,069	999	3,362	7,430	4,881	999	3,362	9,242
9	1,492	3,195	958	4,101	8,255	4,688	958	4,101	9,747
11	2,683	3,686	1,187	4,308	9,181	6,370	1,187	4,308	11,865
12	873	2,281	488	4,908	7,676	3,153	488	4,908	8,549
13	1,430	3,491	639	2,949	7,079	4,921	639	2,949	8,509
Total	\$ 19,741	\$ 36,916	\$ 10,787	\$ 67,129	\$114,832	\$ 56,657	\$ 10,787	\$ 67,129	\$134,573

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

August 14, 1941.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States Savings Bonds.

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# FIELD ORGANIZATION *News Letter*

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



August 16, 1941 NUMBER 13.

Santa Fe, New Mexico,  
August 14, 1941.

TO THE FIELD STAFF:

The response to the Defense Savings Program, wholehearted and truly American, bespeaks increasing success for our future efforts. The consistent and systematic purchase plans so basic in the Program are everywhere meeting with an enthusiastic response. Secretary Morgenthau's report of sales for the first three months is welcomed by and encourages every field worker.

In the Far West, state and local committees are swinging into action with all the enthusiasm and determination so characteristic of this section. These committees—through this NEWS LETTER—send greetings to similar committees. They are united in assuring all others that every citizen of these states will understand the importance of Defense Savings and that the most convenient methods of purchase will be readily available to them.

Governors of states and mayors of cities are presenting systematic purchase plans for civil employees. In private business and industry, employers and employees are adopting payroll allotment plans. Financial institutions have not only qualified as issuing agents, but are vigorously boosting bond and stamp sales. Stores and shops are installing stamp banks. And thrift clubs are being formed. All these things are being done throughout the West as in other parts of the nation.

Committee members in this section express the belief that the response of the West will exceed all expectations.

Sincerely yours,

GALE F. JOHNSTON

Field Director, Defense Savings Staff

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WESTERN STATE COMMITTEES HOLD ORGANIZATION MEETINGS

Mr. Gale Johnston, Field Director of Defense Savings Staff, is now on an extended field trip throughout the western part of the country. During the first part of August, he visited the states of Kansas, Colorado, Oregon, Washington, Idaho, Nevada, and New Mexico.

IN KANSAS, he attended the first meeting of the Kansas State Committee, which was held in Emporia, in honor of its distinguished chairman, William Allen White, who is so closely identified with that city. State Administrator Evan Griffith reported on the various steps which had been taken to get the program under way.

IN OREGON, the first meeting of the State Committee was climaxed by a dinner on board the famous battleship U. S. S. Oregon, In a radio broadcast from the ship, Governor Charles H. Sprague, State Chairman Palmer Hoyt, and State Administrator Ted R. Gamble were the principal speakers.

The day following this dramatic launching of the Defense Savings Program in Oregon, Chairman Hoyt, Administrator Gamble and three members of the State Committee left on a 3-week tour, during which they will visit and organize local Defense Savings Committees in every county in the state.

A new recruit for the Oregon division of the Defense Savings Staff is Ray Conway, general manager of the Oregon State Motor Association, who has been loaned to the program by his association. Mr. Conway is a World War veteran, who served 14 months with the A. E. F.

IN WASHINGTON, the first full meeting of the State Committee, with Governor Arthur B. Langlie in attendance, was held on August 6. However, State Administrator Saul Haas and the members of his State Committee have been active for several months, and it was possible for him to report to this meeting that a great deal of constructive work throughout the state was already under way.

IN IDAHO, an evening meeting in which Governor Chase A. Clark, Honorary Chairman of the State Defense Savings Committee, took a prominent part, formally launched the Defense Savings Program in that state.

As Mr. Johnston's telegram on the first page indicates, Defense Savings Committees in the Western States are now moving rapidly ahead with plans for intensive educational programs. The results of their efforts will soon be apparent.

**M A S S A C H U S E T T S**  
**Bay State Program in Full Swing**

1100 LEADING COMPANIES represented in Associated Industries of Massachusetts are receiving information on the payroll allotment plan as applied to Defense Savings from John F. Tinsley, president of the association and member of the Defense Savings Committee for Massachusetts.

LEADING BOSTON NEWSPAPERS are making it as convenient and simple as possible for their employees to invest regularly in Defense Savings Bonds. The Globe has installed an allotment plan.

PRACTICALLY ALL PUBLIC UTILITY COMPANIES in Massachusetts have installed or indicated their intention of installing Defense Savings salary allotment plans.

LABOR LEADERS, meeting at the 56th Annual Convention of the Massachusetts State Federation of Labor, voted to purchase \$10,000 worth of these securities. In its report to the convention, the executive council and officers said:

"Workers must realize that the time is near at hand when their increased earnings must be saved instead of spent on consumer goods that will become increasingly scarce. . . due to the change-over of more manufacturing establishments to products essential to national defense.

"If workers insist on spending their added or increased earnings on commodities that will soon become hard to obtain, it will only mean that prices will increase and inflation will set in. . .

"Voluntary saving through the purchase of Defense Bonds. . . seems to be the logical way of a worker preserving the increased earnings which will be his during this period of artificial prosperity."

SCHOOLS WILL STUDY principles of Defense Savings under a program being developed by Arthur L. Gould, Superintendent of Boston schools and member of the Boston Defense Savings Committee. His 3-point plan involves (1) formation of stamp clubs in home rooms, (2) organization of a regular purchase plan among teachers, and (3) cooperation with the P. T. A.

OTHER ITEMS:--

Trucks doing express work throughout Massachusetts for large retail stores are carrying Defense Savings posters.

The Annual Encampment, Veterans of Foreign Wars, Massachusetts Department, adopted a resolution strongly endorsing Defense Savings.

Various local posts of the American Legion have purchased substantial blocks of Defense Bonds.

Members of the Massachusetts Chapter of the D. A. R. have received Defense Savings folders from the office of their corresponding secretary.

**MISSISSIPPI**  
**Steady Progress On All Fronts**

ACTIVE COMMITTEES were functioning in 74 of Mississippi's 82 counties on August 1st, according to a recent report of State Administrator Eugene Fly.

A MAJORITY of the 250 wholesale establishments in Jackson and Hinds County has agreed to install some form of payroll allotment plan for the benefit and convenience of employees. This is the accomplishment of the Wholesalers Sub-committee of the Hinds County Committee, members of which personally called upon the heads of each of these firms.

THE MARKET BULLETIN, published by the Mississippi State Department of Agriculture, is carrying articles explaining Defense Savings and urging farmers to invest in Defense Bonds. County agents and officers of farm organizations are cooperating heartily in a determined effort to keep the Defense Savings Program before Mississippi farmers. Si Corley, State Commissioner of Agriculture, is a member of the Mississippi State Defense Savings Committee.

COLORED MINISTERS, in many counties are assisting local Defense Savings Committees, reports State Administrator Fly. With the marketing of the cotton crop in the Fall, colored farmers are expected to invest substantial sums in Defense Savings securities.

\* \* \*

Every person registering for civilian defense in Tunica County was urged to buy Defense Savings Bonds.

"We can all begin to do something for the good of America, Tunica County and ourselves," said Shelby C. Wilson, Chairman of Tunica County's civilian defense. "We can start the regular purchase of Defense Savings Stamps or Bonds."

Also in Tunica County, center of the rich Delta country, Defense Savings Clubs are being organized by J. W. Dulaney, County Chairman. Members of these clubs pledge themselves to purchase Defense Savings Bonds and Stamps regularly.

\* \* \*

All officers and employees of the First National Bank of Hattiesburg have invested in Defense Savings Bonds. F. V. Foote, President, keynotes:

"This country now needs thrift above all things . . . All should feel the duty to participate in preparedness, this nation and the whole world being in a state of emergency."

\* \* \*

A Mississippi mother whose son ferries planes to England regularly invests the check for his services which is mailed to her each week in Defense Bonds.

## PEACHES FOR STAMPS



Bennie Frank Hood, of Route 4, Jacksonville, Tex., sells his Elberta peaches to Larnie Cox, chairman of the Jacksonville Defense Savings Committee. Mrs. John A. Beall, Jacksonville postmistress, stands ready to sell young Hood Defense Savings Stamps. William S. Gober, chairman of the Cherokee County Defense Savings Committee, witnesses the transaction.

## TEXAS QUADRUPLETS 100% FOR DEFENSE SAVINGS



Archie, Bernard, Carl, and Donald Perricotte lend their support to the defense savings program. They are shown here with Mr. P. P. Butler, president of the American National Bank of Beaumont, Tex.



Jeraldine, Joan, Jeanette, and Joyce Badgett investigate Uncle Sam's stock of Defense Savings Bonds. They are shown with their mother, Mrs. W. E. Badgett, and Postmaster Raymond A. Stewart, of Galveston, Tex.

F L O R I D A  
Cooperation from Many Quarters

COUNTY COMMITTEES are being set up at the rate of about five a week, State Administrator John L. Fahs advises. Organization has been practically completed in 19 counties, including those containing Florida's largest cities.

GROUP PURCHASES have helped to bring the Program to the attention of a great many persons whose active interest and support will do much to get the Program under way. Among those group purchasers:

West Palm Beach Rotary Club; West Palm Beach Civitan Club (which presented its retiring president with a \$25 Defense Bond); Daytona Beach Chapter, Eastern Star; Miami Plumbers Local 519; Jacksonville City Employees Pension Fund; City of Ocala; Firemen's Pension & Relief Fund of West Palm Beach; City of St. Cloud; City of Clearwater.

LABOR UNIONS have been asked by Leo B. Hill, Jr., labor representative on the Florida State Committee, to do everything possible to make Defense Savings Stamps available to their members. Mr. Hill has suggested that Defense Savings Bonds be used as prizes at all celebrations planned by unions for Labor Day.

RAILROAD TRAINMEN are participating actively in the program. C. L. Stowe, secretary of the Brotherhood in Florida, announces that every constituent group within his organization has been asked to invest in Defense Bonds.

CIGAR MAKERS with the King Edward Swisher Cigar Company, Jacksonville, are investing in Defense Bonds either through their credit union or by purchasing Defense Stamps from specially designated "group agents."

HOTELS, RESTAURANTS AND BOARDING HOUSES will be visited by some enthusiastic boosters for Defense Savings. Administrator Fahs recently addressed a meeting of the staff of field inspectors of the Florida Hotel Commissioner and received assurances of their full support.

SOME MORE FLORIDA "FIRSTS": -

The first county office in the state to report that every employee was a regular purchaser of Defense Savings Stamps or Bonds was the office of Circuit Court Clerk E. B. Leatherman in Dade County (Miami). Mr. Leatherman gave each of his 71 employees a 25¢ stamp as a starter, and since then many have completed their albums and exchanged them for bonds.

The first Negro Defense Savings Committee in Florida has been set up in Indian River County. Every negro school teacher in the county will be a member.

The first group of municipal employees to establish a system for the regular purchase of Defense Savings Stamps were garbage collectors in the City of Tampa. The plan has worked out so well that Mayor R. E. L. Chancey has asked every city employee to participate in a similar plan.

The Bagdad Theatre in Portland, Oreg., resounds to the cheers of 400 carriers of *The Portland Oregonian* as they receive from Palmer Hoyt, publisher of the newspaper and State chairman of the Defense Savings Committee for Oregon, defense savings stamp albums each containing a first stamp.



#### PRESENTATION OF DEFENSE BONDS FEATURE OF BEAN FESTIVAL



Miss Irene Fischer, queen of the Stayton, Oreg., Bean Festival, with members of her court, receiving a defense savings bond from Herby Saalfeld, festival chairman.

#### TOBACCO WORKERS ENROLLED AS REGULAR DEFENSE SAVERS

A group of department heads and superintendents of the R. J. Reynolds Tobacco Company of Winston-Salem, N. C., meet to hear explanation of the recently adopted defense savings pay roll allotment plan.



B A S E B A L L   D E F E N S E   B O N D   D A Y

MILLIONS OF BASEBALL FANS will have their attention directed to the Defense Savings Program Thursday afternoon and evening, August 28th. On that date, at

ALL MAJOR AND MINOR LEAGUE BASEBALL PARKS:--

Secretary Morgenthau will be heard in a specially transcribed address

Boy Scouts will distribute pamphlets to all spectators

American Legion bands and drum and bugle corps will entertain

The National Anthem and various other patriotic songs, including of course "Any Bonds Today," will be featured, and at many parks, there will be community singing with star singers leading

News reel and newspaper photographers will be present to cover the special events in detail. Sports pages of local papers will carry many interesting photographs of the ceremonies planned by local Defense Savings Committees: players buying Stamps and Bonds, teams which are 100%, etc., etc.

Judge Kenesaw Mountain Landis, Commissioner of Baseball, William G. Bremer, President of the National Association of Professional Baseball Leagues, Ford Frick, President of the National League, William Harridge, President of the American League, and Milo J. Warner, National Commander of the American Legion, have all cooperated with the Defense Savings Staff in making plans for Baseball's Defense Bond Day.

\* \* \*

EACH STATE ADMINISTRATOR has received a special memorandum from the Washington office of the Defense Savings Staff, outlining the steps which he should take to make sure that the Program in his state derives the maximum amount of publicity from this day.

This should be an important milestone in the Defense Savings Program.

\* \* \*

Jim Tabor, third baseman for the Boston Red Sox, has received one of the 500 Defense Savings Bonds awarded by the Boston Globe in its "Star of the Month" contest. Newspaper photographs and stories of these awards help publicize Defense Savings in the Boston area.

\* \* \*

Members of the Boston Red Sox and Boston Braves plan to visit Jordan Marsh and Filene's department stores and autograph Defense Bond stamp albums.

**ORGANIZED LABOR**  
**Some Recently Reported Endorsements**

Boston, Mass.—Massachusetts State Federation of Labor, A. F. of L., meeting in its 56th annual convention, strongly endorsed Defense Savings and voted to invest \$10,000 in Defense Bonds. The Boston Photo-Engravers Union, A. F. of L., has invested \$5,000 in Defense Bonds.

Indianapolis, Ind.—Both the International Brotherhood of Teamsters, and the International Typographical Union, which have their international headquarters here, have invested in Defense Bonds "to the limit."

Miami, Fla.—Investment of \$5,200 of union funds in Defense Bonds has been announced by the Plumbers Local, Number 519. William Inand, secretary, has announced that his union would buy additional Defense Bonds each month.

New York, N.Y.—Promising to increase the investment as its resources allow, Local 370, Dining Car Employees Union, invested \$1,000 in Defense Bonds.

"Local 370 is heartily in accord with this program," writes Claude H. Mason, Financial Secretary-Treasurer, "and is willing to do its part to defend America from all enemies."

Newark, N. J.—Local 825, International Union of Operating Engineers, invested \$25,000 in Defense Savings Bonds.

Portland, Ore.—The official organ of the State Federation of Labor, Oregon Labor Press, has carried banner headlines on page 1 - "Buy Defense Bonds" - and given the Program powerful editorial support. Said a recent editorial:

"We are confronted with two threats. One is the threat to our peace and security by the totalitarian powers. The other is the threat to our economic stability brought about by our loose fiscal policies and vast emergency expenditures of funds for defense. . . . The answer to the first threat . . . an impregnable defense . . . The answer to the second . . . an increased tax burden and . . . participation in the Defense Savings plan . . . Let us be united in this effort as well as in every defense effort."

San Francisco, Calif.—Local 265 of International Brotherhood of Teamsters, Chauffeurs and Warehousemen (AFL) purchased \$50,000 worth of Defense Savings Bonds.

Seattle, Wash.—The Joint Council of Teamsters, No. 28, on August 6 pledged purchase of \$100,000 in Defense Bonds by the various locals affiliated with it by first of year. . . Teamster Hall is displaying a huge sign, with a large neon "V" for Victory at the top to draw attention to the drive.

Also, in Seattle, the Theatrical Crafts Department of the Motion Picture Operators Union, Local 154; the Stage Employees Union, Local 302 of the International Union of Operating Engineers; and the Seattle Building Service Employees Union have all reported investment in Defense Bonds.

RETAILERS FOR DEFENSE WEEK

More than one million retail stores, through their trade association executives, pledged the immediate participation of their members in the sale of Defense Savings Stamps in retail outlets of all kinds at a meeting held at the Treasury Department in Washington, D. C., on August 12.

September 15 to 20 has been fixed as "RETAILERS FOR DEFENSE WEEK."

On that date stores in every state of the Union will make a special effort to enroll their customers as regular Defense Savers. Stamps will be on sale at convenient points in department, grocery, drug, variety, furniture, hardware, and many other types of stores. These stores will display Defense Savings posters and feature the Defense Savings Program in window displays and various other ways.

The "U. S. Treasury Retailers' Advisory Committee" was established at the conclusion of the August 12th meeting with Major Benjamin H. Nunn of the National Retail Dry Goods Association as chairman; Albert C. Fritz of the National Association of Retail Druggists, vice-chairman, and Robert W. Lyons, Special Advisor to the Treasury Department on retail outlets, secretary. Organizations represented at the meeting included:

American Hotel Association  
 American Retail Federation  
     Institute of Distribution  
         Limited Price Variety Stores Association  
             National Association of Chain Drug Stores  
             National Association of Food Chains  
 National Association of Retail Druggists  
     National Association of Retail Furniture Dealers  
     National Association of Retail Grocers  
     National Restaurant Association  
     National Retail Dry Goods Association  
     National Retail Hardware Association

The success in Michigan of the concerted effort under way there since July 10 to sell Defense Savings Stamps through retail outlets led to the extension of the plan on a nation-wide basis.

\* \* \* \* \*

The Defense Savings Staff is now forwarding to post office points throughout the country sufficient quantities of the

"BUY DEFENSE SAVINGS STAMPS HERE"

plaque replicas and display posters to supply at least one piece to each retail store in every community. Local Defense Savings Committees will distribute this material wherever possible. Elsewhere the distribution will be handled by Chambers of Commerce and postmasters.

COMIC STRIP ARTISTS TO AID PROGRAM

COMIC STRIPS are probably the most widely "read" part of most newspapers. The importance, therefore, of the cooperation which is being extended to the Defense Savings Program by cartoon and comic strip artists of the nation is readily appreciated.

John Hix, artist of the feature "Strange As It Seems" was one of the first to put in a boost for Defense Savings.

Robert Ripley, of "Believe It or Not" fame, featured in his drawing for August 5 the historic episode of "The Man Without A Country," which he presented the following evening as a guest star on the Treasury Hour program, "Millions for Defense."

MANY OTHER CARTOONISTS have indicated to the Press Section, Defense Savings Staff that they would include Defense Savings material in their strips in the near future, including the creators of such well-known features as: The Gumps, Highlights of History, Mr. and Mrs., Black Fury, Wendy and Paddles, Grin and Bear It, Chief Wahoo, Mary Worth's Family, Charles Chan, Don Winslow of the Navy, The Red Knight, and Nancy.

HUNDREDS OF NEWSPAPERS will carry this material. Watch for it.

HERE'S ONE WAY TO SAVE!

Samuel Brown of Worcester, Mass. has combined a plan for reducing his weight and laying aside money enough to purchase ten \$25 Defense Savings Bonds. He writes:

"Here is my way of helping Uncle Sam and saving up something for a rainy day. I bought ten 25¢ Defense Savings Stamp Albums and marked them as follows: Gloria (my daughter), Glorina (my daughter), Leah (my wife), Sam (that's me).

"The other six books I marked: Automobile, Food, Amusements, Laundry, Beauty Parlor and Tobacco.

"I don't drive my car on Sundays and my children help to keep it washed and cleaned. What I save goes in the Auto stamp book. The doctor told me I was overweight. I must cut out eating cake, pie and candies. So what I save this way goes into my Food stamp book. I have reduced eight pounds in seven weeks and my doctor asked me how I did it. I said: 'I took Uncle Sam's prescription-- Defense Stamps.' He said: 'I will give that prescription to a lot of my patients.'

" . . . And all of the savings go into the Stamp books. So you see I shall have ten Defense Savings Bonds all paid for very soon."

D E F E N S E S A V I N G S O N T H E A I R  
Leading Programs for the Coming Week

Tuesday, August 19      FOR AMERICA WE SING      7:30-8:00 P.M. (EST)  
 NBC Blue Network

A musical program featuring Dr. Frank Black's 44-piece NBC symphony orchestra conducted by Victor Arden and the NBC chorus.

GUEST STARS: Vivian della Chiesa and Conrad Thibault.

\* \* \* \* \*

Wednesday, August 20      MILLIONS FOR DEFENSE      8:00-9:00 P.M. (EST)  
 (The Treasury Hour)      CBS Network

GUEST STARS: Groucho Marx, Merle Oberon, Robert Weede, The Quiz Kids, with Al Goodman and his band, Barry Wood and Ray Block's choir.

\* \* \* \* \*

The "Man on the Street" program sponsored by the Wyandotte Furniture Company of Jefferson City, Missouri, which for several years has awarded two silver dollars daily as prizes, is now giving two \$1 Defense Savings Stamps in Bond albums.

\* \* \*

Organization of the Women's Division of the Defense Savings Committee for Massachusetts was effected at a meeting held on Wednesday evening, July 23, in the studios of Radio Station WEEI. This time was selected for the meeting in order that it would be possible for the group to listen together to the Treasury Hour "Millions For Defense."

\* \* \* \* \*

"ANY BONDS TODAY?"

This Irving Berlin song is now available on both Victor and Columbia records. Barry Wood and The Lyn Murray Singers with orchestra conducted by Leonard Joy are heard on the Victor disc and Kay Kyser is heard on the Columbia recording. Both records feature the Army Ordnance song also by Irving Berlin "Arms for the Love of America" on the reverse side.

In many motion picture theatres, those in Virginia for example, "Any Bonds Today?" is played before shows and during intermissions.

WATCH FOR THIS!

"Helping Hands," MGM comedy now in production, will carry a scene with dialogue of the famous "Our Gang" kids buying Defense Stamps at a post office window. This should be good!

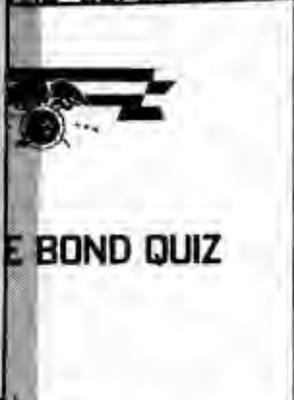
## WAR DEPARTMENT ISSUES PAMPHLETS ON DEFENSE SAVINGS

Military and civilian personnel in the office of the Quartermaster General of the War Department are hearing a lot about defense savings these days. Pictured below are some pamphlets prepared in that office for use by the "group agents" appointed in connection with the systematic purchase plan for Defense Savings Stamps and Bonds now in operation there.

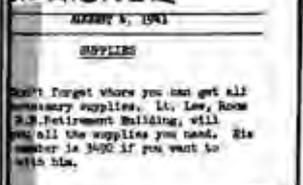


These pamphlets are as readable as their covers are attractive. For example, here are Johnny Quartermaster's ten rules to "keep 'em buying":

1. You gotta make calls! You can't get signed pledge cards by sitting at your desk. . . .
2. Solicit with a smile! Nobody likes a frowner. . . .
3. Don't get mad! Remember—your prospect may have a good reason to say 'No!' . . . .
4. Know what you're selling! You can't sell Bonds by talking about the weather. . . .
5. Be patient! Rome wasn't built in a day. . . .
6. Don't be bashful! You don't have to be ashamed for being a partner with Uncle Sam. . . .
7. Don't waste time! . . . .
8. Persistence gets pledges. . . .
9. Be honest! . . . .
10. Don't let your enthusiasm lag!" And all of the above points are appropriately illustrated.



WAR DEPARTMENT  
OFFICE OF THE QUARTERMASTER GENERAL



ALL DISTRICT OF COLUMBIA BANKS  
QUALIFY AS ISSUING AGENTS

A STEADY INCREASE in the number of qualified issuing agents for Series E Defense Bonds took place during the month of July.

IN THE DISTRICT OF COLUMBIA AND IN FOUR STATES, all national banks have now qualified. The 100 per cent states: Arizona, Florida (52 banks), South Carolina (22 banks), and Utah.

In 6 number of other states -- Connecticut, Massachusetts, New Hampshire, New Jersey, New York, Oregon, Virginia, and Wisconsin -- 90 per cent or more of the national banks are issuing agents and, for the country as a whole, 63 per cent of the 5,138 national banks have now qualified.

The following states lead in the percentage of state-chartered banks which have qualified:

<u>State</u>	<u>Number of State Banks</u>	<u>Per cent Qualified</u>
District of Columbia	13	100
New Jersey	132	93
Rhode Island	11	91
New York	304	89
Arizona	7	86
New Mexico	19	84
Florida	115	81
Maine	32	81
For the country	9,156	57

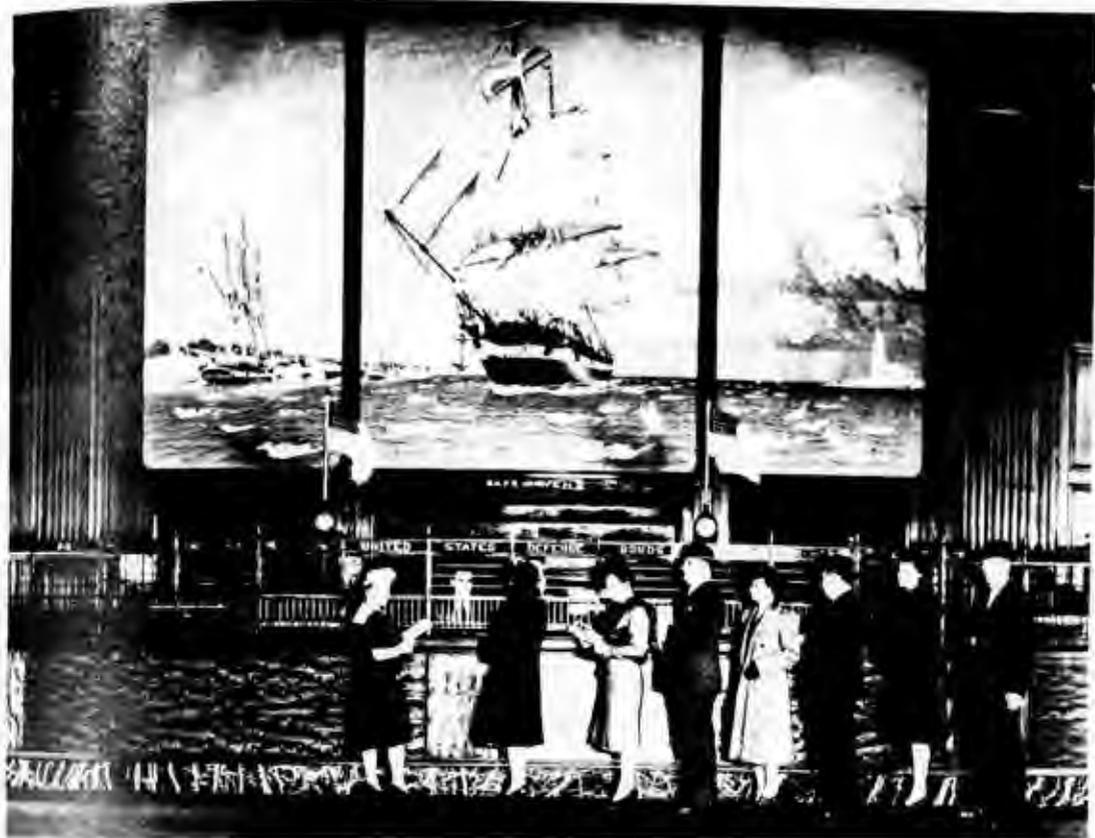
In addition, 86 per cent of the 552 mutual savings banks in the country have qualified as issuing agents.

\* \* \* \* \*

A BANKER SPEAKS HIS MIND

"It has been historically true during the one hundred sixty-five years of this nation, that about once in every generation we Americans take our feet down off the stove, quit yapping about how the government should be run, and set out to do what we can to HELP the government. The present Defense Program has brought about another of those cycles and it is once more time to roll up our sleeves, hitch our belts, spit on our hands, and go definitely to work for the tall gentleman with the star-spangled plug hat and long chin-whiskers. The part of the job which we as bankers can do is, as heretofore, to aid in the distribution of United States Bonds among our patrons...The job is going to be done. The bankers are going to be the leaders because they are best equipped and are presumed to know more about bonds than any other class of business men; and Oklahoma is not going to be satisfied with a position back of the front line..."

--R. Otis McClintock, Tulsa Banker and  
Member, Defense Savings Committee, in  
The Oklahoma Banker, July, 1941.



The historical mural "Safe Haven" which dominates the lobby of the Dry Docks Savings Institution in New York City has added significance from the defense bond counter immediately in front of it.



...is frequently viewed in Times Square.



Window display on main thoroughfare in Milwaukee, Wis.

QUOTABLE QUOTES:

"Each of us as an individual consumer can help keep down the prices of goods which are scarce if we will, as far as possible, direct our expenditures away from such things as automobiles, electric refrigerators, and washing machines, radios, and the like, which compete with Defense production, and toward those things which are not scarce and which do not compete with Defense production. . . . But we must face the fact that we cannot, without impeding the Defense Program, expand civilian production enough to absorb all the increase in incomes resulting from our large Government expenditures and our increased employment. Hence, an inflationary increase in prices cannot be prevented by price control legislation alone. There must be an adequate fiscal program designed to reduce public purchasing power and to divert that purchasing power to pay for Defense goods.

"There are three ways in which the public's purchasing power can be thus diverted. These are: (1) an increase in taxes, (2) the sale of tax anticipation notes, and (3) the sale of United States Defense Savings Bonds and Stamps. . . .

"Every one who refrains from spending all of his income and invests a portion of it in Defense Savings Bonds not only provides himself with assets which will be available when goods are plentiful after the emergency is over, but also helps to finance the Defense Program with the smallest possible increase in prices."

—Hon. Daniel W. Bell,  
Under Secretary of the Treasury.

"I like to think of these bonds in terms of the number of automobiles, electric refrigerators and suits of clothes the matured bonds will buy—in terms of the things which will put men back to work."

—Frank N. Isbey, Chairman,  
Michigan Defense Savings Committee.

"The future is full of hope if America is able to do the Herculean job she faces—if America does not try to avoid her destiny. It seems to me increasingly that there are many bright spots in our economic future. It is not true that a depression will necessarily follow this, our battle for freedom. If the democracies win . . . and they must win . . . many multi-billion dollar tasks face the world . . . and particularly this country."

—E. Palmer Hoyt, Publisher,  
The Portland Oregonian, and Chairman,  
Oregon Defense Savings Committee.

"The sacrifices resulting from our country's Defense efforts must be borne by all. Everyone must help. In our industry, we can help in a very effective way by encouraging commitments in Defense Bonds and Defense Savings Stamps by both our customers and our employees."

—Boston Stock Exchange News.



COURTESY FORT WORTH STAR-TELEGRAM

Don G. Carter, publisher of the Fort Worth, Tex., Star-Telegram and member of the Texas Defense Savings Committee, sent us the original of this fine cartoon by Hal Coffman. We think it deserves a full page in the News Letter. Why not post it on your bulletin board?

DEFENSE SAVINGS STAFF

## ADVANCE NOTICE RADIO PROGRAM

THURSDAY - AUGUST 14, 1941

Time: 10:45 - 11:00 A.M.  
Program: What Can I Do?  
Station: WwAL and NBC Blue Network

Time: 12:30 - 1:00 P.M.  
Program: Right to Happiness  
Station: WJSV and CBS Network

Time: 1:00 - 1:15 P.M.  
Program: Young Dr. Malone  
Station: WJSV and CBS Network

Time: 11:30 - 11:45 A.M.  
Program: Romance of Helen Trent  
Station: WJSV and CBS Network

Time: 4:45 - 5:00 P.M.  
Program: "Treasury House" Quiz  
Station: WRC - Washington, D. C.

Time: 5:30 - 5:45 P.M.  
Program: Paul Sullivan News  
Station: WJSV and CBS Network

Time: 9:30 - 10:00 P.M.  
Program: Quiz of Two Cities  
Station: WRC - Washington  
WFBR - Baltimore

Time: 11:15 - 12:00 Midnight  
Program: Music You Want, When You Want It  
Station: WwAL - Washington, D. C.

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.



## TREASURY DEPARTMENT

WASHINGTON

August 14, 1941

Memorandum for THE SECRETARY:

The following report is made of Stamp sales  
at "Treasury House":

July 1-August 12	\$30,547.70
August 13	<u>354.65</u>
Total	\$30,902.35

GRAVES

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 15, 1941

TO Ferdinand Kuhn, Jr.  
FROM Herbert Merillat

PRESS OPINION ON TAXES:  
REACTION TO SECRETARY  
MORGENTHAU'S STATEMENT

The editorial writers have virtually disregarded Secretary Morgenthau's recommendations to the Senate Finance Committee, except for the proposal to broaden the income tax base. Just as the President's request for modification of the mandatory joint return provision was generally interpreted as unqualified opposition to the provision, so the Secretary's proposal of a broader base, conditional upon certain other changes, has been treated by commentators as an unqualified recommendation of lower exemptions. Having singled out this feature as the noteworthy part of the Secretary's statement, the typical editorial hails it as a long overdue reform.

The Scripps-Howard papers are so far alone in taking up the appeal to end tax exemption of interest on future issues of state and local obligations. The Christian Science Monitor is conspicuous in urging a "strengthened" excess profits tax. The lack of general editorial interest in these proposals, and in the recommendations to reduce percentage depletion allowances

and revive a modified joint return provision, indicates that no one thinks it likely that those changes will receive serious consideration in the Finance Committee.

A very few papers and magazines have urged that the revenue goal of the current tax bill be raised above \$3½ billions. The vast majority, however, refrain from such a recommendation, although they comment on the inadequacy of the present bill to raise sufficient revenue to cover two-thirds of Federal expenditures and realize that still heavier taxes will be necessary in the near future.

#### Broader Tax Base and Inflation

Almost all sections of public opinion appear now to be united in support of a broader income tax base. Almost all newspapers have long advocated such a step, on one ground or another. The Gallup Poll indicates general popular willingness to accept it. The liberal press, which a few months ago minimized the danger of inflation on the theory that expanded production could take care of increased consumer demands, has accepted reduced exemptions as a measure necessary to check inflation. The Nation and the New York Post are examples.

The C. I. O.'s voice is one of the few still raised in opposition to broadening of the income tax base. The Daily Worker,

commending the C. I. O. attitude, attacked the "false theory" that buying power of the masses must be cut in order to prevent inflation.

#### Other Checks on Inflation

With the increasing conviction that inflation is imminent has come an increasing amount of criticism of the Administration and Congress for failing to work out a coordinated plan for meeting the danger.

Walter Lippman, for example, has called for an agency to formulate and coordinate Federal fiscal and economic policies, pointing out that "the tax bill and price control bill are going to be delayed, snarled up, and chewed to pieces in Congress." The various items of an anti-inflation program (broader taxes, price controls, curbs on instalment buying) are generally applauded in the press as necessary steps in the right direction. But the fears of political tampering with such measures in the absence of strong leadership lead to pessimism about their effectiveness.

Conflicting advice on taxes from Administration leaders has long been a target of press criticism. Hopes of accomplishing much through price control legislation are dimmed by the omission of effective control of farm prices and labor costs. The executive order laying the groundwork for curbs on instalment buying has met with more general approval in the press, but little is expected of it in the absence of complementary measures.

Sales Tax

The suggestion of wider sales levies, coming from certain Senators and other sources, has not yet struck fire in the press. There has always been a substantial body of press opinion in favor of a general sales tax, but broadening of the income tax base holds first place in the press as a desirable anti-inflationary tax measure.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE August 15, 1941

TO Ferdinand Kuhn, Jr.  
FROM Alan Barth

ONE INCREASING PURPOSE

Aims

It was the phrase "after the final destruction of the Nazi tyranny" which most editorial writers selected from the Roosevelt-Churchill statement as the keynote for their comments. They called it a declaration of peace aims, rather than of war aims, and insisted that the defeat of Hitler must be kept clearly in mind as the prerequisite for any realization of these long-term objectives. The prevailing sentiment on this score was expressed by The Galveston News which observed: "But it is an empty gesture unless America is prepared to go all the way in helping win the war."

Those who praised the statement and those who denounced it agreed that it covered only one phase of the momentous talks between American and British leaders. It was generally assumed that far-reaching and concrete decisions were made for joint action in the conduct of the war. Most commentators accepted the secrecy in which these decisions were veiled as wise and necessary. A small isolationist minority, of course, assailed the President for having made commitments beyond his constitutional authority.

The simple fact that the conferences were held, apart from the action that may grow out of them, was widely regarded as of great significance. The common feeling is that they constitute a demonstration of Anglo-American unity which will prove heartening to all the conquered and embattled peoples of the world. The simple, eloquent language of the declaration, too, is viewed as a rallying call to which all fighters for freedom can respond.

The American press has for some time anticipated a Nazi bid for peace. There have, indeed, been fears, in view of the American antipathy to Communism, that its terms might be taken seriously -- especially if they seemed to restore independence to the western European states. Editorial writers now feel that the Roosevelt-Churchill declaration has forestalled this danger. It established basic standards which Hitler cannot possibly accept, gave an answer in advance to any proposals he might make. Major George Fielding Eliot remarks that "Hitler cannot afford the derision with which any peace he could bring himself to offer would now be received."

#### Awakening

The attitude of the American press, as distinct from its opinion, undergoes marked changes in intensity as the theatre of the war becomes more or less remote. When events sweep toward the western shores of Europe and Africa, the editorial temperature rises sharply. When the conflagration appears to be largely confined to eastern areas, the pens of the commentators move less feverishly.

Russian resistance, as has been previously reported, gave a feeling of respite. Most editorial writers continued to point out that this was illusory. But the sense of urgency was no longer in their words. This seemed especially true during the early portion of the past week. Stalin appeared to be keeping Hitler fully occupied; German morale was assumed to be weakening under British bombs; American attention was focussed on the Far East where the threat from Japan, it was confidently believed, could be handled readily by the big guns of the United States Navy.

Marshal Petain's announcement of full collaboration with Germany rudely interrupted this day-dreaming. And, simultaneously, the reports from the Russian front became less comforting. Peril once more seemed near at hand. The editorial writers began to paint pictures of a Germany, victorious in the east, using the French fleet and French African bases against the Western Hemisphere.

It was widely taken for granted that Petain's promise to cooperate with Hitler in the crusade against Communism was no more than a preamble to more sinister cooperation in other areas. Demands for forceful American action, consequently, have been renewed in the strongly interventionist newspapers. Some again recommend seizure of Martinique and Dakar. A considerable number urge severance of diplomatic relations with the Vichy Government and a transfer of recognition to General De Gaulle.

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The bulk of the press, however, prefers to judge Marshal Petain by his deeds rather than by his words. While the commentators are scornful of Admiral Darlan, regarding him as an out-and-out Fascist sympathizer, they feel pity for France's aged World War hero and are more hurt than angered by his behavior. They still have some slight hope that he will not go all the way in yielding to Nazi pressure. Some degree of hope is entertained also that General Weygand and his forces in Africa will refuse to turn against their former allies.

Encouraging signs were discerned in the curious speech which the Marshal made a few days ago to the French people. It was held by some to be a confession of failure, an acknowledgment that there is no enthusiasm in France for collaboration with the Axis, that Frenchmen may even be on the verge of rebellion. "In the end," The Baltimore Sun observes, "the condition which Petain so reluctantly but eloquently described may prove to be of greater importance than the policies he declared."

#### Analysis

American newspapers printed with great delight the remarks made in a telephone interview to a Tokyo newspaper by the Japanese Minister to Washington, Kaname Wakasugi. The Minister informed his countrymen that "Americans will not take the initiative, but their attitude will depend solely upon Japan's", that "Americans

are engrossed in expansion of national defense, and the influence of the anti-war faction is not as great now as previously," and that "it is a great mistake to consider the United States on the basis of conditions prevailing a year ago."

Virtually all commentators agreed that Mr. Wakasugi's analysis of the American temper was remarkable for its insight and accuracy.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau  
FROM Mr. White

Subject: U. K. - Aid to Britain

Following is an over-all digest of the material sent by Coe to Secretary on July 29. Attached are separate digests of each of the individual letters and reports as well as one summarizing the clippings Coe enclosed.

Material deals with two subjects:

1. The food situation in Britain

(a) Much discussion and press complaint of shortages, queuing, inequities of rationing, food speculation, even gangsterism (with bootlegging and hijacking. "Big money" hinted in this trade).

(b) Failure to ration adequately due to Government's unwillingness to assume necessary administrative burdens. Government tends to deal with symptoms, such as queuing (police sometimes break up queues) rather than get at real causes.

(c) Some observers disturbed at Food Ministry's apparent lack of interest in nutrition.

(d) Some spoilage of U. S. foods noted.

(e) Morale of populace apparently good despite grumbling about food.

2. Distribution and re-sale of Lend-Lease type goods

(a) Statement on distribution received from Anderson.

(b) Hopkins says Anderson statement definitely not satisfactory and that Secretary Morgenthau will "hit the ceiling" about it.

Division of Monetary  
Research

- 2 -

(c) Coe summarized problems which complicate question of distribution of Lend-Lease goods, such as: how goods are priced, the incidence of shipping charges, whether source of U. S. goods should be emphasized, need of British to export, possible critical attitude of British toward U. S. interference, etc.

(d) Report prepared for Harriman shows U. K. exports of most goods have fallen sharply in 1941 as compared with 1940.

(Coe to Secretary Morgenthau, July 29, 1941)

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau

FROM Mr. White

Subject: U.K. - Some Issues Concerning Distribution of Lend-Lease Articles

1. Shipping charges. The British are almost certain to levy shipping charges against the consignee, even though Lend-Lease is paying those charges.
2. Duties. Existing duties to be levied on Lend-Lease articles.
3. "Notional price". The Department releasing Lend-Lease goods prices them at U.S. market price, plus shipping, etc., plus duty. But the price actually paid by processors is an average of prices of goods from all sources (U.S., British domestic, other). Thus on U.S. goods whose prices are higher than on similar British goods, the tendency will be to force British prices up somewhat and vice versa.
4. Prices charged by manufacturers, wholesalers and retailers. All these prices appear to be controlled. Profit controls probably effected largely through price controls. Aim is to keep profits down to level of mere service charge, but mechanism probably not adequate for this. Control authorities largely composed of big industrialists. We should investigate this whole problem.
5. Rationing vs. Price Control. Most important in connection with food. Public wants more food rationed. Present methods will result in inequitable distribution of Lend-Lease goods. Price controls not sufficient. Canteens. There are canteens for bombed out persons, factory commissaries, etc. American public would probably think well of food distribution through these agencies, rather than through restaurants, etc.
6. Recognition of U.S. goods. Source of goods not usually apparent to public at present. Should we insist not only on equitable distribution but on providing for greater public recognition of American help, especially in foods?

- 2 -

Division of Monetary  
Research

Distribution facilities. Often physically inadequate.  
Spoilage has resulted.

Export Problem. A stiffer policy expected but many questions involved.

- a) Goods in shortage vs. surpluses in the U.S., e.g., cotton exports different from steel.
- b) Empire vs. non-Empire. Need to export to Empire to aid war effort.
- c) Western hemisphere - American criticism keenest here.
- d) Exchange problem. Should we consider greater dollar assistance or using Lend-Lease to help British imports?

General Question of interference. The problem of distribution will continue and U.S. interests should be represented in Britain. There will be some objection to interference but this may lessen as volume of goods grows. Prices paid and terms of repayment will affect British attitude on this.

(Coe to Secretary, 7/29/41)

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau

FROM Mr. White

Subject: Appointment Memorandum Coe with Winant, July 21, 1941

Ambassador had already made inquiries concerning matter contained in the Secretary's telegram of July 18. Will introduce Coe to continue until all questions answered.

Ambassador says British wish to preserve all old distribution channels and maintain profits. He had foreseen dangers of this policy and had spoken to Keynes about it and instituted inquiries referred to above.

Ambassador has prepared a critical report on food situation for the President. Little British official sympathy for nutrition. Little disposition to change present unsatisfactory situation.

Coe explained he was directed to serve the Ambassador in any way asked. Ambassador said he had asked for financial person as far back as March. Coe stated his assignment included other matters than strictly financial, such as nutrition, morale, etc. Will work with Goodrich and later perhaps with Perkins.

Ambassador wishes Coe to hold records brought with him for time being. Later arrangements will be made to present them at least to Prime Minister and Chancellor.

Ambassador suggested Coe ask Chancellor about the savings scheme. Ambassador had suggested Keynes to help our Treasury as he is leading man on this subject.

Ambassador felt that nothing commercial should go under Lend-Lease because of loose methods of control in U.K. Different organization in foodstuffs especially needed to avoid criticism in U.S. and to let British know how much we are helping.

Ambassador must see all reports. State Department has been concerned over some of the activities of the "enlarged groups". Enjoined great care.

(Coe to Secretary, 7/29/41)

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau

FROM Mr. White

Subject: U.K. - Food shortages

1. Food shortages and methods of distribution seem to be prime subject of conversation. Much press comment.
2. The Ambassador is very much interested in the subject. Milo Perkins and possibly Evans of A.A.A. are expected in London shortly in this connection.
3. Gov't officials tend to concern themselves with symptoms rather than with causes, e.g., there is much exhortation, even police action, against queuing. People queue because it is the only way to get many goods. Better system of distribution needed.
4. Failure to ration a large number of goods is causing considerable inequity; also "black markets", speculation, even gangsterism (clippings). Failure to ration is due to Govt.'s unwillingness to assume necessary administrative burdens.
5. Some observers are concerned about Food Ministry's lack of interest in nutrition. But nutritional standards seem to govern in handling milk and in character of intended imports under Lease-Lend.\*

\* See in this connection Murray No. 341, 7/8/41, which implies that Lease-Lend foods ought to be kept few in number for ease in rationing.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau

FROM Mr. White

Subject: Appointment memorandum, Coe and Winant with Lord  
President of Privy Council, July 23, 1941

Ambassador inquired as to function of new Committee of which Sir John Anderson is head. Secretary Morgenthau interested in this Committee after talking about it with Keynes.

Sir John Anderson explains there are three Committees. The Statistical Committee (Mr. Campion, head) compiles, coordinates, and presents statistics from the various departments. The second Committee (Professor Jewkes, head) deals with "problems". The High Policy Committee (Sir John Anderson, head) determines policy on all non-defense matters, such as wage policy, inflation, rationing, price control, imports.

Sir John Anderson promised a statement on organization of the Cabinet. Highly confidential as not even Parliament is fully informed on some features.

Sir John Anderson gave the Ambassador the statement on Lend-Lease distribution the latter had asked for. He hoped this, together with Keynes' statement, would cover the case. Many of the press stories he thought either false or based on misunderstanding.

(Coe to Secretary, 7/29/41)

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau

FROM Mr. White

Subject: Appointment memorandum, Coe and Winant with Chancellor of Exchequer, July 23, 1941

Ambassador inquired as to reaction to R.F.C. loan. Chancellor reports press reaction good.

Bill expected to be brought up in the House on July 25. Objections had been voiced to provision enabling President to proceed as though loan in default if circumstances warranted it. Ambassador said provision probably was desired solely in event of defeat. No press comment on the feature as yet. Chancellor thinks objections can be overcome.

Ambassador said purpose of visit was to seek help in getting information on distribution of Lend-Lease goods. Referred to new request from Secretary Morgenthau. Emphasized domestic political implications. Chancellor promised every help but felt situation essentially satisfactory because: there are price and profit controls; profits only for services rendered; exports have been greatly cut. Chancellor promised to obtain for Ambassador a statement on the question. Mr. Coe emphasized that U.S. Treasury wanted broader and more detailed information than a general statement on profits and re-exports; a clear picture of whole distributive process desired. Chancellor noted this request and promised a statement. (Coe to Secretary, 7/29/41)

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau  
FROM Mr. White

Subject: British press clippings on food situation, American aid, production effort, war finance, etc.

Food - Shortages reported in resort towns, new industrial towns, etc. with increasing populations; allotments fail to keep up with growth. Campaign and exhortation to stop queuing. New rationing system too complicated. Many consumers have failed to register for rationing. Traders' licenses to be limited. Speculation, gangsterism, bootlegging etc. in foods reported.

American aid, etc. - Mostly favorable comment but some criticism re U.S. loan. Increases in U.S. trade with Latin America and Australia reported; doubt expressed that Britain can regain this lost trade after war.

Production effort - Considerable criticism of production disorganization; discussions of advisability of having overall Ministry of Production. Young women (up to 30) and older men (over 43) to register for assigned work in industry, civilian defense, etc., about 3,000,000 workers involved. Some criticism of absenteeism among workers. Travel facilities said to be poor. War profiteering criticized. Order in Council of July 18 enables a "Competent Authority" to take over industry, replace directors, officials, etc. if necessary.

War Finance - White Paper of July 22 states policy of price and wage stabilization. T.U.C. answers White Paper critically as to wage stabilization. Comments on U.S. tax proposals and on U.S. gold and F.R.B. reserves, declining reserves suggests inflationary trends. (Coe to Secretary, 7/29/41)

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau

FROM Mr. White

SUBJECT: U.K. - Steps taken in investigating distribution of Lend-Lease goods

1. On July 21, Coe conferred with Ambassador re matter contained in Secretary Morgenthau's telegram of July 18. Ambassador cordial and says "Keep after them" until Secretary's questions fully answered.
2. Ambassador had made prior inquiries on this. Had been promised a statement from Sir John Anderson.
3. On July 23, Coe and Ambassador saw Anderson who handed them the promised statement (later cabled to U.S.), and the Chancellor who promised a full report soon.
4. Hopkins phoned Coe that Anderson statement definitely not satisfactory, and that Secretary would "hit the ceiling" about it. Keynes statement not satisfactory either, although it had had good effects. Hopkins said whole explanation too involved for Congress to understand politically and that we must press for a cessation of all controversial exports to Western Hemisphere.
5. Coe immediately communicated these views to Waley, who asked whether U.S. wanted British firms to break existing contracts, and Coe said so long as such exports continued U.S. protests would continue. Ambassador said same thing before a Cabinet group and pointed out many U.S. firms have had to break contracts.
6. Decided to ask for a preliminary general report followed by a detailed one. Also expect a series of memoranda through the Cabinet, describing export controls and distribution methods.

(Coe to Secretary, 7/29/41)

EXECUTIVE OFFICE OF THE PRESIDENT  
**OFFICE FOR EMERGENCY MANAGEMENT**  
WASHINGTON, D. C.

MEMORANDUM

August 14, 1941.

TO: Secretary Morgenthau  
FROM: Oscar Cox  
SUBJECT: Lend-Lease Aid to the Free French.

For your information:

We are just sending over for the President's signature a directive authorizing the retransfer from the United Kingdom of eight Light M3 tanks, with armament, accessories and spares, to the Free French forces in French West Africa.

*ose*

EXECUTIVE OFFICE OF THE PRESIDENT  
**OFFICE FOR EMERGENCY MANAGEMENT**  
WASHINGTON, D. C.

MEMORANDUM

August 14, 1941.

TO: Secretary Morgenthau  
FROM: Oscar Cox  
SUBJECT: Lend-Lease Aid to Ireland.

For your information, I am enclosing herewith a copy of a memorandum on this subject which I have just sent to Mr. Hopkins.

*OJC*

Attachment

MEMORANDUM

August 13, 1941.

TO: Mr. Harry L. Hopkins  
FROM: Oscar Cox  
SUBJECT: Lend-Lease Aid to Ireland.

1. The failure to bring Ireland in under the Lend-Lease Program is probably a mistake which should be corrected as soon as possible.

2. The attitude of Ireland to the war is a crucial point in American public opinion with respect to the Administration's foreign policy.

3. Action which would strengthen relations between the United States and Ireland would have important consequences here.

4. Up to now, the public has gotten the impression that this country would extend lend-lease aid to Ireland only as a sort of club to force Ireland into line with British policy. By all accounts, it is out of the question to expect the Irish to react favorably to this kind of approach. Much better results could be obtained by an offer of limited amounts of lend-lease equipment with no conditions attached.

- 2 -

5. The acceptance of such an offer of lend-lease aid by the Irish would dramatize:

a) The fact that the defense of Ireland is essential to the defense of the United States.

b) That Ireland feels itself sufficiently threatened to need to strengthen its defenses.

c) That the United States has strengthened its good relations with Ireland.

6. The following program is suggested:

a) The Irish representatives here should be approached to determine whether they would care to make a request for aid, with the understanding that it would be sympathetically considered by this Government.

b) If the request is made, a schedule of available equipment should be drawn up immediately. Such a schedule, I imagine, could include various items which are not urgently needed by the British or Russians, e.g. small arms of the World War type, training planes, relatively out-of-date combat aircraft.

c) The President should issue a strong statement making the points contained in the previous paragraph.

d) The British Government should be urged to issue simultaneously a sympathetic statement expressing its gratification that steps had been taken to strengthen the backdoor to the British Isles and one of the front doors to the Atlantic and the Western Hemisphere.

OSC:djb

AUG 14 1941

My dear Senators:

Receipt is acknowledged of your letter of August 6th, attaching a letter dated August 1st addressed to you by Mr. H. B. Brown of Dickinson, North Dakota, wherein he protests against the seizure of an automobile belonging to Mrs. Ethel O. Palmer, Postmaster, Ordale, North Dakota.

The Department has allowed Mrs. Palmer's petition in regard to the automobile, car 1939 Chevrolet Two Door Sedan, Motor No. 2228240, and has directed that the car be returned to her upon payment of storage charges and other costs.

The facts before the Department at the time it acted on the petition showed that the car was taken on April 10th by Mrs. Palmer's son, James B. Palmer, then an employee of the A. A. A., for the purpose of attending an A. A. A. meeting at Ellendale, North Dakota, and that after attending the meeting James Palmer, accompanied by some friends, drove the vehicle to a liquor cache from which he removed three quart bottles of whiskey bearing no labels or revenue stamps. Thereafter, James Palmer, still accompanied by his companions, drove the car back to Ellendale and parked it on the street from where it was stolen between 7:30 P.M. and 8:00 P.M. on the same day, April 10th. Whoever stole the car appears to have taken it to Glendive, Montana, where it was involved in an accident and was then abandoned. Police of Glendive took the car into custody and found therein the three quart bottles of whiskey. The police turned the car over to Government officers for disposition in view of the presence of whiskey in the vehicle.

Notwithstanding the fact that the vehicle was clearly subject to forfeiture under the Internal-Revenue

Page Two.

laws and the further fact that the information before me indicated that Mrs. Palmer's son admitted that he placed the liquor in the vehicle, I felt that her petition should be allowed, subject to the payment of the storage and costs, in view of her excellent reputation and because it did not appear that her son had been in any trouble before in connection with a liquor violation.

In accordance with your request Mr. Brown's letter is returned to you for your files.

Very truly yours,

(Signed) H. Morgenthau, Sr.

Secretary of the Treasury.

Honorable Gerald P. Eye,  
United States Senate.

By Messenger 10:15 am

File to Mr. Thompson

United States Senate

COMMITTEE ON APPROPRIATIONS

August 8, 1941

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

My dear Mr. Secretary:

The attached letter from Mr. H. E. Brown of Dickinson, North Dakota, very much concerns me because it has reference to a very splendid citizen of my state, Mrs. Ethel O. Palmer, postmistress at Oakdale, North Dakota. The letter is self-explanatory and I cannot help but feel that the details of straightening out this case ought to be expedited as a matter of justice to this lady.

I shall greatly appreciate the proper officer in your department giving me such report as he can at this time and moving the situation to a satisfactory conclusion at the earliest possible date.

Please return Mr. Brown's letter to me for my files when it has served its purpose.

Sincerely yours,



gb

3

INDIVIDUAL RATING

# DICKINSON CREDIT BUREAU

FIRST NATIONAL BANK BUILDING

DICKINSON, NORTH DAKOTA



BROWN, MANAGER  
BROWN, ASSISTANT

PHONE 4

Apr. 1st, 1941.

Gerald F. Mayo  
Washington, D. C.

Hon. Senator:

This may be asking too much but it will mean a worthy favor to a lady who has served our state and government faithfully. It is a long story but I am going to try and tell it in a few words. Mrs. Ethel C. Palmer, Postmaster and Pioneer resident of Oakdale, N. D., had her car stolen on the 10th of April, this year and the thief abandoned the car in Glendive, Mont., and left some moonshine in the car. The Federal authorities, called the alcoholic unit, confiscated the car and started to dispose of it before she found out that it had been discovered. Had the City Police of Glendive notified the Sheriff of Muss County at that time he could have found out that the car was reported stolen, but instead he called the feds and they kept the find a secret in order to catch the owner.

I wish I had the time to check up the expense that unit caused the government on a guess that they could get the one responsible for the liquor. Two sets of investigators have combed this territory and she was advised that she would have to get an attorney, qualified to act in that department, before she could get her car back. She has done that and the papers are laying in the Treasurer Department in Washington, and waiting for the decision of the Treasurer. It is my belief that such a small item should never have reached that unit and is causing this woman to be without a car since April 10th, and no one knows when she will get it out. The car is stored in Billings, Montana, and she would appreciate it if you could call the Treasurer's attention to this case so she can get it released. It is very aggravating and some departments are causing our people to condemn the government for just such nonsense. Can you see any reason for such action. I am willing to take an oath on a stack of bibles that this is the most unreasonable action taken in any Federal Court. Please favor her with this request.

I remain, yours very truly,

*A. C. Brown*  
A. C. Brown, Dickinson, N. D.

She is a very dear friend of our family  
and I thought this could help her. Thanks.

★ WHERE PAYING HABITS ARE RECORDED ★

Regraded Unclassified

(Written on bottom in HM Jr's handwriting - "I want a report by September 2.")

99

*Inf. Submitted at 7:30  
meeting 9/10/41 -*

**Memo to Mr. Blough:**

I would like to have a report prepared by an informal Treasury committee on a proposal to adopt a program of dismissal wages. Mr. Henry C. Murphy of the Division of Research and Statistics, Mr. George A. Eddy of the Division of Monetary Research, and Mr. Joseph J. O'Connell of the Legal Division, have been designated to serve with you on that informal committee on the preparation of the report, but I will look to you to see that the report is ready by the time of my return (Labor Day).

I should like your committee to explore and report on the question of establishing a reserve for dismissal compensation (which might possibly better be called a "severance" wage) not only as an extension of our social security program, but as a fiscal device to divert purchasing power from consumer to the Treasury now so that it will be available to the worker to be spent should he become disemployed when our defense program declines.

Among the points which I should like covered by the report are:

1. The rates of collection, the shares of employers and employees, the size of the severance wages, the coverage, and the magnitude of the reserve to be accumulated.
2. The extent to which any States or foreign countries have adopted such a plan and their success with it.
3. The extent to which this proposal duplicates or supplements existing Social-Security provisions.
4. The extent to which other Government agencies have proposed or have worked on this idea.
5. What machinery and authority are necessary to put the plan into effect.
6. The possible economic effects of the scheme on our situation now and after the war.
7. The superiority of this plan as compared with compulsory savings.
8. Other advantages and disadvantages of the plan.

HDW:rel  
8/14/41

*HM Jr.*  
**FILE COPY**

AUG 14 1941

Mr. Harry D. White,  
Assistant to the Secretary,  
Treasury Department.

Sir:

By letter of August 6th to Honorable Henry C. Wallace, Chairman of the Economic Defense Board, I informed him of my intention to designate you as my alternate on the Economic Defense Board, subject to his continuing approval, as provided in Executive Order No. 8839 of July 30, 1941, establishing the Board.

Such approval having been given, I now hereby designate you to represent the Treasury Department as my alternate on the Board. A copy of Executive Order No. 8839, setting forth the purpose and functions of the Board is attached for your information.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Enclosure.

See Executive Order filed under August 6, 1941.

HH:b

*Copied to Mr. Thompson*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

TO Secretary Morgenthau  
 FROM Mr. Kamarck  
 Subject: Airplane Deliveries

Summary

1. A total of 69 planes shipped is reported in the latest statement received.

2. One Consolidated Liberator (heavy bomber) was flown to England in the week ending August 10. This is the first delivery of a heavy bomber to England since two months ago. There are now 42 American four-motor bombers in England (21 Liberators which have not yet been used and 21 Boeing Flying Fortresses).

3. This memorandum covers the 27th weekly statement of plane deliveries to the British, thus beginning a new half year. The following is a summary of the first six months of the data available to us on the plane shipments (not including this statement).

Total number of planes shipped	1,639
Average weekly shipment	63
Average monthly shipment	273
Percentage of planes to England	48%
Percentage of planes to Middle East	39%
Percentage of planes to Far East	13%
Total	100%

- 2 -

Division of Monetary  
ResearchAirplane Shipments to the British  
(From February 1 to August 10 by air  
January 11 to July 19 by sea)

Table A. - Shipments by Area

	Latest Week	Total Reported To Date
<u>To the United Kingdom</u>		
Light and medium bombers	50	702
Heavy bombers	1	42
Naval patrol bombers	0	72
Pursuit	<u>0</u>	<u>23</u>
Total to United Kingdom	51	839
<u>To the Middle East</u>		
Light and medium bombers	3	153
Pursuit	<u>15</u>	<u>501</u>
Total to Middle East	18	654
<u>To the Far East</u>		
Light and medium bombers	0	6
Naval patrol bombers	0	9
Pursuit	0	145
Trainers	<u>0</u>	<u>55</u>
Total to Far East	0	215
<u>Totals</u>		
Light and medium bombers	53	861
Heavy bombers	1	42
Naval patrol bombers	0	81
Pursuit	15	669
Trainers	<u>0</u>	<u>55</u>
Grand Total	69	1,708

- 3 -

Division of Monetary  
Research

Table B. - Shipments by Types

	Latest Week	Total Reported To Date
Bell Airacobra (P-39)	0	14
Boeing B-17	0	21
Brewster Buffalo	0	145
Consolidated Catalina	0	81
Liberator	1	21
Curtiss Tomahawk	15	501
Douglas Boston I	0	1
Boston II	0	72
Boston III	19	132
Glenn Martin Maryland	0	150
Grumman Martlet II	0	9
Lockheed Hudson I	0	1
Hudson III	29	105
Hudson IV	0	18
Hudson V	3	343
North American Harvard II	0	55
United Chesapeake	<u>2</u>	<u>39</u>
Grand Total - All Types	69	1,708

- 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 *	39	-	-	100	-	139
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
July 13 *	34	-	3	48	-	85
July 20 *	41	-	1	32	-	74
July 27 *	45	-	-	24	-	69
Aug. 3 *	45	-	-	11	-	56
Aug. 10 *	<u>53</u>	<u>1</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>69</u>
	861	42	81	669	55	1,708

\* 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 August 10 would report the shipment of planes by water for the week ending July 19.

FOR THE PRESS

IMMEDIATE RELEASE

FOR THE PRESS

AUGUST 14, 1941

1899

The following statement signed by the President of the United States and the Prime Minister of Great Britain is released for the information of the Press:

The President of the United States and the Prime Minister, Mr. Churchill, representing His Majesty's Government in the United Kingdom, have met at sea.

They have been accompanied by officials of their two Governments, including high Ranking officers of their Military, Naval and Air Services.

The whole problem of the supply of munitions of war, as provided by the Lease-Lend Act, for the armed forces of the United States and for those countries actively engaged in resisting aggression has been further examined.

Lord Beaverbrook, the Minister of Supply of the British Government, has joined in these conferences. He is going to proceed to Washington to discuss further details with appropriate officials of the United States Government. These conferences will also cover the supply problems of the Soviet Union.

The President and the Prime Minister have had several conferences. They have considered the dangers to world civilization arising from the policies of military domination by conquest upon which the Hitlerite government of Germany and other governments associated therewith have embarked, and have made clear the stress which their countries are respectively taking for their safety in the face of these dangers.

They have agreed upon the following joint declaration:

Joint declaration of the President of the United States of America and the Prime Minister, Mr. Churchill, representing His Majesty's Government in the United Kingdom, being met together, deem it right to make known certain common principles in the national policies of their respective countries on which they base their hopes for a better future for the world.

First, their countries seek no aggrandizement, territorial or other;

Second, they desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned;

Third, they respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self

- 2 -

government restored to those who have been forcibly deprived of them;

Fourth, they will endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity;

Fifth, they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement and social security;

Sixth, after the final destruction of the Nazi tyranny, they hope to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want;

Seventh, such a peace should enable all men to traverse the high seas and oceans without hindrance;

Eighth, they believe that all of the nations of the world, for realistic as well as spiritual reasons, must come to the abandonment of the use of force. Since no future peace can be maintained if land, sea or air armaments continue to be employed by nations which threaten, or may threaten, aggression outside of their frontiers, they believe, pending the establishment of a wider and permanent system of general security, that the disarmament of such nations is essential. They will likewise aid and encourage all other practicable measures which will lighten for peace-loving peoples the crushing burden of armaments.

(Signed) FRANKLIN D. ROOSEVELT

(Signed) WINSTON S. CHURCHILL

- 2 -

government restored to those who have been forcibly deprived of them;

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(Signed) FRANKLIN D. ROOSEVELT

(Signed) WINSTON S. CHURCHILL

C  
O  
P  
YNo. W.R.1117/59/41SAFE HAND

BRITISH EMBASSY,

WASHINGTON, D.C.,

August 14th, 1941.

My dear Mr. Cochran,

I think you might like to see the enclosed copy of a letter which I have written to Mr. Acheson, and which is self-explanatory.

Yours sincerely,

(Signed) Noel Hall

Mr. Merle Cochran,  
Foreign Funds Control,  
U. S. Treasury Department,  
Washington, D.C.

Copy:lg 8/16/41

C  
O  
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BRITISH EMBASSY,

WASHINGTON, D.C.,

August 12th, 1941.

SAFE HAND

My dear Mr. Acheson,

The Freezing Order and Japan

I have been informed of the detailed arrangements which H. M. Government has decided to adopt in the U.K. and the Colonies and to recommend for consideration of the Dominions, India and Burma. The details are as follows:-

1. Accounts and assets existing at present date and future payments into such accounts will remain blocked. Licenses have been given to meet pre zero mandates of payment and will be given to meet approved pre zero commitments e.g. to pay to residents in sterling area for goods already despatched, to pay service of Japanese sterling loans and to cover normal salaries rent etc. of branches in sterling area of Japanese concerns and maintenance of Japanese residents in area.

2. Where imports from Japan into United Kingdom or Colonies are regarded as of essential importance and Japan is willing to supply on a quasi-barter basis, payments for such imports will be made to a new clearing account of Yokohama Specie Bank with Bank of England. Sums standing to credit of this clearing account will be available for Japan to pay for exports from the United Kingdom or Colonies which H. M. Government may agree to licence in order to obtain essential imports of corresponding value.

3. It is being suggested that each Dominion and India and Burma should open a similar clearing account. Later on it may be found desirable that a surplus on one or more of these clearing accounts should be used to balance a deficit on others. It is proposed to inform Yokohama Specie Bank in London of the suggested arrangements for a clearing account for the United Kingdom and Colonies to test the reactions of the Yokohama Specie Bank. No public statement is to be made.

4. If/

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

- 2 -

4. If exports are allowed to continue freely to Japan, it will either be necessary to allow payment from frozen accounts which would make Freezing Order inoperative or else exporters would not be paid. It is therefore proposed to extend export licensing to cover all exports to Japan and to give licenses only against direct barter or to the extent that funds are available on the new clearing account. It would, of course, be the object of H. M. Government to limit goods which were allowed to be exported to those least essential to Japan, and they would also aim in no case to give licenses for goods, the export of which is now prohibited by the U.S.

5. Though the system described above is somewhat different from that at present envisaged by the U. S. Government, it seems probable that the effect of both systems will be much the same, namely the cessation of trade except for special intermittent transactions.

6. Special arrangements will require to be made for cotton to correspond with arrangements about United States cotton and also special arrangements may be required as regards Japanese owned concerns in Malaya and elsewhere corresponding with special arrangements contemplated for the Philippines.

7. The question as to how export prohibition shall extend to food (e.g. rice) from sterling area is at present under consideration.

8. It may be necessary to revoke existing licenses. At present it is intended to give permission for insurance payments. H. M. Government wish to consider both these points further after ascertaining the intentions of the U. S. Government.

9. It is considered that blocked funds should not be freed to enable the Japanese to finance movement of goods from one part of the British Empire to another part or to a third country.

10. The/

- 3 -

10. The existing powers under the Defence (Finance) regulations permit the extension of the Exchange Control to residents in Japan (including Companies incorporated there and their branches) but not to Japanese nationals resident in countries other than Japan or China. The question of amending the regulations in this respect will require consideration. There appears to be no objection to Dominion regulations covering Japanese nationals wherever resident on the lines of the U. S. Freezing Order, if circumstances make this desirable. We understand from Yokohama Specie Bank that the Japanese have in this matter adopted the principle of reciprocity.

We have sent a copy of this letter to Mr. Cochran at the Treasury.

Yours sincerely,

(Sgd) Noel F. Hall.

WR:TMI

CCPY:wec:8-16-41

CASH

Shanghai

August 14, 1941.

Federal Reserve Bank of New York, New York.

#13

Pay yourselves \$20,000,000 for credit of United States  
Dollar Chinese Yuan Stabilization Fund of China Special  
Account.

(Signed) Central Bank of China

FD:lg 8/14/41

CASE

Chungking

August 14, 1941.

Federal Reserve Bank of New York,  
New York, New York.

Cores

(Signed) Stabilization Board of China

Extract from letter dated May 24, 1941, to Mr. A. Samuel Fox, c/o  
the Secretary of the Treasury, Washington, D. C.:

" After the Stabilization Board of China is duly constituted, it should cable us the word "CORES", which shall constitute the Board's acknowledgment of the receipt of the contents of such sealed packages as above, and the Board's authorization and request to us, as fiscal agent of the United States, to accept and act upon any cablegram, radiogram or telegram which we receive in the name of the Stabilization Board of China, authenticated in accordance with the enclosed test arrangement. The Stabilization Board of China should also acknowledge receipt of our Circulars Nos. 2162 and 2203 by signing and returning to us the cards attached thereto."



FD:ain 5-14-41

## PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, via H.R.

DATE: August 14, 1941, 8 p.m.

NO.: 190

The following telegram is from the Secretary of the Treasury for Mr. Fox.

Re telegram received here August 12, your no. 341.

The terms of Treasury General License no. 53, as amended August 5, envisage merely that trade will be permitted by blocked nationals whose names are not on the Proclaimed List, and who are living in the American republics, the Netherlands Indies, the British Commonwealth and Empire, the Belgian Congo, the U.S.S.R., et cetera. The accounts of these blocked nationals are not otherwise freed under this license, which merely permits trade to be carried on with such nationals on the same terms as with other persons residing in the same place. The reason for issuing the General License in this manner is that it is thought the local authorities are better situated to restrict the activities of such blocked nationals if it is desirable to do so in any special instance.

You will receive a copy of the text of the General License no. 53, as amended.

HULL  
(FL)

EA:FL

EA:LNW

DES

FLAIN

CHEFOO VIA N.R.

Dated August 14, 1941

Rec'd 10 p.m.

Secretary of State,  
Washington.

27, Fourteenth.

Peiping's circular August 13, 1 p.m.

Freezing regulations authorize withdrawal of five hundred Federal Reserve Bank dollars equivalent to United States currency fifty-five dollars per month for living expenses. The licensing authority for withdrawals from frozen accounts in Japanese bank and frozen credits with Japanese firms is the Japanese Consul who acts only after approval by the Japanese Special Military Mission. On special licenses issued by Japanese Consul American and British firms have succeeded in withdrawing funds in excess of five hundred local dollars to meet payroll. Similar regulations have been decreed by the Japanese sponsored Peiping Government. The Federal Reserve Bank at Chefoo is licensing authority for frozen assets in Chinese hands but the banks so far not granted any special licenses for withdrawals claiming applications must be referred to Peiping.

Americans at times during past seventeen days have been prevented from leaving Chefoo by refusal of military authorities

- 2 -

authorities to issue travel passes. Travel passes are now being issued. Japanese Consul states applications must be filed at least one week before departure for careful scrutiny by Japanese.

Simultaneously with freezing order Japanese began rigid censorship of incoming and outgoing American mail. This Consulate's official mail has been opened. Mail for Americans is delayed. No Shanghai newspapers addressed to Americans have been delivered since July 28.

American firms under orders from the Japanese military are forbidden to carry on any business transactions and cannot move their merchandise. The Japanese military authorities have assumed control of the petroleum products belonging to the two American oil companies ordering Chinese staffs to deliver gasoline and fuel oil to clients designated by special military mission.

Americans departing from Chefoo are subject to rigid baggage examination by customs officials and may not carry out more than two hundred dollars Federal Reserve Bank currency equivalent to American dollars twenty-two.

Last report from Southern Baptist Mission at Hwanghsien Shantung dated August tenth states mission since July 28 has been picketed by sixty guards who prevent Chinese and Americans from moving personal effects

- 3 -

effects from mission premises. Americans at Hwanghsien are prevented from using their automobiles and are restricted to immediate vicinity of mission. Meager reports from American Presbyterian Mission at Fenglai Shantung indicate same situation exists there.

Sent to the Department, repeated to Chungking, Peiping and Shanghai.

ROBERTS

CSB

\* C O P Y \*

GRAY

HANOI via N.R.

undated

Rec'd 3:24 p.m.

August 14, 1941.

Secretary of State

Washington.

120,

The local press has published the general terms of the Governor General's decree of August 5 by which a general prohibition of exportations from Indochina is provisionally instituted, regardless of the origin of the goods and regardless of the destination. However, provision is made in the decree for the granting of special permits for exportation upon application to the Government General. This decree followed the recommendation to this effect on June 10 by the Permanent Commission of the Council of the Government General.

Sent to Cavite for repetition to the Department .  
Chungking, Peiping, Hong Kong, Shanghai.

REED

Copy:bj:8-21-41

C  
O  
P  
Y

PLAIN

Mukden via Peiping  
and H. R.  
Dated August 14, 1941

Rec'd 9:15 p.m. 16th

Secretary of State,  
Washington.

18, August 14.

Reference Department's 139 to Peiping and  
Peiping's circular August 13, 1 p.m.

American nationals here including consulate  
officers require specific licenses for bank with-  
drawals exceeding yuan 500 in any month (equivalent  
to American \$118 at nominal official rate about American  
\$50 at ascertained real rate for foreign and domestic  
transactions), specific licenses have been granted  
to Americans for amounts needed for exchanges but  
an application by this office to withdraw yuan 4900  
equivalent to American \$1150 at official rate (which  
is held in this office's accounts as a special de-  
posit and which it was contemplated asking Department's  
authority to apply to disbursing) has been reissued  
and a new application requested which would give an  
analysis

-2- 15, August 14th, from Mukden via Peiping and N.R.

analysis of the Consulate's receipts and expenditures. New application is not (repeat not) being made. Under the trade control law shipments of personal effects from Manchuria require permits. Effective since August 1 American nationals and other foreigners must obtain permits to leave Manchuria. For those desiring to travel outside of Manchuria and return here permits may be denied to those who have not obtained police approval of their itineraries outside Manchuria. Delay and difficulty has been experienced by applicants for permits. Although a request to Hsinking authorities July 2 for information as to what routes of exit were available to Americans has not (repeat not) been answered, it has ascertained that Americans have been successful in leaving Manchuria only by North China rail route; the Dairen-Japan route, Seishin-Wapan and Rashin-Japan routes being closed to them by inability to obtain tickets of passage. Effective today regulations have been published requiring foreigners (including Americans and American consular officers) to obtain permits for all travel outside the cities or towns of their residence. Americans in outlying towns have for past several weeks been subject to police orders in  
local travel

-3- 18, August 14, from Mukden via Peiping and H. R.

local travel, for example, an American designed to visit his office was given police permission to do so only upon his guarantee that he would return to town of residence on same day. Americans and others are subject to search of baggage including pocket-books, et cetera; either while traveling within or leaving Manchuria, sometimes several times on a short journey.

Under existing foreign exchange control laws American and others (including American consulate officers) may not take or send out of Manchuria without permit, any local or other currencies, monies, drafts, checks, et cetera; except that 10 yuan equivalent to American \$2.50 may be exchanged at frontier. Licenses are seldom granted for foreign exchange and this office has been unsuccessful in repeated attempts since 1939 to obtain license to permit to the United States funds belonging to deceased Americans of less than 5,000 yuan or approximately \$1100.

KRENTE

ALC

Copy: hbr: 8-22-41

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Tokyo, Japan

DATE: August 14, 1941, 8 p.m.

NO.: 1837

The major problem to be considered in the arrangements which are being made for the release of funds of American Government officials and private citizens in Japan is that of selling U.S. dollar drafts or checks to either Japanese banks or foreign banks. Such dollar funds, under the existing regulations, would become frozen as soon as the banks in Japan accepted them. Since there are few Americans who maintain large yen bank balances, they would not be able to secure yen for dollar paper by the mere unfreezing of their accounts. It is urgently requested, therefore, that some arrangement that is definite be made at once so that the banks in Japan (preferably the National City Bank)—and an arrangement with branches in the U.S.—be authorized at least to accept U.S. Treasury drafts and checks which are drawn on the Department of State.

The Japanese Government, in exchange, could be given assurance that the amounts so negotiated in Japan would not be frozen when collection was made in the U.S. but would be made available for Japanese officials with branches in America.

The procedure as was outlined in telegram No. 478, August 7, 1941, 8 p.m., from the Department will fall far short of alleviating the prevailing very serious and  
embarrassing

RECEIVED  
TREASURY DEPARTMENT

embarrassing situation that exists in Tokyo unless some  
such banking arrangement is made.

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

GREY

EA:PAK

840.51 Frozen Credits/3004

**PARAPHRASE OF TELEGRAM RECEIVED****FROM:** American Embassy, Rio de Janeiro, Brazil.**DATE:** August 14, 1941, 6 p.m.**NO.:** 1061

Reference is made to the Embassy's telegram of August 13, 1941, No. 1060.

I understand that some members of the French Embassy's staff will soon resign and join the Free French movement here.

The following table shows the number of centes in the possession of the French here in Rio de Janeiro.

<u>CENTES:</u>	<u>LOCATION:</u>
400	In the National City Bank (In the name of the Commercial Attaché)
2300	In a special account in the Bank of Brazil
<u>5000</u>	In the Embassy
<u>7700</u>	TOTAL

7,700 centes is approximately \$385,000. The amounts given are in addition to the \$1,000,000.

TO THE  
TECHNICAL  
SECTION

VBA  
GAFFERY

EA:FL:ERK

2041 AUG 14 11 11 AM '41  
RECEIVED

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE August 14, 1941.

TO Secretary Morgenthau  
 FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£33,000
Purchased from commercial concerns	£13,000

The Federal Reserve Bank of New York sold £20,000 registered sterling to the American Express Company.

Open market sterling remained unchanged at 4.03-1/2. There were no reported transactions.

The Canadian dollar showed considerable strength today, improving from 11-3/8% discount at the opening to 11% discount at the close.

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

Argentine peso (free)	.2387
Brazilian milreis (free)	.0505
Colombian peso	.5800
Mexican peso	.2070
Uruguayan peso (free)	.4380
Venezuelan bolivar	.2700
Cuban peso	1-1/8% discount

In Shanghai, the yuan declined to 4-27/32¢, off 1/16¢. Sterling was also lower, at 4.02, off 1¢.

There were no gold transactions consummated by us today.

In London, spot and forward silver were both fixed at 23-7/16d, unchanged from yesterday. The U. S. equivalent of this price is 42.55¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman settlement price for foreign silver was also unchanged at 34-3/4¢.

Under the Silver Purchase Act we made four purchases of silver totalling 310,000 ounces. Of this amount, 210,000 ounces represented new production for forward delivery, and 100,000 ounces consisted of domestic inventory for spot delivery.

G-2/2657-220; No. 487 M.I.D., W.D. 11:00 A.M., August 14, 1941

SITUATION REPORT

I. Eastern Theater.

Ground: Finnish troops are advancing slowly down the western shore of Lake Ladoga in the direction of the Karelian Isthmus. Advanced groups are seeking to surround Kakisalmi.

The German army group of Field Marshal Ritter Von Leeb is holding two bridgeheads on the northeast bank of the Luga River. These bridgeheads have been heavily counterattacked by the Russians during the last few days.

To the southwest of Roslavl, the central German army group of Field Marshal Von Bock has encircled a Russian force to the south and southeast of Klimovitchi.

A major German mopping up action is in progress in the region of the Fripet and Rokitno marshes between the former Polish-Russian frontier and the Dnieper River. This action is being taken by the Germans to clear up the situation in the left flank and left rear of the army group of Field Marshal Von Bock.

To the south of Kiev, the Russians have established a bridgehead on the west bank of the Dnieper River at Kanew. In the past few days, the Russians have begun a series of attacks from this bridgehead.

A German armored division has wiped out a Russian bridgehead on the southwest bank of the Dnieper opposite Kremenchug.

Another German armored column has captured Krivoi Rog, an important Russian industrial center in the bend of the Dnieper.

A German force advancing southward down the eastern bank of the Bug has reached the area of Privolnoye, a town 40 miles north of Nikolaev.

On the west bank of the Bug other German forces have reached the estuary of the Bug opposite Nikolaev.

German-Roumanian forces of General Von Schobert's "Moldav Army" have reached Berezovka, 50 miles northeast of Odessa.

Air: Germany reports attacks on the rail facilities at Gamel, north of Kiev and claims to have destroyed 154 Russian planes on the 12th.

II. Western Theater.

Air: Bad weather caused a lull in activity over both Berlin and London.

III. Mediterranean Theater.

Ground: Italian troops were reported joining the drive on Odessa.

Paraphrase of Code Cablegram  
Received at the War Department  
at 18:10, August 14, 1941.

London, filed 22:25, August 14, 1941.

1. British Air Activity over the Continent.

a. Day of August 12. The greatest effort by the R.A.F. was to force the Germans to withdraw their fighters from the Russian Front. The day fighter sweeps have not been successful in relieving German fighter pressure on the Russian Front. However, the Air Ministry states that the mission on this date was successful, tactically. Also on this date there were 200 large incendiaries and 22 tons of HE dropped on Cologne. Only a few straggler fighters were encountered in this attack.

b. Night of August 12-13. The tonnage dropped on this night was as follows: Magdeburg, 17 tons HE, 360 incendiaries; Le Harve, 1200 incendiaries; Essen, 38 tons HE, 500 incendiaries; Berlin, 83 tons HE, (five 4000 pound bombs) 4300 incendiaries (128 twenty-five pound incendiaries.) Stetten, Emden, Kiel and Bremen (by single airplanes) 23 tons HE, 2000 incendiaries (120 large); Hanover, 58 tons HE, 7600 incendiaries. All attacks were considered moderately successful. Beauforts attacked the docks on the South Norway Coast and laid mines. Attacks were made upon the airdromes at Aalborg, and Rodalet, and the docks at Aalsboen, by single airplanes.

c. Day of August 13. 223 Fighters operated as follows:

98 on interception missions, 25 on offensive missions and 100 protecting shipping. The Coastal Command was active on the Norwegian Coast and in the North Sea. There were no bomber offensive missions.

2. German Air Activity over Britain.

a. Day of August 12. 10 reconnaissance airplanes and 10 long range bombers were over Great Britain.

b. Night of August 12-13. A night effort that was widespread and ineffective was made by 30 long range bombers and 20 fighters.

c. Day of August 13. One airplane carried out long range reconnaissance from South Wales to Coventry, and over London, and out to sea. There was also shipping reconnaissance on a small scale.

d. Night of August 13-14. One airplane was reported near Cromer.

3. Aircraft Losses Reported.

a. British losses. During the day of August 12, ten Blenheims were missing.

4. British Air Activity. Other Theaters.

a. Middle Eastern Theater. Night of August 11. Attacks were made on the airdromes at Gazala and Derna.

b. Night of August 12. Good results were claimed in an attack upon Tripoli.

5. Axis Air Activity. Other Theaters.

a. Middle Eastern Theater. Day of August 11 and 12. Attacks were made upon Tobruk with a few casualties and some damage to military property.

b. Eight of August 12. Some damage was caused by an attack upon Abu Sueir Airdrome.

The Russian Air Force has been very active in attacks upon the German advance in the Southern Front. The Russian Fleet Air Arm has bombed Constanta on several occasions, the last attack being on August 7. The scale of the attack is unknown. The above was reported by the Air Ministry.

LEE

IB# 1

## Distribution:

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CONFIDENTIAL

TREASURY DEPARTMENT

FOR RELEASE, MORNING NEWSPAPERS,  
Friday, August 15, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated August 20, 1941, and will mature November 19, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000 and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, August 18, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by

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payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on August 20, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to 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, or

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any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

-oOo-

August 15, 1941  
8:45 a.m.

HMJr: Hello.

Operator: Speaker Rayburn.

HMJr: Hello.

Speaker  
Rayburn: Henry?

HMJr: Sam, you called me.....

R: Yes, I did. I want to run by there and see  
you about nine-thirty or ten for a minute.

HMJr: At your service. Which will it be?

R: Oh, I think about - between - oh, a little  
after nine-thirty.

HMJr: Well.....

R: Will you be there?

HMJr: I'll be waiting.

R: All right, fine.

HMJr: Thank you.



THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

August 15, 1941

MEMORANDUM FOR THE SECRETARY:

I have gone to attend a nine o'clock conference at Federal Reserve Board on Consumer Credit.

House yesterday passed bill to freeze Government's stock of cotton and wheat. As it had previously passed Senate it now goes to President for signature. Although we may not be called upon for report, I believe we should submit one anyway to the Budget recommending a veto. I have asked Mr. O'Connell to get together some notes on the subject with this in mind. Do you agree?

*swB*

August 15, 1941  
9:15 a.m.

GROUP MEETING

Present: Mr. Odegard  
Mr. Cairns  
Mr. Gaston  
Mr. Sullivan  
Mr. Cochran  
Mr. Haas  
Mr. Thompson  
Mr. Kuhn  
Mr. White  
Mr. Schwarz  
Mrs. Klotz  
Mr. Graves  
Mr. Viner

H.M.Jr: Morris Wilson came to the house last night and told me about Purvis. He is worth a hundred generals to the English, Purvis. They can't replace him.

White: I just heard it this morning on the radio. I thought how many other people it could have happened to with profit.

H.M.Jr: He is worth a hundred generals.  
Herbert?

Gaston: I haven't anything except this letter you gave me to read from the office of Civilian Defense.

H.M.Jr: Well, you are the Acting Secretary. I am breaking you in between now and this evening.

Gaston: Oh, all right. This is a pretty heavy dose.

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H.M.Jr: Well --

Gaston: I mean, what they are after --

H.M.Jr: Well, you know who is working over there, and if you want to send for him you can talk to him.

Gaston: Bob Kintner?

H.M.Jr: Yes.

Gaston: Yes, he is mentioned in here.

H.M.Jr: Captain Kintner, detailed to La Guardia.

Gaston: They are undertaking to do what nobody has quite succeeded in doing heretofore. The Office of Government Reports had some ambition in that line. It was to be an over-all Government information office.

H.M.Jr: I didn't read it. You know what I told him to do? I said, "You have got one good suggestion, and that is to organize a speakers' bureau to address the soldiers and sailors and marines, and also private meetings wherever necessary to inform the country, and if you do the other thing, you will just get into trouble." I don't think he listens.

Gaston: You told La Guardia that?

H.M.Jr: I told La Guardia. I said, "If you try to centralize all this information, bulletins, speakers, radio programs, everything, you are just going to have the worst headache in the world."

Gaston: I think that is right.

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- White: Wouldn't that be the appropriate committee, Mr. Secretary, to carry out your idea of this committee to take care of morale, and Odegard's idea?
- H.M.Jr: Well, he is charged with that. That is the thing.
- Gaston: That is the Office of Civilian Defense.
- H.M.Jr: And the way he is going to do it is to take every publicity office in the place and put it under him.
- White: Peter Odegard might prepare a memorandum or a report or suggestions and send it to him.
- H.M.Jr: He won't read it. He has made up his mind what he wants to do. It is a closed mind you are dealing with, Harry. I had the same idea that you did, and then I saw there was no use. It is a closed mind. Herbert? I mean, a man can't come down here, you see, with a thing foremost in his mind, how to be re-elected for Mayor, and at the same time be thinking about how to get these people in the frame of mind that they want to lick Hitler.
- Gaston: I have nothing else.
- Cochran: The Federal received word yesterday that the Stabilization Board in China has been set up and the payments are being made across from one Chinese fund into the Stabilization Fund, the dollars they were supposed to put up.
- I have two letters here for you. You asked me to find out from Foreign Funds about this case.
- H.M.Jr: Is that Walter Rautenstrauch?

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Cochran: That is right.

H.M.Jr: Did he address his letter to me?

Cochran: Yes, sir.

H.M.Jr: I had the meeting earlier because the Speaker is coming down between nine thirty and a quarter of ten, so I thought we could clear the decks.

Cochran: That is all.

H.M.Jr: Do you have ~~that~~thing for me, Ferdie?

Kuhn: Yes, sir, I will have it ready right after this meeting.

H.M.Jr: Fine. Bring it in yourself, please.

Cairns: Nothing, Mr. Secretary.

H.M.Jr: Did the General Counsel get off all right?

Cairns: He certainly did. He departed in high spirits.

H.M.Jr: Did you see him off with rice?

Sullivan: Aye, aye, sir.

H.M.Jr: Did you really?

White: He will have a hard time explaining to his sister.

H.M.Jr: Did you go down? Were you down there?

White: Yes, sir.

Sullivan: Kate was already saying she was his sister.

H.M.Jr: What did you fellows have, rice?

- 5 -

Sullivan: We just had a little confetti, Harry and Larry Bernard and I.

H.M.Jr: Did you just douse him with rice?

White: Yes, I managed to get some inside his coat. I think that will be falling out until he gets to Chicago.

White: There was a reporter there. But anyway, the people on the plane will know.

H.M.Jr: How did they explain his sister?

White: That is what I am wondering. He will say, "That is my sister," and I suppose there will be a lifting of eyebrows.

Sullivan: We have some communications that we might want you to initial before we send them out later in the day.

H.M.Jr: All right.  
(Mr. Viner entered the conference).

H.M.Jr: Jake?

Haas: Those reports are all I have.

Viner: I like that statement you made to the press.

H.M.Jr: Did you?

Viner: Yes. We don't have to do any work now.

H.M.Jr: Are you being sarcastic?

Viner: No, no.

H.M.Jr: Which part - which is sarcastic, that you like it or you don't have to do any work?

- 8 -

- Viner: None of it is sarcastic. I liked the statement. I am glad you made it, and you covered lots of ground and I liked the way the Times wrote it up, reported you.
- H.M.Jr: They wrote it up very well. I was crazy to make it and I got the opening because they asked me the question - what did they ask, about social security?
- Schwarz: About prices.
- H.M.Jr: No, they asked me definitely about social security.
- Schwarz: They led up through the the Henderson Committee and then made the point about Social Security.
- H.M.Jr: No, I tell you what the question was. The question they asked me was that Henderson had said he was for forced savings; did I agree with Henderson. That was the question they asked me. That gave me the chance to say no, I am for this. That is what gave me the chance I was looking for.
- White: Did any other paper but the Times-Herald --
- Viner: Oh yes, it was in last night's papers but the Times has the best write-up.
- Schwarz: Associated Press carried a good full story.
- Kuhn: I think they saw the importance of it and kept it right up on the front page in spite of Churchill and that was half the battle.
- H.M.Jr: I got a little kick out of it. What else, Jake? When will you be back again.
- Viner: Why, you are going to be back the day after Labor Day?

- 7 -

H.M.Jr: That is right.

Viner: I could be back that day, but then I have to be in New York the next day. I could come back again so that - well, I can come on the second day.

H.M.Jr: Well, that is Tuesday. Why don't you be here, say, Thursday and Friday?

Viner: That would be more convenient for me.

H.M.Jr: How would that be?

Viner: I will be here Thursday morning. That is the fourth, I think.

H.M.Jr: Whatever it is.

Viner: All right.

H.M.Jr: Now, George, those charts, everything that you are working on, I expect to have them complete when I come back.

Hans: Well, I --

H.M.Jr: The market basket and all that stuff.

Hans: They will be out of date, Mr. Secretary.

H.M.Jr: Well, bring them up to date. Let's have a set that I can look at.

Hans: All right, even if they are out of date, and we will revise them.

H.M.Jr: Sure. Make a set so that you have them as a model and have them here for me and then it is easy enough to bring them up to date, particularly those ones of Miss Ware. Anything else?

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Haas: I have nothing else.

Schwarz: Is it O.K. on Monday simply to say that you are on vacation?

H.M.Jr: Yes. Or you can wait --

Schwarz: I will wait until the press conference.

H.M.Jr: Yes.

Schwarz: That is all.

H.M.Jr: Harry?

White: The Department of Commerce a week ago had to supply the White House with some trade data to Russia and other countries, and we are the only agency that can give them that data, and we did give it to them, because we were keeping up with the current exports of various countries in line with what you asked, and with Foreign Funds, particularly, so we have got a staff of about eighteen persons working steadily, clerks most of them, collecting that data.

The Department of Commerce, the head of the Foreign Bureau, would very much like to get our current reports. They have no other way of getting them, getting that information

Is it all right with you to send them that? We have always cooperated with them in the past.

H.M.Jr: All right.

(Mr. Odegard entered the conference).

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H.M.Jr: Well, for heavens sake, who brought you around?

Odegard: I got lost.

H.M.Jr: Little "morale," how are you?

Am I ever going to be told what is going on in the Phillipines or Hawaii?

White: Yes. There is more work in the Phillipines than there was in Hawaii, so we sent a couple of the men from Hawaii to the Phillipines, and they are getting along very nicely. We can give you a detailed - I have a statement I can digest for you, if you would like to take it with you.

H.M.Jr: No. But when I come back I would like to know.

White: Yes. They are getting along very well.

The Ecuadorian Minister, I think, is coming to you. You have one page, if you want to glance at it before you see him.

H.M.Jr: I am just going to shake hands with him.

White: The Inter-Departmental Latin-American Committee has developed a plan for training Latin-American men. I am raising this now because they want an answer now, if they can have it. It involves training Latin-American technical men here. They want to know whether Treasury will support them. I helped them on the plan a long time ago, and it would mean spreading around a few South Americans in the Accounting, Revenue, Budget, and so on and monetary matters. Now, we have got a program developed so that it won't cost us anything. We would like to support them and participate in it.

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- H.M.Jr: Which department is Carmen Miranda going to study in?
- White: I think she probably will take up monetary matters. (Laughter)
- Gaston: Harry, they couldn't go in to Revenue, could they?
- White: No, I don't think so. She already knows about that. (Laughter) There is nothing wrong with her revenue.
- Gaston: I didn't say "she", Harry, I said "they". They couldn't take anybody in Revenue, could they? They can't handle Revenue matters without being employees and they couldn't be employees without being citizens.
- White: Well, I think what they could do, it is in the Tax Division and probably where they would learn about Revenue, being shown through and things of that character, not having access to any of the Revenue files.
- H.M.Jr: Give them a special trip through the Bureau of Engraving.
- White: That we will do.
- H.M.Jr: What else, Harry?
- White: Is it all right?
- H.M.Jr: Yes.
- White: The British - Phillips would like a meeting this morning. I had called them and asked them whether they had anything on their minds because you would be away for a couple of weeks.

- 11 -

They said no and then later they called up and they are much concerned about this cut of a billion and a half and they feel it is going to affect them, and we are having a meeting this morning.

H.M.Jr: What was this thing that somebody said to me about Liberty Motors?

Cochran: I mentioned that.

White: That - I have taken that up --

H.M.Jr: What is that story? I want to know that story.

White: Well, the - apparently the price of those motors which was quoted to the Army was five per cent - was more than the Army was willing to pay or thought reasonable. You check me on this, Merle, because I haven't gone over it very carefully. I turned it over to Cox's office to investigate. And the Army refuses to pay more. The British, not wanting to hold up the orders, want to pay for it, and I think with the expectation or hope that it will be reimbursed, or most of it.

H.M.Jr: Who brought it to Treasury's attention?

Cochran: Mr. Bewley wrote me a letter. That is the one I mentioned at the 11 o'clock meeting yesterday. Then I referred it to Harry and I sent a copy to Cox and I spoke with Cox yesterday morning before I came in the meeting, and he told me that he hoped we would get them to do nothing and wait two or three days, because legislation might go through permitting requisitioning so they could take these things over and not

- 12 -

have the price question up. You see, it is a dangerous precedent if the British have to spend their dollars whenever the Army won't take this stuff, because the price currently is above that in the old listed catalogs.

H.M.Jr: Well, why do we get in on a thing like that?

Cochran: Well, it is a question as to whether we approve their spending of their own dollars. That is the main point that comes up in these committee meetings.

White: They have been very careful to inform us of any dollar expenditures of any character.

H.M.Jr: And as I understand it, this company wants more money.

White: Than the Army feels as a reasonable price, and the matter is being examined and gone into by Cox, and I think they will have something to say at this morning's meeting about it.

H.M.Jr: Well, I would like - if we have got to pass on that, I want my own investigation made as to whether it is a reasonable price before I pass on it.

White: Well, anything that we do at the meeting will merely be preliminary to presenting it to you.

H.M.Jr: But listen very closely. Before I pass on this thing, if I have to pass on it as to whether it is reasonable or unreasonable, I want my own investigation, Harry, and you can use either Internal Revenue engineers or Procurement engineers, but if I have got to say the price is reasonable or not, I won't take anybody else's word but my own.

Cochran: The British are particularly nervous over this, Mr. Secretary, so Bewley told me aside, because Corcoran is the lawyer for this concern. They are afraid it is going to be investigated anyway.

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- H.M. Jr: Well, I knew that. Think back in the last five minutes to what I have been talking about. Now, incidentally, if we need an engineer and if he is back with the National Aeronautical Research Bureau, the man to use - what is that aviation engineer I used?
- Schwarz: Mead?
- H.M. Jr: Mead.
- White: I take it if you want an investigation that there will be somebody in your staff who will be responsible for conducting it.
- H.M. Jr: Well, Herbert, if you need somebody, and if George Mead is back with the National Association of Aeronautical - he has gone back with them, or I think he has now. He would be perfectly - would be the best man.
- Gaston: On motors?
- H.M. Jr: Yes.
- Gaston: Our fellows in the Coast Guard have done a lot of work on that.
- H.M. Jr: Well, use both. But you have got Internal Revenue accountants. If you don't mind, Herbert, we had those things in our own speedboats.
- Gaston: Yes, I know, and we have got them now.
- H.M. Jr: I have got to - if I have got to say the price is more or less, before I want the Treasury to pass on it I want my own investigation.
- Sullivan: I think that is good judgment.

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- Cochran: They are afraid there will be a precedent if they pay cash simply because the army won't.
- H.M.Jr: I am not afraid of that. I am just afraid of putting my stamp of approval on something that - well --
- White: If there is an investigation to be made I will inform Herbert and Herbert will take care of it from now on.
- H.M.Jr: You don't have to get anybody, Coast Guard could do this.
- Gaston: Yes, because they have bought a lot of those very things from these people.
- H.M.Jr: And with Internal Revenue engineers and Procurement people, we have got enough people right in the Treasury.
- White: All right.
- H.M.Jr: But we understand each other. I don't say they should pay the increased price until Herbert has had an investigation made and he is satisfied that they are all right.
- Gaston: If Harry tells me that it comes to that.
- H.M.Jr: That is right.
- White: If they withdraw their request for your approval --
- H.M.Jr: Only if I have to approve.
- White: Right. The committee on fats and oils in that defense commission has been set up and they are proceeding to report. They are going ahead on that suggestion of yours.
- With respect to Coe and Cassidy, have arrange-

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ments gone forward - any progress been made?

Cochran: We are awaiting a reply from London. It had not come in last night.

H.M.Jr: Well, if we don't get an answer by tonight, please send a cable to Mr. Winant. In any event, I want Coe back by the 15th. In any event I want him back by the 15th.

Cochran: Yes, sir.

H.M.Jr: Would you do that?

Cochran: If the reply doesn't come during the day.

H.M.Jr: Yes, if it doesn't come in. Will you be here tomorrow?

Cochran: Yes, sir.

H.M.Jr: Well, if there isn't a reply in here by noon tomorrow, send Ambassador Winant a letter, please, to have Coe back here by the 15th of September.

Cochran: Yes, sir.

White: This is another matter with respect to the British which may have had a precedent, but I don't know. Maybe somebody here does know. Phil Young called up to say that they have allocated five hundred sixty-eight million dollars out of the Lend-Lease for expenditure by Procurement and there is some breakdown and they want to know whether it has our approval. The breakdown, as I see it, is not adequate for us to approve or disapprove. We would have to know more about it and there are some items there, in fact, that might be troublesome. I don't know who in the past has considered that.

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- Thompson: Cliff Mack is working on that. He is preparing a reply now to the letter.
- H.M.Jr: Talk up louder.
- Thompson: He is preparing a reply - Cliff Mack is preparing a reply to Phil Young's letter asking the Treasury opinion on that.
- White: Cliff Mack is answering this and telling them what the Treasury opinion is?
- Thompson: Yes.
- White: Some of these points raise questions that Cliff Mack, I should imagine, might want to raise, but I will get in touch with Mack.
- H.M.Jr: You see, these things come in to me and I give them all to Norman Thompson, I mean these --
- White: Yes, he gave it to me.
- Thompson: I gave one to him and --
- H.M.Jr: Why don't you and Cliff Mack both clear through Norman on that thing, because I wished that on Norman Thompson to look after it for me because the stuff just rolls in and Norman sees that the right person answers it.
- White: Well, one point, there seemed to be some items there that I think you might have doubt about. Do we have your permission, if we are doubtful, to wait until you come back to pass judgment on them, large items?
- H.M.Jr: If necessary. Try to settle it. Have you got much more, Harry?
- White: Just one item that - if you have time, you

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might want to look at the essence of the cables that have been coming in from the Far East. That is all.

H.M.Jr:

Harold?

Graves:

You asked for a letter to Mr. B.M. Edwards.

H.M.Jr:

Oh yes.

White:

I do have one other item. Ogg, who is going to appear before the Tax Committee in support of the Treasury position, has submitted a copy of what his statement will be like. I think John ought to pass judgment on it.

H.M.Jr:

All right. Give it to John.

That is the American Farm Bureau Association.

Graves:

If you will let me stay a minute, I have the answer to the question you asked me this morning.

H.M.Jr:

That is important.

Thompson:

You inquired yesterday as to who was responsible for guarding the railways, power lines, utilities and so on. The National Guard first took that over and then when they went into the regular army, an organization was established known as the Home Guard by the governors of the states. That didn't work out satisfactorily, so the War Department then took it over and established the United States Guards and I understand that the Militia Bureau of the War Department is undertaking that same arrangement now for the present emergency. I have prepared a memorandum on it.

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H.M.Jr: Thank you. Norman, are you going to be here in the next two weeks?

Thompson: I hadn't planned to.

H.M.Jr: Who will be here?

Thompson: Charlie Bell.

H.M.Jr: O.K. Well, I hope everybody - those that go away and those that stay behind - I hope to leave here sharp at two, so I haven't got much time. But if there is something between now and twelve, let me know.

Kuhn: Are you going to do those statements this morning?

H.M.Jr: Yes.

August 15, 1941

My dear Mrs. Purvis:

I cannot begin to tell you how shocked and grieved I was to learn last night from Mr. Morris Wilson of the fatal accident that Arthur met with.

I knew Arthur intimately, and I have never known a man who was more determined to do his job well irrespective of the repercussions which it might have had on his health. It is my belief that Arthur did more here in Washington for the British Empire than anybody whom they have sent. He was worth a hundred generals. It will be almost impossible to replace him. I was devoted to him, and I like to think that my feeling was reciprocated.

I hope I will have an opportunity to see you soon. If Mrs. Morgenthau or I can be of any service to you at any time, please do not hesitate to call on us.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

Mrs. Arthur Purvis,  
Tower Hill, Martha's Vineyard,  
Edgartown, Massachusetts.

*Air Mail*  
*Sent to airport*

August 15, 1941

My dear Mrs. Purvis:

I can ~~at~~<sup>not</sup> tell you how shocked and grieved I was to learn last night from Mr. Morris Wilson of the fatal accident that Arthur met with.

~~I think that I really got to~~ <sup>2</sup> ~~knew~~ Arthur <sup>intimately (?)</sup> ~~well~~, and ~~while I was here in Washington.~~ I have never known a man who was more determined to do his <sup>(not)</sup> ~~job~~ <sup>well</sup> irrespective (Tel) of the effects it might have on his health. It is my belief that Arthur did ~~a better job~~ <sup>more</sup> here in Washington for the British Empire than anybody that they have sent ~~over~~ <sup>over.</sup> here. He was worth a hundred generals or admirals. ~~It will be almost impossible to~~ ~~I don't see how they can~~ replace him.

I ~~really~~ was devoted to him, and I like to think that my feeling was reciprocated ~~by him.~~

I hope that I will have an opportunity ~~to~~ <sup>to</sup> see you soon. If Mrs. Morgenthau or I can be of any service to you at any time, please do not hesitate to call on us.

Yours sincerely,

Mrs. Arthur Purvis,  
Tower Hill, Martha's Vineyard,  
Edgartown, Massachusetts

August 15, 1941

Mr. Kuhn:

The Secretary would like to have you prepare a statement which he can give out to the press on the death of Arthur Purvis. He would like to say something to the effect that he has been associated with Mr. Purvis for a long time, that his death is a great loss; that he will be very hard to replace; and that he was the best type of public servant.

Mr. Morgenthau would like to have you do this the first thing this morning.

Mrs. McHugh

*Given to press by H. W. J.*  
*8/15/41-*

I am shocked and saddened beyond measure to learn of the death of Arthur Purvis. He and I had worked closely together from the earliest days of his mission in this country. He brought to his task an eager intelligence and a clear, broad-gauged understanding of American ways and problems. In all that he did he showed character and courage of a rare order. He was the very best type of public servant. The Empire will find it hard to replace him.

AUG 15 1941

Dear Walter:

Upon receipt of your letter dated August 12, 1941, I immediately instructed the Division of Foreign Funds Control in the Treasury to look into the three applications which you stated had been filed by the American Committee to Save Refugees for licenses to transmit funds for the purchase of food for refugees in concentration camps in France and in North Africa.

It is found that the three applications were duly received and are a part of a group of applications which constitute a general problem that is under study in the Treasury Department and will shortly be presented for a policy decision by the inter-departmental committee which deals with such questions. I have given instructions that a determination of this policy question should be expedited, and that you be promptly informed of the decision that is taken in the premises.

With warm personal regards, I am

Very sincerely yours,

(Signed) H. Morgenthau, Sr.

Secretary of the Treasury.

Professor Walter Rautenstrach,  
Department of Industrial Engineering,  
Columbia University,  
New York, New York.

  
HMC:dm: 8/14/41

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941.

TO Mr. ~~Bochran~~  
FROM Mr. Towson

Reference is made to the attached letter dated August 12, 1941, addressed to the Secretary of the Treasury by Mr. Walter Rautenstrauch, Columbia University, relative to certain applications for licenses which have been filed on behalf of the American Committee to Save Refugees.

The records in this office indicate that three such applications (Nos. 164539, 172807, 184330) have been filed to transmit funds to Portugal to purchase food and clothing to be distributed in French concentration camps. These applications are part of a group involving the same general problem. A study is presently being made of this problem and it is hoped that it will be presented in the near future to the Inter-departmental Committee for a policy decision.



AMERICAN COMMITTEE TO SAVE REFUGEES  
156 Fifth Avenue Room 821 New York City  
Chelsea 2-6245 Cable Address: REFUGAID

MEMO CONCERNING OPERATIONS OF COMMITTEE

The American Committee to Save Refugees forwards packages of food through the Portuguese Red Cross. These weight 2 kilos each and contain such concentrated food as chocolate, sugar, condensed milk, fish, etc. This is the only way in which we can get necessities to the internment camps in France and North Africa. Delivery is prompt and assured as reported to us by inmates of camps and the Portuguese Red Cross.

Our agent in Lisbon is Professor Caraca. He also takes care of the medical supplies and small articles of clothing which we send. We have been sending between three and five hundred dollars a month to the Portuguese Red Cross for these food packages. This means that between 60 and 100 internees receive packages each month in the various camps. These packages are shared with everyone else in the barracks. We accordingly assume that each package of food sent in benefits at least 3 persons so that the total benefitted by our shipments would probably run over 300 per month.

The last sum sent to the Portuguese Red Cross was on June 12th just before the freezing order went into effect. This permitted them to send parcels until the middle of July, but shipments are now no longer possible and in my opinion this could be repaired as quickly as possible by the granting of necessary licenses to continue this work. License for shipments to France will not serve the same purpose because foods cannot be purchased in France as they can in Portugal. Furthermore, money sent to internees in France cannot be used by them except in canteens, and these have practically nothing to sell.

COPY

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COLUMBIA UNIVERSITY  
in the City of New York

Department of Industrial Engineering

August 12, 1941

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

Dear Henry:

As you know, I have been interested for sometime in the work of the American Committee to Save Refugees. This committee now works through licenses from the Treasury Department in the matter of transmitting funds for the purchase of food for refugees in concentration camps in France and North Africa. We operate through the Portuguese Red Cross.

We have made so far three applications for license from the Treasury Department and the granting of this license for some reason has been delayed. This, of course, does not help hungry refugees.

I know there are a great many problems of an international character which must be worked out and I know that these cannot be solved quickly. Would you kindly see that this letter is passed on to the proper authority in your department with a request that matters be expedited. I am enclosing herewith a memo concerning our operations.

With kindest regards, I am,

Very truly yours,

(Signed) Walter Rautenstrauch

Walter Rautenstrauch  
Professor of Industrial Engineering

August 15, 1941.

## MEMORANDUM FOR THE FILES OF THE SECRETARY:

Mr. White today discussed with the Secretary the question of Treasury participation in the Latin American training program which is being planned by Coordinator Nelson Rockefeller. He explained to the Secretary that the Coordinator's plan involves bringing to the United States 20 to 30 selected Latin American economists -- many of them young Government officials -- and then assigning them to interested Government departments for technical training. The Treasury would be expected to take 4 or 5 of these students and place them in various divisions of the Department (Internal Revenue, Customs, Tax Research, etc.) for technical training for periods up to possible six months in duration. He further explained to the Secretary that it is our understanding that Mr. Rockefeller's organization will pay the expenses of these students and that the Treasury will be obliged only to provide such supervision by our staff as is necessary during the actual time of training. It is Mr. White's understanding that the details of the program are yet to be worked out by the Coordinator's office and that all that is wished now is an indication of whether or not the Treasury wishes to participate.

The Secretary informed Mr. White that he was willing to see the Treasury cooperate with the Coordinator's office in this program along the lines outlined above.

**TREASURY DEPARTMENT**  
**INTER-OFFICE COMMUNICATION**

**DATE** August 15, 1941.

**TO** Secretary Morgenthau

**FROM** Mr. Thompson

During the last World War the guarding of railways, bridges, water-works, power lines, etc., was a duty of the National Guard. When the Guard was called into the regular service Home Guard organizations were organized by the Governors of the States to take over such duties. Apparently this did not work out satisfactorily and the United States Guards were organized by the Federal Government through the Militia Bureau of the War Department. These guards constituted a special force of troops as a part of the regular Army.

Details respecting the United States Guards and their operations are on file in the War Department.

*of*

August 15, 1941  
10:30 a.m.

RE AID TO BRITAIN

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

Present: Mr. Hicks  
Mr. Bewley  
Miss Kistler  
Mr. Viner  
Sir Frederick Phillips  
Mr. Brown  
Mr. Noyes  
Mr. Childs  
Mr. Keyes  
Mr. Robinson  
Mr. Kades

White: Shall we begin? The first item that we have is the one that you wanted to raise, the matter of the apparent cut in the - of a billion and a half in the War Department appropriation for Ordnance above the army requirements.

Phillips: Well, the interest of that to us was that the War office expected to find the money for taking over certain of our contracts for airplane engines and possibly some arms contracts and we were rather anxious about it.

White: Well, we have asked the Lend-Lease to look into that matter as much as they could before you came.

Brown: The apparent situation on that is that the Senate not only - the Senate Committee and the Senate itself not only cut out the million three actual appropriation which was mainly for extra tanks but they also limited - eliminated General Marshall's blanket contract authorization

- 2 -

for tanks. The Senate and House conferees are meeting now on the matter and Mr. McCloy has already been in touch with the House people this morning, who of course are the ones who will lead the fight to see if they can't retain those provisions. The present temper of the Senate - it doesn't look very likely that we are going to be able to keep the blanket contract authorization for tanks, and it may very well be that they won't be able to keep the other, but it all depends on the outcome of this conference today.

Now, if that is true, it is going to make it darn near impossible, I guess, for Mr. McCloy to persuade General Wesson to give up forty five million dollars out of the appropriations.

White: Does your committee have anybody participating in --

Brown: Yes, Mr. Coy is over there now.

White: And he is making as much of a case from your point of view as possible?

Brown: Oh yes. We are, of course, very anxious to see that all those things are restored. We were doing what we could last night and this morning to see that that was done.

White: It is my thought, so far as the Treasury is concerned, that they would much like to see the cut not made and it might be under some circumstances that there might be some comment or some remark whereby the Secretary might be of some kind of assistance, but I am inclined to think that his interest in this particular case, when fully explained, might not help. What is your thought?

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- Brown: I would agree with you in this particular case. It has gotten to be a really troublesome thing, a question of whether or not the War Department is going to have a blank check, and I think that has got to be fought out in there and I don't think anybody except War really can have much chance to do anything, War and ourselves.
- White: I am inclined to the view that possibly one could go further than that and say that an explanation of our interest at this time before that Committee might hurt the bill.
- Brown: I should think it might.
- Kades: I don't even think we would have time, Harry.
- White: Well, I didn't know but what we might ask the Secretary to send a little note up, and if I thought it would help in some way, we would do it, but it is my opinion that it wouldn't, so that it would seem as far as we are concerned here the only thing to do is to wait until definite action is taken then.
- Kades: Well, if definite action is taken, you agree, don't you, that the War Department won't make the commitment of the forty-five million?
- Brown: I think it is very unlikely in view of the trouble that McCloy has already had with Wesson.
- Kades: I thought you left a little hope there. It seems to me it is dead certain that General Wesson will want to use that money for his own Ordnance. He will have to. I just - the only reason I talked at all on this point was because I thought that

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Mr. Brown was leaving a shred of hope there which doesn't seem to me to really exist.

White: You mean that if this is really turned down, so far as any possibility of obtaining funds to meet that, it doesn't seem to be anywhere on the horizon, is that your thought?

Kades: Yes. I feel that if this is turned down in the Conference, you simply won't find forty-five million dollars.

Robinson: This is more than forty-five. It really comes down to about eighty-five when we get through because there are forty-one of these contracts since March and then there is the aggregate of forty-four before March, so that right on that one item you have got eighty-five. Besides that, of course you have the forty million of air contracts.

Brown: Of course they are --

Robinson: They are going to be affected - no, but I gathered that Mr. McCloy was pretty certain that the air people wouldn't move if the army people didn't. In other words, the air wouldn't produce forty million if the army wouldn't. Plus, of course, the fact that they take out some facilities.

White: Is that a reasonable assumption, that the air people wouldn't do anything?

Brown: Well, I don't know.

Robinson: I got that from Colonel Greenbaum.

Phillips: Well, possibly the Secretary might be able

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to assist in that.

White: Well, isn't that something that could be done after?

Phillips: Oh yes.

White: Then is there anything that this committee could do now?

Phillips: Well, I am not very happy about the way these capital facilities are going. What is the trouble there, Mr. Brown?

Brown: Well, as I understand it --

Phillips: Is there an army shortage of money?

Brown: Well, as I understand it, the Defense Plant Corporation won't do it unless the army gives them indemnity and the army says they --

Robinson: The army says they haven't any money to use for this purpose.

Brown: Kades says they have spent a good amount of unallocated funds for expediting by expansion of plants.

Kades: But they may have mental earmarks, as they frequently seem to have, but according to the Bureau of the Budget there is five hundred ninety million dollars unobligated, or was a couple of weeks ago, five hundred million dollars unobligated appropriations to expedite production through the acquisition facilities, to the War Department. Now, of that amount, five hundred million dollars - that was a 1942 appropriation but none of that five hundred million dollars could be used to reimburse Defense Plant Corporation. It would have to be the acquisition of these

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facilities directly by the War Department and there was only ninety million dollars available for commitments such as the indemnification.

- White: So far as you know, except for mental earmarks, that still is available?
- Kades: My information came from the Budget officer in the Bureau of the Budget for the War Department, not from the War Department directly.
- White: Who has presented that point of view to the War Department? Has that been --
- Brown: Mr. Robinson has been doing that.
- Robinson: We have never been doing that any way except through Defense Plants and as Mr. Kades says, none of that five hundred million is available for that type of thing.
- White: How about the ninety million?
- Robinson: I have found considerable reluctance on the part of both the army and Defense Plant particularly to take any steps. I have been trying for about two weeks to get a meeting to find out just where we do stand, and it seems a little sticky.
- White: Would it be of any help to you if the subject is reopened and if Mr. Kades participated in the conversations?
- Robinson: A very real help.
- White: Then will you proceed as quickly as you can to reopen that subject or revitalize it, because if we are going to be stopped on areas that are beyond our control, let's

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move as effectively as we can on those things which are not beyond our control, or at least which don't appear to be. Moreover, if the - these funds are not to be available, it appears to me that there is a larger degree of - shall I say "responsibility" on the part of the Army and Navy to take care of those things that they can do, because there have been some commitments made in which they have participated, so that let's push that as effectively as we can until you absolutely come up against a definite blind spot, or I mean a blank wall, and then by that time maybe the Secretary will move.

Robinson:

Of course, I think it is worth considering this new possibility, which is to approach the thing from the Army angle instead of through the Defense Plant. I think that might be it, the alternative approach.

Kades:

The War Department has heretofore been reluctant to acquire the facilities in its own name even for domestic purposes. They simply don't have the organization to handle that type of thing so they have tried to handle the acquisition of their own - of facilities for this government's use through the Defense Plant Corporation because they feel - the War Department feels the Defense Plant Corporation is better able to handle the situation.

Willet:

Well, I needn't point out that there is - none of these things are easy and the mere fact that there is a reluctance doesn't of itself constitute any aggregate basis for turning it down, but there have been certain commitments made and we would like

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to push the thing as far as possible and if it can't go any further, let's take it up higher.

- Brown: One is Mr. Jones' policy that he won't buy unless he has got a take-out from some department.
- Kades: Two fifths take-out. He doesn't require a hundred percent take-out.
- Robinson: Well, it is two fifths out of current appropriations and three fifths out of future appropriations.
- Kades: That is right.
- Brown: So that is one. That is not required by the statute creating the Defense Plant Corporation.
- White: Neither is the --
- Brown: Nor is the policy that Mr. Jones has adopted. You are aware of the difficulties of getting Mr. Jones to change his point of view.
- White: Well --
- Brown: That is one. The second one is that we accede to Mr. Jones' point of view and get the army to try to make the commitment.
- White: Well, do we agree on this? Excuse me --
- Kades: Well, in supplementing what Mr. Brown has said, I am sure when we get over to the War Department what they will hand us is a list showing that although they haven't obligated the five hundred million dollar appropriation, that appropriation is based upon estimated cost of plants that maybe

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run three quarters of a billion dollars or perhaps a billion dollars and that the reason they haven't obligated it is that they haven't yet been able to decide which of those plants are so urgent that they should be included and used - and paid for through the use of the five hundred million dollar appropriation. That is the type of situation we will face.

White: I see. As you make your case along the lines, how high can you go, appropriately?

Robinson: McCloy.

White: Then in speaking to McCloy, you feel that you have all the information and what not to make as effective a case as you can?

Robinson: Yes, I think so.

White: All right. Then would it be possible for you and Mr. Kades some time this week to see him, and then I think it might be suggested to Mr. McCloy that we have got to have an answer on this. This thing has been kicking around for at least several months and it is most unreasonable, and if the answer is in the negative, then we will take it up with the Secretary upon his return and he will take it up with whom he sees appropriate, but we are not making any headway. This thing has been seesawing back and forth --

Brown: It has really gotten to a case where it is a question of policy, high policy.

White: We would like to be able to tell the Secretary that this is the decision as far as Mr. McCloy is concerned and the rest is up to you and at that point it may be necessary for him to go over Mr. McCloy's

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head or to the President and get either a yes or no answer. I think it is most unreasonable from the British Treasury's point of view to have this thing handled this way and there doesn't seem to be any reason why we can't get a better answer, a definite answer. How much is involved?

Phillips: Fifty-five million.

Childs: Here is what is involved.

White: Will you (Kistler) see that Mr. Kades is informed of that?

Kistler: Yes.

White: Do you have any suggestion, Jake, to make?

Viner: I would certainly prepare a memorandum on this and have it waiting for Harry Hopkins when he gets back so that he is informed before the Secretary gets back.

White: Yes, but in the meantime they can --

Viner: Yes, but I mean that is one additional thing I would do so he doesn't have to catch up on it after the Secretary gets back.

White: Now, I would also like, Miss Kistler, if you would have a memorandum prepared going over materials that may be necessary - it may be necessary for you to speak to Miss Chauncey about it - which will bring up to date this question of the various steps beginning with the commitments that the heads of the Army and Navy made with respect to these things. Let's have that story complete by the time the Secretary comes back. I don't know whether you will be able

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to get all the information. Some of the sources you may not have access to, but such information as you do have, if you will make it available to Mr. Kades, he will have that much more information with which to - all right?

Sir Frederick, do you have some suggestions?

Phillips: One other point I wanted to raise. It is not the same point. Does anyone have an idea, however rough, by what date they would like to see some fresh Lease-Lend appropriations approved by Congress? I am worrying unless if there is going to be a delay there --

Brown: Two or three months.

Phillips: That will be fine but the existing appropriations are leading toward exhaustion and a certain expenditure might be brought under Lease-Lend and we find that is all right from the legal and policy point of view, but there is no money.

Brown: That is right.

Phillips: There may be a very bad jam in these two or three months.

Brown: The Senate and the House are both recessing until the 15th of September and the appropriation bill can be ready so far as you (Phillips) and we and the White House are concerned, probably by that time.

White: Aren't you a little pessimistic about that, because you have --

Brown: After the vote on the Selective Service Act and the Requisition Bill?

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- White: I think that is of a somewhat different character. I think that they are in favor of speed on this. It might well be that a continuation of your Lend-Lease program and your contracts is being jeopardized from the point of view of quickness of supply.
- Brown: Still I would say two or three months.
- Phillips: Mid-October at the earliest, possibly later?
- Brown: Yes.
- White: I should be inclined to be a little more optimistic but Brown is following it more closely than I and I take it that if he is correct, as he well may be, it might be helpful if you could prepare a memorandum and we would do the same thing here and have it by the time the Secretary comes back, setting forth the quantitative urgency from the point of view of the British and we will have that for the Secretary. If you could have somebody prepare a memorandum and send it to us, --
- Phillips: It looks to me a pretty bleak prospect because wherever they have got amounts still available from appropriations, they are all tied up.
- Brown: Well, haven't you got around six hundred million that isn't allocated yet?
- Bewley: Well, some of the appropriations are more or less finished. The navy one, for instance; it seems to be impossible to place any further naval contracts.
- Brown: We wondered if you couldn't take some of the long term stuff that are in that schedule,

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taking a small order to begin with, and get it started.

Phillips: Fine, but that takes two months negotiating.

Brown: Well, I was thinking - yes, of course it does. But haven't you got some of the things that are currently in the works which are --

Phillips: Orders not yet placed. You mean if there is a new long term order we haven't placed, we write down a thousand airplanes to a hundred and try an order. That is all right. But the thing hasn't been placed. But where we have orders, that wouldn't fill the bill.

White: Wouldn't the facts presented in the proper form, assuming they are not already available to you, be a help in expediting the passage of the bill? After all, that is the objective, to see that they get the stuff without delay.

Brown: Oh sure, that goes without saying, that the urgency has got to be presented to Congress.

White: I am not suggesting that you are not presenting that case --

Brown: We don't know but I just don't want Sir Frederick to lay plans on hoping that we go through in six weeks when

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we don't feel by any means confident that it would go through.

White: Well, then, isn't it --

Brown: I am afraid it has gotten to a question where everything that is pending has got to be pared to the bone and we will proceed on the basis that it will take three months.

White: Then you suggest proceeding on both bases, preparing for the worst but at the same time preparing such data as might be helpful in expediting the matter.

Now, I don't know whether you already have something from them or not, but if you could make as effective a case as you can on the basis of your own requirements, in the way of such details as would support it, and then we could possibly join with you from the point of view of your dollar position and might be of some help.

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- Phillips: We have got all our missions working on that.
- Childs: Dr. White suggests that we tackle it both ways, on the best possible and on the worst possible, using these devices that you suggested to me last night, Brown --
- White: I don't think that Congress would be insensitive to a delay and a step which would involve a delay in the actual production or shipment of materials to England.
- They may delay on a number of other matters, but I think that if it was brought to their attention that their delay was interfering with the program of as rapid aid to Britain as possible, I think that that might well still a good many long speeches.
- Brown: I think we can count on the President's action there.
- White: Definitely, so the more factual material we have to support it, and the more we find that fits in with our interests in the way of protecting the dollar position of the British Treasury, I think the more ammunition will they have to get it corrected.
- Phillips: What shall we take as the best and worst, what are your dates? The best October 1?
- Brown: Well, I think that is awfully optimistic.
- Childs: You say they are coming back September 15. October 1 would be only two weeks.
- Phillips: November 15 is the worst? Shall we say October 15 and October 30?
- Brown: I think that is cutting it awfully short.

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- Phillips: All right then, October 15 and November 15.
- Childs: Now, that examination is going to be difficult by reason of the fact that we won't know in all areas what contracts have been placed and the requisitions put in. That is something that is not perfected.
- Brown: Don't you think we ought to stop all requisitions we have got right now for a couple of days until we could check them?
- Childs: Should we stop them or just let them flow and start checking as to date? Because it would be very helpful. I know there are certain areas where we don't know that.
- Brown: But what I mean is, there is probably a very large - a considerable volume of requisitions that are in the stage between - I mean, having been filed and having a directive issued on them. Shall we say this --
- Childs: Suppose there is a stopping --
- Brown: Shouldn't we just hold up any further directives for a couple of days until you decide whether anything that is in the directive stage is less important than something else that you have?
- We have got a whole lot of directives going up to the President today. That is the easier place to put a brake on it.
- Robinson: What I meant was that in two or three days it takes to check it, there might be three or four contracts actually signed, and I think we would do more damage by putting a slower-up on your machinery than the damage that would be done by not getting some of those that were signed. My experience has been that

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there are very few signed daily. You might risk a few contracts slipping by.

Brown: O.K.

Childs: I wouldn't want to have to advise the Mission that they should not put in any more requisitions. That would go to the Home Offices and everything.

Brown: But I was thinking of stopping the signing of contracts.

Childs: You mean by the Army?

Robinson: But it looks like a delay. I think we should keep away from anything that looks like a delay.

White: The second item here Mr. Bewley has raised. He wishes to raise the question of change of attitude with regard to modification and amendments of contracts.

Bewley: I really wanted to ask, Mr. Brown, about that more than anything else. We understood, originally, that modifications to contracts placed by ourselves could be placed under Lend-Lease. I understand there is some difficulty about that.

Brown: There are a lot of administrative difficulties. The Procurement people have gotten all upset about it. They say that we have an airplane which the wing is owned by the United States and the rest of it is owned by the British, and they are very unhappy about it, and we adopted as a rule of thumb that if you have a really substantial modification which - I mean, say, a million dollars or more, and then we can try and take it over because it is something that is really important, but less than that we don't think we ought to do.

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- Phillips: That is our rule already, isn't it?
- Bewley: Ten thousand.
- Brown: Well, that is ten thousand - you approved that and the Air Commission is going ahead with it.
- Phillips: Yes.
- White: Well, how many modifications are there that are let's say, a quarter of a million or half million? Would there be enough so it runs up --
- Brown: There are four, for example, that total about six and a half million, which is either in the works now or coming.
- White: Those are not in question?
- Brown: No.
- White: Well, how many - what is a rough approximation of the amount that is involved in the small ones?
- Brown: Mr. Boddis says they are continually declining because he says they have been doing so much changing that it is beginning to slow up now.
- White: Slow what up?
- Brown: In other words, they are crystallizing pretty much what they want in the way of modifications.
- White: Why should that slow up? I should think that would expedite it.
- Brown: No, I say the necessity for modifications is decreasing.
- White: Then you don't feel that it amounts to a great deal?

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Brown: I don't know.

White: Do you have something?

Phillips: We can hardly tell.

Bewley: No, we can't.

White: Future modifications?

Phillips: But I think we can work under that arrangement.

Bewley: Oh, I should think so. After all, if money is short we might as well save it on this. I should think we could work under that proposition all right.

Brown: Fine. Of course any modifications under Lease-Lend, that is easy, we can do that.

Bewley: Yes, it is only on our own things.

Keyes: I have a note here from Mr. Boddis and he has only had a chance to check eight which total one million six.

White: There are any large ones among that eight, half a million?

Keyes: He doesn't indicate. Apparently they are all approximately the same.

White: Well, could some encouragement on your part, Brown, be given to have them consider possibly items of a half million?

Brown: Well, Mr. White, it is a question of what is the most urgent thing to do under Lend-Lease, and there is only a certain amount of money available to do it. Now, if we can confine the things

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that come under Lend-Lease to matters which are pretty clearly Lend-Leaseable and which don't present administrative difficulties, and which don't get our Procurement people all unhappy in their relations with the British Procurement people. We feel it is much wiser to do it that way.

White: Then it is not so much a question of the work involved as it is that there are limited funds and if they are employed that way they can not be employed under the Lend-Lease modifications?

Brown: That is right.

White: Are they reaching the maximum funds so quickly?

Brown: Well, aircraft is all full now.

White: Then you are stopped from any --

Brown: Hasn't aircraft been pretty much all allocated now?

Childs: Oh, yes, for some time.

White: So there is no margin there?

Brown: In fact, there have been some shifts. Was there an increase in aircraft?

Childs: No, aircraft wasn't increased.

Brown: Incidentally, if any transfer within the limits is a persistent problem in your program, we can do that.

Phillips: You have got statutory limitations, haven't you?

Brown: Yes, but if you had a category where you made a shift and hadn't used up the whole amount of

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the shift and didn't want to, wanted to use it back in the other category again, it could be reversed.

White: Even though it had been allocated?

Brown: Yes, but of course you can't go higher.

Phillips: I am inclined to accept that, and if later on we find it is unsatisfactory, we can make certain adjustments.

White: The next item on the agenda is coal for bunkers in British West Indian ports.

Bewley: That is a question I wanted to raise. I don't know whether it is very - the position is that I imagine that coal which was to be used for our own ships engaged in the war effort but which was bought in America could probably be bought under Lend-Lease.

Brown: Yes.

Bewley: But there is other coal which is used on other ships which are to be paid dollars and it is a question of how to arrange the accounting so that you can divide it up and bring some under Lend-Lease and some not.

Brown: I suppose the coal is merged with British coal.

Bewley: All coal is put together by the contractors and really what I wanted to find out mostly was who we ought to discuss it with here so as to fix up some procedure.

Brown: Discuss it with me.

Bewley: I will give you a letter on it.

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Brown: Will you, please.

I will also take it up with our Administrative Staff.

Bewley: There is no tremendous item, but I just wanted to know who to discuss it with.

White: The next item is the loan to Northrop Aircraft. Well, that we already covered. I don't think there is anything further to be said about that. That refers to the letter we sent to Mr. Jones. Was there a copy of that --

Brown: Has there been any action on that? Yes, we received a copy of that letter.

White: Well, was a copy of that available to - did you (Bewley) see a copy?

Bewley: I haven't seen a copy, no.

Kistler: I may have one here.

Bewley: Have you a copy of that?

White: Yes, we will keep that.

Brown: I take it that there hasn't been any response to the Secretary's letter yet?

White: I don't think so. The date of that was - very recent, two or three days ago, I think.

Phillips: The thirteenth.

White: I take it there is nothing further to be done on that. The next item is the question which you raised on the payment for parts held by the Vimalert Company.

Mr. Brown, were you going to make some inquiry with respect to that?

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- Brown: The last development with respect to that is that the requisitioning which didn't go through, so the Army hasn't got that through yet. They won't use section nine of the Selective Service Act. It is not exactly applicable, but it might be used if they wanted to. They are also unwilling to place an order and have the British meet the differential price. That is the latest report.
- Childs: Was that this morning, because I had some talk about it at nine thirty.
- Brown: Well, they called Cox just before I came over here, saying nothing doing on that.
- White: That they are not willing to buy it and have the British pay the difference?
- Brown: No. That is a - not absolutely final, but it seems to be their present attitude.
- White: Is there any aspect of that transaction which calls for Treasury approval?
- Brown: Yes, because it involves expenditure of four hundred ninety-four thousand dollars on the items, the prices of which the Ordnance considers unreasonable.
- White: I see. And the question is as to whether the price is an appropriate price?
- Brown: Well, the situation seems to be that these are parts which were made some time ago and Vimalert is the only person who has gotten them and they are asking a price which is less than reproduction cost, but which is considerably greater than the price at which they were willing to sell them before, plus profit, plus five percent for any storage expenses or anything like that.

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- White: And the Ordnance has gone into the matter --
- Brown: Since they won't pay any more than that - they are willing to buy the stuff at a price in accordance with what they think is right.
- White: And the Vimalert Company won't sell it for the price at which they are willing to buy it?
- Brown: No, the Vimalert Company says, "We have got them and we are the only people that have them." I don't know how much has been done recently with the Vimalert Company itself.
- White: All right.
- Brown: I think if we can have the rest of the day, we can do a little bit more digging on that.
- White: Will you do that?
- Brown: I think we ought to make the decision now as to whether if we can't get anywhere the dollars can be spent.
- White: Well, the matter would have to be gone into from our angle if the Treasury approval is to be called for on an extended - naturally, we would want to examine the justification of the expenditure, not from the point of view of the need for material but from the point of view of the price charged.
- Kades: The Ordnance Department says the price is not fair.
- White: Well, then supposing if you will let us know the results of your day's --
- Brown: I doubt very much if we can get much more done but we have one avenue we would like to explore.
- White: How urgent is a decision?

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Bewley: I think it is pretty urgent.

White: Well, we will get busy very quickly and --

Brown: I think you ought to --

White: ....try to have a decision.

Bewley: Do you realize the importance of the decision?  
If we are told that we have to pay - can't pay just because the things are dear --

White: That is because they realized we would want to examine it further. We will take it up at once.

Brown: Ordnance has apparently been obstinate about this since February, is it?

Bewley: I don't know. I only heard of it three days ago.

Childs: It is about four months ago. It has gone to Patterson.

Kades: Brown, what is the possibility on the requisition bill? This is a typical case for requisition.

Brown: The requisition bill isn't passed.

Kades: But it is back in conference, isn't it? The House refused to take the conference report, isn't that the situation?

Brown: Yes, I think that is right.

Kades: Is it going to stay in conference a while?

Brown: They don't think it will be passed until September.

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Kades: This is a typical case.

Brown: Sure. As a matter of fact, the - this case is one of the cases that was referred to in the hearings on the requisition bill.

White: All right, we will get busy and lose no time because of the urgency of it, and if you will let us know what developments there are it will help us along, but we will not wait to hear further from you, but begin at once. Is there anything further on that?

The last item is something, Sir Frederick, that I think you wanted to bring up. Progress report on the rejection of requisitions of wood pulp for rayon.

Phillips: Oh, yes, that would be Mr. Keyes.

Keyes: Here are the items.

Phillips: Well, it simply struck me, I wasn't at all clear why in the preliminary discussions which I suppose took place between Mr. Brown and Mr. Keyes, why they rejected the suggestion of wood pulp for the manufacture of rayon, why they held it up outside Lease-Lend.

White: The purchase of wood pulp in this country amounting to how much?

Phillips: Fifty-two thousand tons a year.

Brown: Well, A, because only one point five percent of it is used for strictly war purposes and some thirty-five percent is for re-export. B, because we weren't, it didn't seem to us that it was very essential to the war effort, since it is probably being used for silk stockings and things like that, and thirdly, because

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there are supplies available in Canada, which would mean that we would in fact be buying Canada's wood and transferring it to you.

Phillips: Does that last raise any objection, particularly?

Brown: That whole question of how the Hyde Park agreement is going to be implemented has been raising some internal problems with us and we have got to examine it and we have got to - there is a committee in Lend-Lease and Treasury which is going into the matter next week. It is a great question of what it means, sir, and also there are sometimes two ways of doing the same thing, one of which doesn't raise any criticism or difficulty, and another of which does. We are trying to find - choose the one which is not going to get us or Canada into any difficulties with our critics here in this country. There has been a great deal of criticism of Canada which is, we think, entirely unjustified. It nevertheless exists. Therefore, in working out the implementation of the agreement it is very important, I think, from our point of view and the British, that it be done in such a way that the least possible criticism can be raised in connection with that.

White: Well, could we say this, Mr. Brown, that with respect to the aspect of the question relating to purchases from Canada or purchases that might be made in Canada, it hasn't yet been crystallized?

Brown: I would say this is not to be regarded as any kind of a binding precedent one way or the other on the question of supplies in Canada.

On the other hand, those are the main reasons why we didn't take it under Lend-Lease. I will talk to you afterward about it.

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The Administration people talked about it and thought it should not be Lease-Lent.

- Phillips: I agree that it would be very unreasonable if we asked you to provide us with wood pulp for making rayon for export to South America, but none of this export trade is in that category.
- White: It is an importation to the British Empire?
- Phillips: No it would be for consumption in clothing in the United Kingdom and in the sterling area, where the exports go.
- White: Has that letter - two letters which have been drafted formulating a policy with respect to that matter been cleared? I gather it hasn't because the matter has been a very recent --
- Phillips: Our information comes from Mr. Brown's office, and was to the effect that they understood the letters were being read over for finalized form in London. I passed that message on to London.
- Brown: Mr. Purvis took copies with him, I understand, when he went, did he not, and on the thirty-first of July we cabled Mr. Winant, which was just about the time Mr. Purvis left, telling him about the fact and asking him to get in touch with Mr. Purvis and likewise I think the letters were also cabled to London, were they not?
- Childs: Yes, they were cabled about the same time you sent your cable.
- Brown: And we have written - cabled Mr. Winant again today, enclosing other copies of the letters and asking him please to find out whether Mr. Purvis had a talk with Sir Kingsley Wood about them, and if so, whether they are satisfactory to London, and to advise us right away.

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- White: Could we say this, then, in the light of that, that the point that Sir Frederick has just raised, the point with - in connection with Canada, is still in abeyance so far as a final decision is concerned, and that it might be appropriate to re-raise this requisition later after the definite agreement has been reached on the policy on the question of exports and then examine whether this particular requisition is in harmony with the Canadians' as set forth in the letters as finally agreed upon.
- Phillips: That sounds reasonable to me.
- White: That is all we have noted for discussion.
- Are there some points that you would care to raise?
- Phillips: No, I think I have nothing.
- Childs: All our points were communicated with you.
- White: Mr. Brown, do you have something?
- Brown: Yes, I have two points. One is that a memo on the - well, just to report that we are trying to do something to see if we can't relieve the BPC and the British Air Mission from paying duty on imports for defense articles, and we are likewise trying to get a statute pulled out of the committee to allow the free importation of raw materials for defense articles. That has to wait until after September 15 now.
- The second question is this. The State Department is of course very much concerned in that matter of how Lend-Lease affects the trade relations between the United States and Great Britain and other countries, and I don't know how completely informed they are on some of the problems that the British have, particularly that one of our exchange.

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I am wondering whether - Mr. Cox suggested that it might be well to ask a representative of State to sit in on some of these meetings. That is just a suggestion.

- White: It is all right. I see no objection. I see some desirable --
- Viner: Some advantages.
- White: Desirable qualities of that, and I think we should get the Secretary's permission to do it.
- Brown: We have gathered that there may be some misapprehension in the State Department of the extent to which the British really have gone.
- White: They requested that of me and I referred them to you on the grounds that I thought they were represented on your committee, and it was a matter for it to be taken up.
- Phillips: What have you in mind, particularly, the question of foreign policy and so on?
- Brown: Yes.
- Phillips: Every communication I have seen from the State Department was ferocious on the situation, and they even went further than myself.
- Viner: If they are a source of difficulty it would help to have them here, because as they see the problem it might lessen their obstructions. If they are a possible source of help in their own influence, it would be advantageous that way. I think it would be advantageous to have them here, either way.
- Brown: If that meets with the Secretary's approval --
- White: I will make the request. Is there any thought that you have, Sir Frederick, on that?

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Phillips: I should like it.

White: From some of the things that you spoke - he spoke to me about over the phone, I gathered a little impression that more information might help them, but I am not sure. Were you through, Mr. Brown?

Kades: I just thought it might be well to report that yesterday at the State Department we had a conference with Mr. Foster in connection with the tax convention. Mr. Hackworth, legal adviser to the Secretary of State, presided and he seems to be now pretty sympathetic toward a tax convention. We have a draft in pretty good shape from our standpoint, and I think that he will make it available in a semi-official way to the Purchasing Commission soon, in a day or two. The War Department feels on this point that possibly Canada should be brought in because apparently the Dominion and the Provinces both are taxing sales to the United States in Canada which of course is nothing - in the United Kingdom there are no taxes affecting us at the present time.

Viner: Aren't negotiations under way with Canada also for a tax treaty?

Kades: There was a - oh, for the last few years there has been a general tax convention in draft which has never finally been submitted either to the Canadian authorities or the Senate, because there were a few points that had to be determined which never were determined, principally because the war terminated negotiations.

Now, it would be a question of merely ten days, maybe two weeks, work on that convention to have that in shape to submit, but that would be a general convention covering everything, income

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taxes, excise taxes, as well as - on private individuals and corporations, as well as on the Governments themselves.

Now, the question is, something that probably we can't determine here, but which we ought to be considering, whether we ought to move to finish that convention or whether we ought to have a parallel convention with Canada similar to the one that we are now discussing with the United Kingdom. Of course, it would be possible to have the Dominion simply subscribe to the convention between the United Kingdom and the United States, which we are now drafting, but I understand from Mr. Foster that the London office feels that that would be very unwise, and that if possible the Dominions should be left out, all Dominions, including Canada, should be left out of this treaty.

- Phillips: I certainly would get on with our convention and not worry about the Dominions. As regards to Canada, I thought the Hyde Park agreement covered that.
- White: If that is the situation, why couldn't we raise that question of arranging with Canada appropriately in the Inter-American and the American-Canadian Committee for discussion.
- Kades: I thought you might.
- Viner: That was on the agenda at their last meeting.
- White: Is there anything else?
- Phillips: I have nothing else.
- White: If you will excuse me. Goodbye.



OFFICE OF THE DIRECTOR

## TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

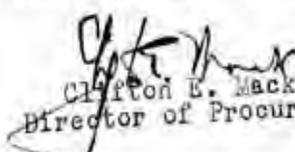
August 15, 1941

MEMORANDUM TO THE SECRETARY:

Weekly Report - Lease-Lend Purchases  
(8/8/41 - 8/15/41)

<u>Requisitions</u>	<u>Estimated Cost</u>
Cleared by O.P.M.....\$	190,864,344.14
Awaiting clearance by O.P.M.....	33,187,658.75
<hr/>	
Total Pending Requisitions.....\$	224,052,002.89
Less Requisitions for metals, where contracts will be made for term periods and allocations required from O.P.M.....\$	
	91,111,501.45
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Total Pending Requisitions for Spot Purchases.....\$	132,940,501.44
Purchases to 8/8/41.....\$	103,709,388.75
Purchases 8/8 to 8/15/41...	6,557,497.67
<hr/>	
Total to 8/15/41.....\$	110,266,886.42

The Office of Production Management is now indicating priorities that will be assigned on items requiring a mandatory priority at the time the requisition is cleared to the Procurement Division for purchase action. An effort is being made to have priorities indicated on other items so that prospective bidders will have such information at the time bids are requested. Heading the list of such items are agricultural implements, road building equipment, electrical equipment, fire fighting equipment, and some railroad equipment.

  
 Clifton E. Mack  
 Director of Procurement

Attachments-8

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>COUNTRY</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-242	Goodyear Tire & Rubber Co. Inc.	China	Tires & Tubes	10,000	\$ 204,800.00
DA-TPS-574	Firestone Tire & Rubber Co.	"	Tires	10,800	222,372.00
DA-TPS-714	Heyden Chemical Corp.	U.K.	Potassium Guaiacol Sulfonate		16,000.00
DA-TPS-768	The Abbott Ball Co.	"	Balls, Bronze	748.8	5,335.20
DA-TPS-536	D.W. Onan & Sons	"	Generating Plants	12	4,200.00
DA-TPS-361	The Massey-Harris Co. Ltd.	"	Tractors		269,964.21
DA-TPS-604	R.G. Le Tourneau, Inc.	"	Spare parts for Angledozer		23,952.16
DA-TPS-362 (Adj.Add.)	Minn-Moline Power Imple. Co.	"			2,136.00
DA-TPS-647	Brookville Locomotive Co.	"	Locomotives, etc.		4,147.86
DA-TPS-782	Eugene Dietzgen Co.	"	Rules, Manheim Slide	10	103.90
DA-TPS-493	James Fyfe	"	Manila Fiber	481,250#	27,379.69
DA-TPS-494	MacLeod & Co. Inc.	"	Manila Fiber	412,500#	20,968.75
DA-TPS-534	Henry W. Peabody & Co.	"	Manila Fiber	68,750#	3,781.25
DA-TPS-535	MacLeod & Co. Inc.	"	Manila Fiber	68,750#	3,953.13
DA-TPS-595	James Fyfe	"	Manila Fiber	120,625#	7,493.75
DA-TPS-596	Hanson & Orth	"	Manila Fiber	206,250#	12,100.00
DA-TPS-598	Henry W. Peabody & Co.	"	Manila Fiber	206,250#	12,151.56
DA-TPS-627	James Fyfe	"	Manila Fiber	550,000#	35,475.01

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-628	Henry W. Peabody & Co.	U.K.	Manila Fiber	170,750#	\$ 10,982.81
DA-TPS-645	Hanson & Orth	"	Manila Fiber	68,750#	4,468.75
DA-TPS-646	Henry W. Peabody & Co.	"	Manila Fiber	261,250#	16,310.94
DA-TPS-686	James Fyfe	"	Manila Fiber	275,000#-	15,296.88
DA-TPS-687	Hanson & Orth	"	Manila Fiber	96,250#	5,809.39
DA-TPS-688	MacLeod & Co. Inc.	"	Manila Fiber	137,500#	7,648.44
DA-TPS-719	James Fyfe	"	Manila Fiber	137,500#	7,562.50
DA-TPS-471	Hanson & Orth	"	Manila Fiber	412,500#-	21,802.35
DA-TPS-533	Hanson & Orth	"	Manila Fiber	110,000#	5,723.44
DA-TPS-597	MacLeod & Co. Inc.	"	Manila Fiber	275,000#	15,984.38
DA-TPS-644	James Fyfe	"	Manila Fiber	137,500#	9,109.38
DA-TPS-689	Henry W. Peabody & Co.	"	Manila Fiber	110,000#	6,393.76
DA-TPS-704	James Fyfe	"	Manila Fiber	550,000#	31,109.38
DA-TPS-705	Hanson & Orth	"	Manila Fiber	68,750#	2,835.94
DA-TPS-706	MacLeod & Co. Inc.	"	Manila Fiber	68,750#	3,953.13
DA-TPS-707	Henry W. Peabody & Co.	"	Manila Fiber	137,500#	8,525.01
DA-TPS-721	MacLeod & Co. Inc.	"	Manila Fiber	68,750#	3,781.25
DA-TPS-722	Henry W. Peabody & Co.	"	Manila Fiber	396,750#	19,318.77

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-742	Dodge & Olcott Co.	U.K.	Oil of Chenopodium	2,000# \$	4,700.00
DA-TPS-715	Benzol Products Co.	"	Phenobarbital Sodium	10,000#	38,000.00
DA-TPS-733	U.S. Industrial Chemicals, Inc.	"	Urethan	4,000#	2,420.00
DA-TPS-700	Shawinigan Products Corp.	"	Calcium Carbide	300 T	22,500.00
DA-TPS-743	The E.E. Dickinson Co.	"	Witch Hazel Extract	20,000 gals.	13,000.00
DA-TPS-703	Mallinckrodt Chemical Wks.	"	Amidopyrine	12,000#	48,000.00
DA-TPS-577	Carbide & Carbon Chemical Corp.	"	Acetone	3,498,880#	244,921.60
DA-TPS-732	E.R. Squibb & Sons	"	Insulin Crystals	800,000 M International Units	564,000.00
DA-TPS-872	Container Corp. of America	"	Boxes Fiber	140,000	22,610.00
DA-TPS-964	Ingersoll-Rand Co.	"	Grinders	10	1,184.00
DA-TPS-731	The Firestone Tire & Rubber Co.	"	Tubes & Tires		2,060.62
DA-TPS-850	M. S. Ginn & Co.	"	Books	40,000	5,190.00
DA-TPS-664	Hays & Denton Inc	"	Balers Hay	20	35,883.97
DA-TPS-789	R. J. Prentiss & Co. Inc.	"	Stramonium	2,000#	640.00
DA-TPS-658	Caterpillar Tractor Co.	"	Tractors	8	35,215.06
DA-TPS-738	Gilson Bros. Co.	"	Concrete Mixers	16	14,947.84
DA-TPS-470	James Fyfe	"	Manila Fiber	68,750#	4,039.06
DA-TPS-472	MacLeod & Co. Inc.	"	Manila Fiber	261,250#	15,508.13

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-361 (Adj.Add.)	The Massey-Harris Co.	U.K.			\$ 157.20
DA-TPS-473	Henry W. Peabody & Co.	"	Manila Fiber	701,250#	33,292.19
DA-TPS-740	The Jaeger-Machine Co.	"	Concrete Mixers	30	49,483.50
DA-TPS-840	Hess-Hawkins Co.	"	Ribbons, Typewriter	417 doz.	959.10
DA-TPS-794	Templeton, Kenly & Co.	"	Jacks, Screw	300	390.00
DA-TPS-739	Kwik Mix Concrete Mixer Co.	"	Concrete Mixers	86	138,611.92
DA-TPS-871	Bogota Paper & Board Corp.	"	Boxes, Fiber	300,000	45,900.00
DA-TPS-873	Kieckhefer Container Co.	"	Boxes, Fiber	50,000	7,937.50
DA-TPS-780	Greenfield Tap & Die Corp.	"	Taps, Hand & Pilot	438	812.43
DA-TPS-968	Worthington Pump & Mchy. Corp.	"	Pumps, etc.	5	1,535.75
DA-TPS-761	Dunlop Tire & Rubber Corp.	"	Tires	2,300	34,385.00
DA-TPS-729	The Goodyear Tire & Rubber Co. Inc.	"	Tires	12	687.00
DA-TPS-730	U. S. Rubber Export Co. Ltd.	"	Tires	9	196.70
DA-TPS-760	Heyden Chemical Corp.	"	Calcium Glycerophosphate	20,000#	22,000.00
DA-TPS-796	General Electric Supply Corp.	"	Dynamotor Sets	35	2,211.10
DA-TPS-775	The Firestone Tire & Rubber Co.	"	Tires & Tubes	2,000	44,210.00
DA-TPS-773	U. S. Rubber Export Co. Ltd.	"	Tires & Tubes	468	2,389.14

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-776	The Pharis Tire & Rubber Co.	U.K.	Tires & Tubes	850	\$ 3,348.75
DA-TPS-774	The Mohawk Rubber Co.	"	Tires	110	3,605.80
DA-TPS-965	Verson Allsteel Press Co.	"	Brake Press	4	9,685.60
DA-TPS-967	Worthington Pump & Mchy. Co.	"	Pumps, etc.	5	1,358.50
DA-TPS-781	Dalzen Tool & Mfg. Co.	"	Taps	1350	10,855.00
DA-TPS-779	Greenfield Tap & Die Corp.	"	Taps	6200	12,828.00
DA-TPS-971	American Cyanamid Co.	"	Phosphate Rock	45,000 T	91,350.00
DA-TPS-973	Swift & Co. (Fertilizer Wks.)	"	Phosphate Rock	5,00 T	10,200.00
DA-TPS-970	American Agric. Chemical Co.	"	Phosphate Rock	16,800 T	37,128.00
DA-TPS-972	Coronet Phosphate Co.	"	Phosphate Rock	10,000 T	21,400.00
DA-TPS-854	Schori Process Corp.	"	Spraying Equip.		3,700.75
DA-TPS-672	The Armour Laboratories	"	Thyroid	4,000#	5,400.00
DA-TPS-735	Armour & Co. of Delaware	"	Pepsin	5,150#	37,337.50
DA-TPS-648	Link-Belt Speeder Corp.	"	Shovels	26	387,086.51
DA-TPS-650	Bay City Shovels, Inc.	"	Shovels	3	60,359.89
DA-TPS-532	James Fyfe	"	Manila Fiber	357,500#	19,250.01
DA-TPS-778	Dalzen Tool & Mfg. Co.	"	Taps	864	3,052.80
DA-TPS-633	The Galion Iron Works & Mfg. Co.	"	Road Rollers	7	22,112.21

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-649	Bucyrus-Erie Co.	U.K.	Shovels	4	\$ 67,993.04
DA-TPS-673	S.B. Penick & Co.	"	Atropine Sulphate	48 oz.	612.00
DA-TPS-777	S.K.F. Industries, Inc.	"	Cages	3,500	1,500.00
DA-TPS-360	Deere & Co.	"	Tractors		397,399.07
DA-TPS-747 (Adj.Add.)	The Mahoning Valley Steel Co.	"			712.69
DA-TPS-869	Bliss & Laughlin, Inc.	"	Steel	500 GT	54,320.00
DA-TPS-878	Atlantic Steel Co.	"	Wire Rods	136 GT	7,829.25
DA-TPS-879	Atlantic Steel Co.	"	Wire Rods	136 GT	7,829.25
DA-TPS-880	Atlantic Steel Co.	"	Wire Rods	135 GT	7,771.68
DA-TPS-797 (Adj.Ded.)	Atlantic Steel Co.	"	Wire Rods		- 23,430.18
DA-TPS-260-10	Bethlehem Steel Export Corp."		Steel	400 GT	95,961.60
DA-TPS-336-1	David J. Joseph Co.	"	Steel	20,000 GT	327,000.00
DA-TPS-874	Le Pere Forge & Machine Co.	"	Drop Forgings		10,500.00
DA-TPS-864	The Buckeye Traction Ditcher Co."		Drop Forgings		612,720.00
DA-TPS-865	" " " " " "		Drop Forgings		776,650.00
DA-TPS-866	" " " " " "		Drop Forgings		231,305.00
DA-TPS-859	American Smelting & Refining Co."		Zinc	1,150,000#	87,860.00

200

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REGISTERED</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-880	New Jersey Zinc Co.	U.K.	Zinc	700,000#	\$ 57,750.00
DA-TPS-867	L.S. Smelting, Refining, & Mining Co.	"	Zinc	160,000#	13,200.00
DA-TPS-327-1	S.K.F. Steels, Inc.	"	Steel	69 GT	16,146.14
DA-TPS-327-2	" " "	"	Steel	93 GT	21,674.69
DA-TPS-327-3	" " "	"	Steel	15 GT	3,513.44
DA-TPS-261-6	Copperweld Steel Co.	"	Steel	400 GT	92,736.00
DA-TPS-260-2 (Adj.Ded.)	Bethlehem Steel Export Corp.	"			- 4,786.88
DA-TPS-327-4	S.K.F. Steels, Inc.	"	Steel	16 GT	3,821.22
DA-TPS-901	U. S. Steel Export Corp.	"	Plates	47,400#	1,349.64
DA-TPS-424	Keystone Steel & Wire Co.	"	Wire	76,160#	2,605.23
DA-TPS-425	Keystone Steel & Wire Co.	"	Wire	400 GT	36,504.00
DA-TPS-907	Russell Burdsall & Ward Bolt & Nut Co.	"	Nuts Nuts	100 GT 19,000 Gross	59,368.00
DA-TPS-908	Oliver Iron & Steel Corp.	"	Nuts	10,000 Gross	7,500.00
DA-TPS-843 (Adj.Add.)	Wisconsin Steel Co.	"			23,654.00
DA-TPS-882	Matthiessen & Hegler Zinc Co.	"	Zinc	580,000#	44,138.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-883	Hegler Zinc Co.	U.K.	Zinc	650,000#	\$ 49,465.00
DA-TPS-915	Globe Steel Tubes Co.	"	Tubes & Pipe	472 GT	75,941.54
DA-TPS-861	St. Joseph Lead Co.	"	Zinc	420,000#	34,650.00
DA-TPS-863	E. I. du Pont de Nemours	"	Zinc	430,000#	32,852.00
DA-TPS-900	St. Joseph Lead Co.	China	Zinc	500,000#	41,250.00
DA-TPS-720	Hanson & Orth	U.K.	Manila Fiber	137,500#	6,668.75

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Total Purchases 8/8 to 8/15/41.....\$ 6,557,497.67

August 15, 1941.

CONFIDENTIAL

Dear Mr. Knobe:

Permit me to acknowledge for the Secretary the receipt of your letter of August 14, 1941, enclosing your compilation for the week ended August 6, 1941, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Faithfully yours,

(Signed) H. Merle Cochran

H. Merle Cochran,  
Technical Assistant to the Secretary.

L. W. Knobe, Esquire,  
Vice President,  
Federal Reserve Bank of New York,  
New York, New York.

HMC:dm:8/15/41

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FEDERAL RESERVE BANK  
of New York

August 14, 1941.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. Merle Cochran

I am enclosing our compilation for the week ended August 6, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,  
Vice President.

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

Enclosure

COPY:mew 8/15/41

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS  
(In Millions of Dollars)

Week ended Aug. 6, 1941.

Strictly Confidential

PERIOD	UNITED STATES (BRITISH ACCOUNTS)								BANK OF FRANCE						
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sales of			Net Incr. (+) or Deccr. (-) in Balance	Total Debits	Gov't Expenditures (c)	Other Debits	Total Credits	Proceeds of		Net Incr. (+) or Deccr. (-) in Balance
					Gold	Foreign (b)	Other Credits (e)						of Gold Sales	Other Credits	
First year of war (8/29/39-8/28/40)*	1,998.8	606.6	1,167.5	1,828.2	1,856.1	52.0	420.1	+ 35.0	866.3 (e)	115.8 (c)	149.7	1,092.0 (e)	900.2	175.1 (e)	+229.0
1940															
Aug. 29 - Oct. 2	516.8	244.3	72.5	308.9	271.5	6.0	31.4	- 7.9	8.6	4.1	4.2	1.3	-	1.5	- 7.3
Oct. 3 - 30	198.7	167.8	26.9	198.5	160.5	6.0	32.0	+ 1.6	0.5	0.3	0.2	0.5	-	0.5	-
Oct. 31 - Nov. 27	244.0	201.1	59.9	269.5	210.0	18.0	31.5	+ 18.5	0.6	0.1	0.7	0.7	-	0.7	- 0.1
Nov. 28 - Dec. 31	224.8	206.8	27.6	268.0	111.4	26.0	60.6	- 35.6	2.1	-	2.1	0.6	-	0.6	- 1.5
War period through Dec. 31, 1941	2,982.3	1,426.6	1,356.7	2,981.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
1941															
Jan. 2 - 29	197.4	162.7	54.7	259.9	176.2	52.0	31.7	+ 62.5	1.7	-	1.7	0.5	-	-0.5	- 1.2
Jan. 30 - Feb. 26	164.6	137.8	26.8	101.4	26.6	26.0	48.8	- 55.2	0.2	-	0.2	0.2	-	0.2	-
Feb. 27 - Apr. 8	229.7	157.6	32.1	257.9	103.7	72.0	62.2	+ 8.2	0.7	-	0.7	1.6	-	1.6	+ 0.9
Apr. 9 - Apr. 30	126.0	101.9	24.1	226.9	125.6	15.0	28.3	+ 92.9	0.9	-	0.9	0.9	-	0.9	-
May 1 - May 28	122.6	90.6	32.0	91.0	6.3	32.0	52.7	- 31.6	0.4	-	0.4	0.8	-	0.8	+ 0.4
May 29 - July 2	140.5	113.8	26.7	105.1	1.9	11.0	92.2	- 35.4	21.5	-	21.5	0.9	-	0.9	- 20.6
July 3 - July 30	101.4	75.6	25.8	61.5	-	6.0	55.5	- 39.9	0.5	-	0.5	0.3	-	0.3	- 0.2
July 31 - Aug. 27															
Second year of war (8/29/40-8/27/41)															
Aug. 28 - Oct. 1															
Oct. 2 - Oct. 29															
Oct. 30 - Dec. 3															
Dec. 4 - 31															
WEEK ENDED:															
July 16	21.5	17.1	4.4	18.9	-	2.0	16.9	- 2.6	-	-	-	0.1	-	0.1	+ 0.1
23	25.0	20.7	4.3	18.2	-	2.0	15.2	- 6.8	0.4	-	0.4	0.1	-	0.1	- 0.3
30	30.4	22.1	8.3	11.9	-	-	11.9	-18.5	0.1	-	0.1	0.1	-	0.1	-
Aug. 6	31.0	31.4	1.6	116.6 (f)	-	2.0	114.6 (f)	+83.6	0.7	-	0.6	0.2	-	0.2	- 0.5

Average Weekly Expenditure since Outbreak of War  
France (through June 19, 1940) \$19.6 million

Transfers from British Purchasing Commission to  
Bank of Canada for French Account

(See footnotes on reverse side)

England (through June 19, 1940) 27.6 million  
England (since June 19, 1940) 46.4 million

Week ended Aug. 6, 1941  
Cumulation from July 6, 1940 \$162.7

million  
million

\* For monthly breakdown see tabulations prior to April 23, 1941

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS  
(In Millions of Dollars)

Week Ended Aug. 6, 1941.

Strictly  
Confidential

PERIOD	CANADA								COMMONWEALTH BANK OF AUSTRALIA							
	DEBITS			CREDITS					DEBITS			CREDITS				
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war (8/29/39-8/28/40)*	325.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	51.2	3.9	27.3	36.1	50.0	6.1	+ 4.9
1940																
Aug. 29 - Oct. 2	44.3	-	44.3	45.9	16.4	-	27.3	0.2	- 0.4	8.7	2.5	6.2	8.0	6.7	1.3	- 0.7
Oct. 3 - 30	25.7	-	25.7	28.6	14.0	-	14.3	0.3	+ 1.9	10.1	2.5	2.6	7.9	6.5	1.4	- 2.2
Oct. 31 - Nov. 27	36.2	-	35.2	69.6	49.2	-	16.7	3.7	+ 34.4	3.1	0.6	2.5	3.6	2.1	1.5	+ 0.5
Nov. 28 - Dec. 31	46.0	-	46.0	60.6	42.5	-	13.7	4.4	+ 12.6	4.8	-	4.8	6.8	4.8	2.0	+ 2.0
War period through Dec. 31, 1941	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
1941																
Jan. 2 - 29	35.7	-	33.7	33.9	16.9	-	15.0	2.0	+ 0.2	4.8	-	4.8	6.8	5.1	1.7	+ 2.0
Jan. 30 - Feb. 26	31.1	-	31.1	24.3	14.3	-	6.8	3.2	- 6.8	5.0	1.7	3.3	3.2	0.6	2.6	- 1.8
Feb. 27 - Apr. 2	60.9	-	60.9	46.0	23.1	-	19.1	3.8	- 14.9	5.8	0.8	5.0	13.7	12.5	1.2	+ 7.9
Apr. 3 - Apr. 30	34.9	-	34.9	35.9	12.5	-	10.5	12.9	+ 1.0	2.6	-	2.6	5.9	4.6	2.3	+ 3.1
May 1 - May 28	39.2	-	39.2	25.8	15.8	-	0.5	9.3	- 13.7	5.4	-	5.4	4.9	4.1	0.8	- 0.5
May 29 - July 2	43.2	-	43.2	49.2	16.3	-	-	31.9	+ 5.0	10.1	-	10.1	5.8	4.5	1.3	- 4.3
July 3 - July 25	30.6	-	30.6	21.8	15.2	-	-	6.6	- 2.8	6.4	-	6.4	6.3	4.8	1.5	- 0.1
July 26 - Aug. 27																
Second year of war (8/29/40-8/27/41)																
Aug. 28 - Oct. 1																
Oct. 2 - Oct. 29																
Oct. 30 - Dec. 3																
Dec. 4 - 31																
WEEK ENDED:																
July 16	9.1	-	9.1	6.2	3.3	-	-	2.9	- 2.9	2.4	-	2.4	5.4	4.8	0.6	+ 3.0
23	7.5	-	7.5	3.5	3.3	-	-	0.2	- 4.0	2.4	-	2.4	0.5	-	0.5	- 1.9
30	12.1	-	12.1	6.3	4.7	-	-	1.6	- 5.8	0.4	-	0.4	0.3	-	0.3	- 0.1
Aug. 6	3.4	-	3.4	3.9	2.6	-	-	1.3	+ 0.5	2.6	-	2.6	0.2	-	0.2	- 2.4

Weekly Average of Total Debits Since Outbreak of War

Through Aug. 6, 1941 \$ 7.4 million

\* For monthly breakdown see tabulations prior to April 25, 1941.

INTERNATIONAL INVESTMENT CORPORATION

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represents proceeds of official British sales of American securities, including those effected through direct negotiations. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$354 million.
- (c) Includes about \$25 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently shipping dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$100,000,000 representing initial advance on \$425,000,000 loan made by the R.F.C. on British-held American securities.

August 15, 1941  
10:50 a.m.

HMJr: Hello.

Jesse Jones: Hello, Henry.

HMJr: Hello, Jesse.

J: Henry, I'm having three or four or five of the OPM fellows and four or five of the RFC fellows to lunch at the - a cafeteria lunch, not as good as yours.....

HMJr: Yeah.

J: .....at the Department of Commerce, to have a little visit with Lord Beaverbrook. I'd be glad to have you come if you care to.

HMJr: When is that?

J: Today. One-fifteen.

HMJr: Oh. Well, I'm sorry. I'm leaving just about that time on my holiday.

J: Your holiday, huh? Going to have a vacation between now and Monday, huh?

HMJr: What's that?

J: Going to have a vacation until Monday?

HMJr: No, I hope to be gone longer than that, Jesse.

J: Oh, you're going off for a little trip, are you?

HMJr: Yes. It's very kind of you to ask me, but I'm just about going to leave at that time.

J: Well, I thought some of these working boys would like to see him and.....

HMJr: Yeah, I'd like to see him.

- 2 -

J: .....and get Knudsen - Knudsen's not here, but I'll have Hillman and Batt and some of those fellows down there and some of our boys.

HMJr: Yeah. Well, thanks for thinking of me, anyway.

J: When you coming back?

HMJr: I hope to stay away until after Labor Day.

J: After Labor Day?

HMJr: Yeah.

J: Oh, my gosh. Where are you going?

HMJr: Going up to Canada. Going up to the woods.

J: I see. Well, have a good time. I congratulate you.

HMJr: Well, I can only live once.

J: That's right. Well, good-bye.

HMJr: Thank you, Jesse.

August 15, 1941  
11:14 a.m.

HMJr: Hello.

Stephen  
Early: Hello, Henry.

HMJr: How are you?

E: I'm all right, Henry.

HMJr: Steve, I was calling. You most likely saw  
in the paper that Mr. Arthur Purvis died in  
a crash.

E: Yes.

HMJr: And I thought it would be terribly nice if  
something came out of the White House about  
it. I think the President liked him very  
much.

E: Uh huh.

HMJr: All right.

E: Well, I'll radio the suggestion that he do it  
from his boat.....

HMJr: Well, I think that.....

E: .....to Halifax at the Embassy.

HMJr: Will you.....

E: All right.

HMJr: Will you do that?

E: Yeah. Right away.

HMJr: Thank you so much.

E: All right.

August 15, 1941  
11:20 a.m.

Operator: Go ahead.

HMJr: Hello.

Morris  
Wilson: Hello. Mr. Morgenthau?

HMJr: Yes.

W: Morris Wilson.

HMJr: Hello, Mr. Wilson.

W: I have a message from Montreal, Arthur's home town, asking if you would care to say a few words to put in the leading evening paper.

HMJr: Well now, I gave something out about an hour ago.

W: To the local press?

HMJr: Here, and for the Canadian; but I can have my man read it.....

W: If you will have your man when you hang up just ring me again and give it to me, I'll pass that along.

HMJr: Sure. Now, if you'll wait a minute.

W: Ah, fine.

HMJr: Just stay on a moment.

W: Yes, I'll do that.

HMJr: And then I'll switch you over to him and he can read it to you.

W: Fine. Thank you so much.

HMJr: Is there anything new about it?

- 2 -

W: Well, the only thing we have, Mr. Morgenthau, is this, that the plane - just between you and me - I think it must have been overloaded.

HMJr: I see.

W: This is just my personal opinion.

HMJr: Yeah.

W: Because it went along - taxied along a thousand feet, which isn't very much, and then it attempted to take up, and ran into a haystack.....

HMJr: Yeah.

W: .....and to avoid the haystack, it just sort of shot up, you see, and turned over.

HMJr: I see.

W: Then, the inevitable happened.

HMJr: I see.

W: You see?

HMJr: And that to me - well, not necessarily to me, but to some of our men here who know much more about those things than I do - suggests overloading.

HMJr: Yeah.

W: They say that the thing was instant. We have so few of these transport planes. We had to cumulate the pilots over there because the eastward flights have been pretty heavy.....

HMJr: Yeah.

W: .....and they were anxious to get them back, as naturally the operating men would be.

HMJr: Yeah.

W: And I fear that they just strained the thing just a little bit too much.

- 3 -

HMJr: Yeah. Mr. Wilson, you know I'm going to Montreal tonight.

W: Oh, yes.

HMJr: I mean, I'm staying there tonight and then I'm going on to.....

W: You're going down to that camp?

HMJr: .....to Tadoussac, yes.

W: Yes. You'll enjoy that.

HMJr: Now.....

W: Is there anything that I can have done for you there?

HMJr: No. Thanks terribly. Mr. Howe is taking care of everything.

W: Oh, oh.

HMJr: But this is what I wanted: If there was any ceremonies in Montreal.....

W: Yes.

HMJr: .....for Mr. Purvis.....

W: Yes.

HMJr: .....if they - I'd want to come back.

W: Well, I will keep it in mind. I will know, naturally, if there are any.....

HMJr: Yeah.

W: .....and I will see that word gets to you through your office here.

HMJr: Through here?

W: Yes.

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HMJr: That would be as good as any.

W: Yes. Your private secretary here will know how to get you.

HMJr: Yeah. Mrs. Klotz will be here.

W: Well, I'll keep that in mind, Mr. Morgenthau. You can rely on me.

HMJr: Just a moment.

W: Yes, fine.

HMJr: Stay on the wire, please.

Operator: Operator.

HMJr: I want Mr. Morris Wilson to talk to Mr. Schwarz.

Operator: All right.

HMJr: You put him on, will you?

Operator: All right.

HMJr: Let him talk to Mr. Schwarz.

W: Thank you, Mr. Morgenthau.

HMJr: Wait. I'll tell Schwarz what I want. I'll stay on, too.

Operator: All right.

(Slight pause while operator tries to get in touch with Mr. Schwarz)

HMJr: Just a moment, please.

W: Yes. It's quite all right.

HMJr: Sorry to delay you.

W: That's quite all right, sir, quite all right. It's very good of you to do this.

- 5 -

HMJr: No, no - I'll do it for - I still haven't got over it.

W: Oh, well neither have any of us.

HMJr: Yes.

W: Neither have any of us. It just seems too tragic.

HMJr: I think we maybe better get your number and then call you back.

W: No, I'll hold. If you'll hang up and let me just keep the connection.

HMJr: All right, we'll do that.

W: That's all. My secretary's right here waiting to take it.

Operator: Mr. Morgenthau.

HMJr: Yes.

Operator: Mr. Schwarz is not in his office.

W: Well, have him ring me back.

Operator: Surely, I will.

W: My number is Hobart 9000.

Operator: All right, sir.

W: Mr. Morris Wilson.

Operator: Thanks.

W: Thank you. Good-bye.

HMJr: Good-bye.

8/16/41

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Mr. Fitzgerald informed Jean Monnet this morning that the Secretary would be away for a couple of weeks. Mr. Monnet then asked whether we would forward this letter to him, and Mr. Fitzgerald said we would be glad to do so.

When I spoke to the Secretary at 11:45 this morning, I told him about this letter, and he said we should forward it to him at Tadoussac. Copy was sent to him by air mail today.

Mrs. McHugh

## THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860

Box 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D. C.15<sup>th</sup> August 1941.Personal

Dear Mr. Maynard -

I know the deep  
feeling of affection that Perce had  
for you and how you must feel  
as a result of his tragic death.  
I am writing because I feel that  
you and I were his very real friends.  
I would like to go  
and see you tomorrow - I will telephone  
to Mrs. Klotz.

Yours sincerely,

Tom Maynard

August 15, 1941  
11:25 a.m.

Present: Ambassador Oumansky  
Mrs. Klotz

Ambassador Oumansky: I need your advice and immediate assistance. This time I come officially to see you. This is a question of our credit. I will send you a memo of the main facts.

The situation on June 30th - I officially requested Mr. Welles that we be given \$500,000,000 credit.

On July 10th, the President, by his initiative, before I could raise this question, said, "The credit of Russia is high in this country."

On July 12th I was received by Mr. Jesse Jones who was directed by the President to discuss details. He did not see any objections, and raised a new question about raw materials, and I did not raise any objections. Jesse Jones said that the five-year term was not objectionable at all.

On July 23rd, I gave Jesse Jones specific conditions - 3% interest per annum; prepayment of interest every half year; amortization to start after the fifth year. The counter-suggestion of Jesse Jones was that any loan must have security. Security should be Soviet raw materials. He said, "I saw Clayton and Clayton said that we do not need raw materials," and he said that the loan should be \$50,000,000 instead of \$500,000,000. I told them that this was unacceptable.

The situation today is that we have to make cash payments and, strangely enough, as long as the gold is on the high seas, we do not have the money for it. The balances of the State Bank in this country are absolutely insignificant - between two or three million dollars. Right now three tons, \$3,000,000, are on the high seas, and within the next six weeks there will be \$10,000,000 worth of gold coming into this country. I request a short-term six weeks' credit now of \$10,000,000 against the gold coming in on the high seas.

The Secretary told him that he was leaving this afternoon for a two weeks' vacation. At this point he sent for Messrs. Bernstein, White and Cochran, and the remainder of the meeting was recorded by the stenotypist. The Secretary also telephoned Dean Acheson and a copy of their conversation is attached.

August 15, 1941  
11:34 a.m.

HMJr: The Ambassador is here with me. I'm leaving at one-thirty to be gone for two weeks. He wants a ten million dollar loan for sixty days - six weeks against gold coming in on the high seas. Hello.

Dean Acheson: Yes.

HMJr: Well now, I'm going to either say yes or no to him, and I'd like - you aren't so that you could walk over here, are you?

A: Well, I could in just a minute, but I wouldn't know very much more when I got over there than I know now.

HMJr: Well, I just - I'm going to move on it unless there's some - do you know about his arrangements with Jones and all that?

A: I just know that they're not getting very far.

HMJr: Well, you know as much as I do.

A: Yeah.

HMJr: Can't you come over?

A: Yeah, I'll be delighted to come over if you'd like me to speak to Mr. Hull before I come.....

HMJr: That would be good.

A: .....and see - what you really want to know is whether we'd be for this.

HMJr: Well, I think we can work it out.

A: Yeah.

HMJr: And I want Mr. Hull's blessing.

A: Yes.

- 2 -

HMJr: Because I'll move fast. I'm sure we can find a way to work it out.

A: Yes. Well, suppose I.....

HMJr: Because he says they haven't got the cash to pay for the materials, and Jones is driving a very hard bargain with him.

A: Yeah.

HMJr: They need ten million dollars.

A: Well, I'm certain - I'm absolutely certain Mr. Hull will be for it.

HMJr: Well.....

A: Suppose I just see if I - unless there's somebody with him I can get in there, get his blessing, and then would you like me to come over?

HMJr: Oh.....

A: Or shall I just call you and say.....

HMJr: I think if you just call me and say that it's all right with Mr. Hull and if he wants to talk to me, see?

A: Yes.

HMJr: And if it's all right - if you find you're not going to be able to get in to see him, give me a ring either way in the next five or ten minutes?

A: I will, Henry. And have you talked with Jesse, or do you want me to or doesn't Jesse come into this?

HMJr: Oh, I don't think that Jesse'd come into this thing.

A: Yeah.

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HMJr: If you want to talk to him, if you want to make sure, why call him up.

A: Yeah.

HMJr: What?

A: All right, I'll call you back in just a few minutes.

HMJr: I mean, I normally wouldn't. I mean, this is a - I hadn't even thought of it.

A: Yes. Well, if you normally wouldn't, then I won't.

HMJr: But I'll hear from you within ten minutes?

A: Yes.

HMJr: Thank you so much.

A: All right, sir.

August 15, 1941  
11:35, a.m.

RE AID TO RUSSIA

Present: Mrs. Klotz  
Mr. Oumansky  
Mr. Cochran  
Mr. Cairns  
Mr. White  
Mr. Bernstein

H.M.Jr: Here is the proposition, gentlemen.

You all know the Ambassador?

Oumansky: We just met.

H.M.Jr: Mr. Cochran. Huntington Cairns is acting while Mr. Foley gets married, and Mr. Bernstein you know, and Mr. White.

Oumansky: Certainly.

H.M.Jr: The Russian Ambassador - Soviet Ambassador.--

Oumansky: Russian Ambassador, I don't mind at all.

H.M.Jr: All right.

.... needs ten million dollars during the next six weeks to pay for --

Oumansky: Purchases of defense materials.

H.M.Jr: And he will pay it back to us later on when the gold arrives.

- 2 -

- Oumansky: Some of it might be in tomorrow, three tons.
- H.M.Jr: Any gold that comes in would come to us anyway. Bernie, what is the best way to do this?
- Bernstein: We could buy the gold and pay them at this point and then we will receive the gold here as soon as it is delivered.
- H.M.Jr: Say that again.
- Bernstein: We will buy the gold from them now while it is enroute, and we will pay them for the gold now, but they have the risk of loss in case the gold doesn't get here. They have got to pay us back the money.
- H.M.Jr: Or give us other gold.
- Bernstein: Or give us other gold, but if the gold gets there, then they will deliver that gold to us and that will wipe the thing off.
- Oumansky: I think that is a reasonable observation you make.
- H.M.Jr: Now, I have got a little objection.
- Oumansky: You have?
- H.M.Jr: Well, I have always refused to do this. I was thinking of it in a different way. I feel so friendly I am doing my thinking out loud.
- Oumansky: Fine.
- H.M.Jr: Just give me - I mean, I am thinking of ways to do it, not ways not to do it. Why not a Stabilization loan?
- Cochran: It is a belligerent country.

- 3 -

- Oumansky: The Act does not apply to us.
- Bernstein: It is a commitment that the Secretary has with the Congressional Committees. You would have to go up there and tell them.
- Cochran: That is my thought.
- H.M.Jr: Then that is out.
- White: You see, in the case of China, Mr. Secretary, they weren't legally recognized in a state of war and therefore the situation --
- H.M.Jr: Who is Russia at war with, legally? Have you declared war on Germany?
- Oumansky: No, we have not declared war on Germany.
- Bernstein: Didn't the President issue a proclamation?
- Cairns: Yes.
- White: Not with Germany?
- Oumansky: As a matter of fact, Mr. Secretary, I did think of the Stabilization question before coming to see you. It appealed to me as one of the possibilities, and the question you raise is not the one I thought of. I thought of the emergency aspect. The fact that we have not - the Act does not apply to us and there was no Presidential proclamation --
- Cairns: The President has not issued a proclamation saying you are at war?
- Oumansky: No, and we appreciate it very much that he has not done so, as you will remember this gives your ships the possibility to enter Vladivostok, and that was what the President probably had in

- 4 -

mind in not applying the Neutrality Act to us, which we considered a very friendly gesture, or the absence of the gesture was friendly.

Cochran: So the situation would be comparable to China, then?

White: It would legally. I didn't realize.

H.M. Jr: Well, as I say, the Ambassador walks in here and I am leaving here at one thirty, and before he walks out of here he is going to get ten million dollars. I don't know how, but I want him to know there is one place where we do business.

Oumansky: I appreciate that. One thing I want the gentlemen to know, this is a transitory, small operation, pending our negotiations with the American Government, and particularly Mr. Jesse Jones, about a five hundred million dollar credit. These negotiations are more protracted than we expected. New questions have arisen which are entirely unacceptable to us, I must say, and pending those negotiations which in one way or another will finish by a substantial loan, there is an immediate situation of immediate payments. Gold is on the high seas. It is a question of a short term six-weeks' transitory individual loan.

Bernstein: Do you have the shipping documents covering the gold? Have the shipping documents arrived?

Oumansky: I am not in a position to answer that, but by a telephone call I could answer that. I do know that a Russian boat either today or tomorrow has or is about to arrive with three tons, which amounts to three million.

Bernstein: Do you know when the remainder is likely to arrive?

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- Cumansky: May I tell you frankly that I do not know, and the question of shipment of gold is being handled in such confidential fashion that probably I will learn that three or four days before the ship comes in. It is just the same way as I learned yesterday about a ship coming in. I knew the ship was coming in. I didn't know the gold was on board.
- White: I think that your (Secretary's) suggestion is better than that.
- H.M. Jr: You people will have to tell Gaston about this because Gaston will be acting while I am gone.
- Cochran: I just told the Ambassador aside that we had word of the arrival at San Francisco of one shipment of three million dollars which we are buying.
- H.M. Jr: That is three million. So you only need seven?
- Cumansky: No, we would appreciate ten million, of which the three million would be a part.
- H.M. Jr: That is all right. You mean three would be a part of it.
- Cumansky: Three would be part of this.
- H.M. Jr: Stick to your ten but the three would be the first payment?
- Cumansky: Quite right.
- White: If you buy ten million dollars of gold when it is not on a ship, but part of it is to be delivered later, it will be comparable to a loan of any amount, whether the gold is in the vaults or in the ground or anywhere, and I think that looks a little too much like a device.

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If the gold were on the ship, then I think your suggestion might have more merit, but since it is not on the ship, I think that probably the other way might be preferable.

Cochran: Are we sure it is not on the ship? I mean, if he can find out - but these things do come in very secretly. We don't know until the ship arrives.

H.M.Jr: He says frankly he doesn't know.

Cochran: But he could find out.

Oumansky: I don't think I could.

Bernstein: Could you find out this much, Mr. Ambassador, if the gold is on a ship which is now enroute to this country?

Oumansky: Since a six-weeks' period has been asked for, I am not sure that the gold is already on another ship. It might be. But a six-weeks' period - the question would be, through me, the Soviet Government would request a ten million dollar short term loan secured by gold to come into this country. This is my position. The security for this ten million--

H.M.Jr: Let me say, the Ambassador doesn't want to use cables, he doesn't want to let the people know where his gold is. He doesn't want to even ask, and I think he is right.

Oumansky: I think you understand me perfectly.

H.M.Jr: He doesn't want them to send out word telling where the gold is, for fear they would pick up cables and decode them, and it serves notice to the world where it is.

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Get together boys, and give me an answer.

White: There is that difference, Mr. Secretary.

H.M.Jr: What is that?

White: Though it is true that the arrangement was made with China on the status that it was not a belligerent State, and I gather the status of Russia is the same, it none the less is true that you did establish a precedent by coming before that Committee and saying that "Though I don't feel legally I have to come before you and notify you, I don't wish to violate - or any possibility of misinterpretation of the spirit and therefore I am coming to you." Whether by that act you have established a precedent which you would be breaking now is the question. It is a small amount.

H.M.Jr: Wait a minute. What did I go before them - I went before them in which connection?

Bernstein: China.

H.M.Jr: China?

Bernstein: Stabilization arrangement with China, and the specific question that we had then was whether or not China fell under your commitment since the proclamation had not been issued in that situation, just as it has not been issued in the Soviet-German situation.

White: But I think there was this element in it, Mr. Secretary, that might make the case different. In the case of China I think we all recognized there was very substantial risk with regard to repayment.

Cunansky: It is a very good point, in view of our gold reserves.

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- H.M.Jr: Well, that isn't the thing that I went before Congress on, I mean, whether it was a good risk or a bad risk. That wasn't what I went before them on. I have got another idea. Do you know this, whether they come from Vladivostok --
- Oumansky: They do.
- H.M.Jr: Have we any American flag ships there?
- Oumansky: Right now, no. One tanker is on the way. It left yesterday.
- H.M.Jr: How many days before it will get there?
- Oumansky: It will take this tanker about sixteen days to reach Vladivostok.
- H.M.Jr: Would the three million dollars last you for sixteen days?
- Oumansky: Pardon me.
- H.M.Jr: Have we a Consul in Vladivostok?
- Cochran: Yes, sir.
- H.M.Jr: All right, let them put the gold in the American Consulate and hold it there and put the gold on the tanker and bring it back.
- Oumansky: Mr. Secretary, it is even technically rather difficult to bring tons of gold into the small building of an American Consulate, and the question of extra-territoriality would arise. The gold is guarded rather carefully.
- H.M.Jr: No, we will pay you when we take it into the Consul's office. We will pay you when it goes in there.

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- Cochran: The Consul is living in a hotel there. He just has a room, and his office is the next room.
- White: I think Mr. Bernstein has a way.
- Bernstein: You buy the gold for future delivery, Mr. Secretary, and then you don't have to take title to specific gold at the present time, so no one has to tip his hand as to where the gold is, and tell them we will buy the gold now, pay them say, up to ninety or ninety-five per cent for the gold, the gold to be delivered at San Francisco in sixty days or some agreed upon period.
- H.M.Jr: Don't say San Francisco. Say at New York or San Francisco. You can do that?
- Bernstein: That is right.
- H.M.Jr: Get together. Are you satisfied on it?
- Cochran: I think that is the way, yes.
- H.M.Jr: I simply give him ten million dollars against future delivery?
- Bernstein: Yes.
- White: Have ten million plus five per cent, so you will be paying a little less - you pay him ninety-five per cent cash.
- H.M.Jr: Against the weighing and so forth, and then he gets a hundred cents on the dollar?
- White: That is right, so if you want to make it ten million it can be ten million plus.
- H.M.Jr: He doesn't care.

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- Cumansky: No, this five per cent is a difference which you will pay upon arrival.
- White: On weighing and assaying.
- Cumansky: That is a technicality.
- H.M.Jr: If he needs ten million, we will buy eleven.
- White: If sixty days is not adequate --
- Cumansky: What Mr. Bernstein suggests is - you buy this gold against future delivery. Is that the way I understand it?
- Cairns: The gold won't be earmarked. It will be any gold.  
(Telephone conversation, 11:50, with Dean Acheson follows:)

August 15, 1941  
11:50 a.m.

Dean  
Acheson: Hello.

HMJr: Hello,

A: Henry.....

HMJr: Yes.

A: I've taken that up with the Secretary and Sumner Welles.....

HMJr: Yeah.

A: .....and they both say that it's all right.

HMJr: Fine.

A: I have not talked to Jesse, but I don't see any reason for doing that.

HMJr: Now the way we're going to do it is this, for your information, on advice of the attorneys. We're buying this gold against future delivery.....

A: Yes.

HMJr: .....which they say is perfectly legal.

A: All right.

HMJr: Well, I mean, our boys - you know, I'm not asking - but you say that both Hull and Welles are satisfied?

A: Yes.

HMJr: And - I'll tell Jesse just so that you think - as long as you raised the question, I might as well tell him.

A: Well, I think he will undoubtedly be relieved, because it will ease the pressure on him for a little while.

- 2 -

HMJr: I'll call him up and tell him.

A: All right.

HMJr: Ever so much obliged.

A: You're very welcome, Henry.

HMJr: The Ambassador says please to give you his appreciation as well.

A: Thank you very much.

HMJr: He appreciates it. And incidentally, that little message that you asked me to give Mr. Hull the other day.....

A: Yes, yes.

HMJr: I went over myself.

A: Oh, that's very nice.

HMJr: Yeah. And I also told him how helpful you had been.

A: Well.....(Laughs) I didn't want you to.....

HMJr: I'll tell you some time what he said when I'm with you - when I see you.

A: All right. Fine.

HMJr: Interesting and complimentary.

A: Well, I'm glad of that. I'm not always sure.  
(Laughs)

HMJr: Yeah. I just wanted to show the Ambassador that he can get some service when he's entitled to it.

A: Yes.

HMJr: Okay.

A: Good-bye.

HMJr: Thank you.

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- H.M.Jr: How is that for speed?
- Oumansky: Well, it is a proposition entirely different from my --
- H.M.Jr: Take my advice. Make it ninety days, so that you needn't come around and say, "I need an extension." Make it ninety days.
- Oumansky: "Cheers in the left banks of the Chamber."
- H.M.Jr: So you can say you paid sooner than you had to.
- Oumansky: As a matter of fact, when you mentioned sixty days I wanted to say that Moscow asked for six weeks only, but I wanted to retain the suggestion of sixty days. You say ninety days, and in view of the shipping situation it is a good safeguard. I hope it will be in six weeks, but it is a safeguard which is very desirable.
- White: Since it is a future purchase the question of interest need not arise.
- H.M.Jr: No interest. Just the regular way, we pay them the full assay value of the gold, less one quarter of one per cent.
- Oumansky: Which is your usual --
- H.M.Jr: Just the usual procedure. No interest. We are not in the money lending business. We don't lend money.
- Oumansky: Thank you. To whom will that go? To the account of whom?
- Cochran: We have an account in the Federal with the Central Bank of the U.S.S.R. That would be the place to deposit it.

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- H.M.Jr: When will you put it in, today?
- Bernstein: I think we ought to draft a paper on it.
- H.M.Jr: Just so there is no misunderstanding, between now and noon tomorrow I want the money deposited.
- Cochran: Do you want ten in addition to this three or seven in addition to this three?
- H.M.Jr: No, ten and the three as the first three payments.
- Cumansky: Mr. Secretary, I hope and I assume that Amtorg and Chase National have not made yet arrangements about the three.
- Cochran: Well, they have sold it to the assay office out in San Francisco, I think.
- Cumansky: I would not object at all if the proceeds go as a part of those --
- (Telephone conversation with Jesse Jones follows:)

August 15, 1941  
11:53 a.m.

HMJr: Hello.

Jesse  
Jones: Hello, Henry.

HMJr: Jesse.....

J: Yeah.

HMJr: .....the Russian Ambassador's here, and he told me on account of some of the delays here now, he's having in his negotiations with him, could we arrange to buy gold up to ten million dollars against future payments, you see?

J: Uh huh.

HMJr: A ninety day transaction.

J: Uh huh.

HMJr: We can do it. I took it up with Mr. Hull and Mr. Welles, and they both cleared it.

J: Uh huh.

HMJr: Hello.

J: You say they can do it, you say?

HMJr: I can.

J: I see.

HMJr: Yes.

J: Good.

HMJr: That'll help your situation, won't it?

J: Yes. He's - is he with you at the moment?

HMJr: Yes, he is.

- 2 -

J: I'll be very glad to see him next week and discuss his problems further.

HMJr: You will?

J: Yeah.

HMJr: Any other comment? I could listen, all right.

J: No, I think that's all. We've.....

HMJr: Yeah.

J: .....frankly our line - our law is not awfully broad.....

HMJr: Yeah.

J: .....and I've been trying to work out something and he doesn't want to - doesn't want to do. I wanted to do something like I did with China, and I didn't want to tell him - didn't want to use that name.

HMJr: Well.....

J: I wanted to make purchases, and then make advances against them and.....

HMJr: Yeah.

J: .....so he got - kind of got huffy when we got to talking about that, and I was waiting for him to get over his huffiness and come back.

HMJr: But you'd like me to tell him now you'd like to see him next week.

J: Yes, if you will.

HMJr: Early.

J: Yeah. I'll be glad to see him early next week.

HMJr: All right. This will take care of his immediate commitments, you see.

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J:           Yeah. Fine.  
HMJr:       Thank you, Jesse.  
J:           Thanks.

- 13 -

(Mr. Gaston entered the conference).

- H.M.Jr: He said fine, and he would like to see you early next week.
- Cumansky: Very good.
- H.M.Jr: Herbert, I won't take the time now, but in as much as you will be acting you can get it from one of these men.
- Gaston: Yes, I have the substance of it.
- H.M.Jr: Just how do we leave the ten? Supposing the three has already been credited to you --
- Cumansky: Which is possible. The proceeds might have gone to the Chase National.
- White: Is it clear that it hasn't been allocated and spent by the Amtorg?
- Cumansky: It couldn't technically be spent yet.
- H.M.Jr: Supposing it it to your credit. Do you want seven now?
- Cumansky: I would still request that.
- H.M.Jr: Granted.

AUG 15 1941

**STRICTLY CONFIDENTIAL****My dear Mr. Welles:**

With reference to your letter dated July 15, 1941, I have pleasure in enclosing copies of notes which I confidentially exchanged with the Soviet Ambassador, under date of August 2, 1941, in accordance with the understanding reached with your Department.

Sincerely yours,

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

**Secretary of the Treasury.**

**Enclosures:  
Copies of notes  
of August 2, 1941**

**The Honorable**

**Sumner Welles,**

**Under Secretary of State.**

By Messenger 2:30

  
HMO:lap-8/14/41

August 2, 1941

My dear Mr. Ambassador:

The receipt is acknowledged of your note of August 2, 1941, in which you state that the Government of the Union of Soviet Socialist Republics would appreciate certain assurances from the Government of the United States relating to the purchase of Soviet gold in the United States.

In announcements of January 31 and February 1, 1934, I, as Secretary of the Treasury, stated that, until further notice, the United States would buy gold imported from abroad, at the rate of \$35 per fine troy ounce, less the usual mint charges and less one-fourth of one percent, all subject to compliance with the regulations issued under the Gold Reserve Act of 1934. Such gold purchases have been made continuously thereafter and without discrimination.

The foregoing continues to be the policy of the Government of the United States and assurances are given to the Government of the Union of Soviet Socialist Republics that no prohibitive or restrictive measures will be applied to the export or import of Soviet gold or silver which will not be applied to all other countries.

The foregoing assurances are understood to be in effect until August 2, 1942.

I am, my dear Mr. Oumansky,

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency,  
Constantine A. Oumansky,  
Ambassador of Union of Soviet  
Socialist Republics

EMC:nrd - 8/8/41

COPY

August 2, 1941

My dear Mr. Secretary:

For a number of years purchases by the Union of Soviet Socialist Republics in the United States of America have greatly exceeded exports from the Soviet Union to the United States and it is probable that this condition will continue to exist for some time. In view of this situation the Government of the Union of Soviet Socialist Republics may find it desirable to export gold to the United States of America in an amount sufficient to enable it to meet obligations which it has already made or the making of which is under contemplation. It would, therefore, appreciate assurances from the Government of the United States that the State Bank of the Union of Soviet Socialist Republics will be permitted without hindrance to export gold into the United States for the purpose indicated, that the Treasury of the United States will purchase such gold, and in particular that the Government of the United States of America will not take with respect to the Union of Soviet Socialist Republics any measures prohibiting or curtailing exports or imports of gold or silver which shall not be applied with respect to all other countries.

I am, my dear Mr. Morgenthau,

Very sincerely yours,

(Signed) C. Oumansky

The Honorable

The Secretary of the Treasury.

Copy:lap-8/14/41

DEPARTMENT OF STATE  
WASHINGTONIn reply refer to  
Eu

July 16, 1941

My dear Mr. Secretary:

As you will recall, during the fall of 1940 we had under consideration an exchange of notes between the Soviet Ambassador and myself in which it was proposed to give assurances to the Government of the Union of Soviet Socialist Republics that no prohibitive or restrictive measures would be applied by the Government of the United States to the export or import of Soviet gold or silver which would not be applied to all other countries. In view of certain considerations of an international character the contemplated exchange did not take place.

The Soviet Ambassador has brought up this question again and desires to effect an immediate exchange of notes on this subject. He has furthermore suggested that this exchange be connected with, or perhaps form a part of, the commercial agreement between the Soviet Union and the United States which is to be renewed in the immediate future.

I am enclosing herewith draft copies of the notes which we propose to exchange, subject of course to your approval, and I would appreciate receiving from you at your earliest convenience any comments which you may wish to make on these draft notes.

Sincerely yours,

/s/ Sumner Welles  
Acting SecretaryThe Honorable,  
Henry Morgenthau, Jr.,  
Secretary of the Treasury.

Enclosures: Draft copies of notes. COPY:inc

My dear Mr. Ambassador:

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I am, my dear Mr. Oumansky,  
Very sincerely yours,

His Excellency

Constantine A. Oumansky,  
Ambassador of Union of Soviet  
Socialist Republics.

Du:EP:LIS  
7/15/41

My dear Mr. Welles:

For a number of years purchases by the Union of Soviet Socialist Republics in the United States of America have greatly exceeded exports from the Soviet Union to the United States and it is probable that this condition will continue to exist for some time. In view of this situation the Government of the Union of Soviet Socialist Republics may find it desirable to export gold to the United States of America in an amount sufficient to enable it to meet obligations which it has already made or the making of which is under contemplation. It would, therefore, appreciate assurances from the Government of the United States that the State Bank of the Union of Soviet Socialist Republics will be permitted without hindrance to export gold into the United States for the purpose indicated, that the Treasury of the United States will purchase such gold, and in particular that the Government of the United States of America will not take with respect to the Union of Soviet Socialist Republics any measures prohibiting or curtailing exports or imports of gold or silver which shall not be applied with respect to all other countries.

I am, my dear Mr. Welles,

Very sincerely yours,

The Honorable

The Secretary of State.

Copy:imo

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

H. MORGENTHAU, JR - OFFICIAL

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

2-14177

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

August 15, 1941.

MRS. FRANKLIN D. ROOSEVELT  
HYDE PARK, NEW YORK

PENDING TAX BILL EXEMPTS ADMISSIONS TAX FOR MEN IN UNIFORM WHEN ADMITTED FREE. WHEN MEN IN UNIFORM ARE ADMITTED AT A REDUCED CHARGE THE TAX IS BASED ON THE REDUCED CHARGE. NO EFFORT HAS BEEN MADE OR WILL BE MADE BY TREASURY TO REMOVE THIS PREFERENTIAL TREATMENT WHICH WAS INSERTED IN THE BILL AT THE TREASURY'S RECOMMENDATION. I AM LEAVING THIS AFTERNOON SO IF YOU HAVE ANY FURTHER QUESTIONS TO ASK ASSISTANT SECRETARY JOHN S SULLIVAN WILL BE GLAD TO BE OF SERVICE

HENRY MORGENTHAU JR

STANDARD FORM No. 14A  
APPROVED BY THE PRESIDENT  
MARCH 10, 1925

TREASURY DEPARTMENT  
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

(The appropriation from which payable must be stated on above line)  
U. S. GOVERNMENT PRINTING OFFICE 8-14117

August 15, 1941.

MRS. FRANKLIN D. ROOSEVELT  
HYDE PARK, NEW YORK

PENDING TAX BILL EXEMPTION<sup>S</sup> ADMISSIONS TAX FOR MEN IN UNIFORM WHEN ADMITTED FREE. WHEN MEN IN UNIFORM ARE ADMITTED AT A REDUCED CHARGE THE TAX IS BASED ON THE REDUCED CHARGE. NO EFFORT HAS BEEN MADE OR WILL BE MADE BY TREASURY TO REMOVE THIS PREFERENTIAL TREATMENT WHICH WAS INSERTED IN THE BILL AT THE TREASURY'S RECOMMENDATION.

*Handwritten notes:*  
3 m 4 r t S Henry  
2 2 10 2

## Treasury Department

TELEGRAPH OFFICE

PO3FF 53 DL GOVT

HYDEPARK NY AUG 14 1941 512P  
1941 AUG 15 AM 8 03

THE SECRETARY OF THE TREASURY DEPT

WASHDC

UNDERSTAND PROVISION IN TAX BILL WHICH WOULD EXEMPT TAX ON THEATRE  
AND MOVIE TICKETS GIVEN GRATIS TO MEN IN UNIFORM IS CONSIDERED NOT  
IMPORTANT BY TWO TREASURY TAX EXPERTS BOTH MR MARSHALL FIELD AND  
I THINK THIS IS IMPORTANT AND WOULD BE GREATFUL IF YOU WOULD CHECK  
ON IT AND LET ME KNOW

ELEANOR ROOSEVELT

742A AUG 15.

Aug. 15, 1941 - 215 ✓

Talk by Secretary Morgenthau to be included in a short 16 mm. film which will be shown to retailers and trade associations throughout the country, beginning September 15.

Every American is prepared to do his part in this national emergency if given the opportunity. Two million of our young men are in the armed forces. Many millions of others are giving their time, effort and experience toward the urgent fulfillment of the nation's immediate defense needs. But there remains the great majority of our people who, for one reason or another, cannot participate by direct effort in this great and urgent cause.

You, the retailers of the country, are the best equipped, through your daily contact with these millions, to give them the opportunity they are seeking -- the opportunity of lending a part of their daily earnings to the government to be used in building up our national defenses. To buy more guns and tanks, to build more ships and planes, to keep America as our fathers dreamed that it would be.

This extra effort on your part, which is a new undertaking and one of our most important so far, must be a strenuous one. It will require constant suggestion to your customers that they take advantage of the Defense Stamp Purchase Booth set up in your store or shop. It cannot be just a casual addition to

- 2 -

your regular business, but it must have your individual push behind it.

There are nearly two million of you engaged in the retail trades of our nation. You cater to the needs of 130 million of us. Your efforts in our behalf will be reflected in the security we are determined to have for ourselves and our children.

August 15, 1941

Dear Major Namm:

I am delighted to learn of the meeting that took place in Washington on Tuesday, at which the support of fourteen national retail trade associations was pledged to promote the sale of U. S. Defense Stamps throughout the country. I understand that these trade associations speak for over a million retailers, located in every city and hamlet in the land, and employing over half of the four and one-half million retail employees.

Judging by the recent "experiment" in the state of Michigan, this pledge of retail cooperation augurs well for the success of the Defense Stamp Program. During the month of July, over twenty thousand retailers of that enterprising state organized themselves into a voluntary array for the sale of these stamps. This "mass merchandising" effort proved to be extraordinarily successful.

I wish to congratulate you, personally, upon your designation as Chairman of the committee that has been formed to assist the Treasury Department in the sale of these Defense Stamps. You and your associates, representing the great national retail trade groups, are eminently qualified to insure the successful completion of this patriotic undertaking.

As we all know, every American is prepared to do his part in this national emergency if given the opportunity. Two million of our young men are in the armed forces. Many millions of others are giving their time, effort and experience toward the urgent fulfillment of the nation's immediate defense needs. But there remains the great majority of our people who, for one reason or another, cannot participate by direct effort in this great and urgent cause.

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through your daily contact with these millions, to give them the opportunity they are seeking -- the opportunity of lending a part of their daily earnings to the Government to be used in building up our national defenses, To buy more guns and tanks, to build more ships and planes, to keep America as our fathers dreamed that it would be.

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You merchants cater to the needs of 130 million of us. Your efforts in our behalf will be reflected in the security we are determined to have for ourselves and our children.

Sincerely yours,

(Signed) H. Berentzen, Jr.

Major Benjamin H. Namm,  
Chairman, Treasury Retailers Ad-  
visory Committee,  
Washington, D. C.

*Given to file*

253

Note:

Two copies of this message were sent  
to Newcomb so he could get the telegram  
fix off.

R. McH

Aug. 15th

TREASURY DEPARTMENT  
TELEGRAM

254 ✓

66-16-77  
Official *[Signature]*

August 15, 1941

R. J. Thomas  
President, United Auto Workers  
Lafayette Hotel,  
Buffalo NY

Mr. Gilbert E. Hyatt of our Defense Savings Staff has just told me of your purchase of \$50,000 Defense Savings Bonds and of your splendid resolution in support of systematic saving. I am delighted with this news and wish to send all of you my warmest thanks. Your resolution proves again that American labor understands the urgent needs of national defense and can be counted on to support the defense effort to the limit. Everything that American labor has won through years of struggle is at stake in the present world crisis. The rights of collective bargaining and the continual betterment of our standard of living can only be assured in a free society. Your resolution demonstrates that you are resolved to keep our free institutions safe and strong. I congratulate you for the pledge you have made and wish you would convey to all your members my very good wishes.

*53-20-1000*  
*[Signature]*  
DRO J.K.  
Henry Morgenthau, Jr.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 15, 1941

TO Miss Chauncey

FROM Mr. Duffus

Regarding the instruction from the Secretary to this department to contact the Secret Service on distribution of film, we contacted Chief Wilson's office and are distributing "America Preferred" through their office along with their Secret Service film.

Mr. Albert is handling this.

*C.D.*

DEFENSE SAVINGS STAFF

## ADVANCE NOTICE RADIO PROGRAM

FRIDAY - AUGUST 15, 1941

Time: 9:15 - 9:30 A.M.  
Program: Ellen Randolph  
Station: WRC and NBC Red Network

Time: 6:30 - 6:45 P.M.  
Program: Philip A. Benson, President,  
The Dime Savings Bank of Brooklyn, N. Y.  
"Let Us All Be Shareholders in America"  
Station: WRC - NBC Red Network

Time: 8:00 - 8:30 P.M.  
Program: Great Plays  
Station: WJSV and CBS Network

Time: 8:30 - 9:00 P.M.  
Program: Uncle Walter's Doghouse  
Station: WRC and NBC Red Network

Time: 8:30 - 8:55 P.M.  
Program: Your Happy Birthday  
Station: WMAL and NBC Blue Network

Time: 11:15 - 12:00 Midnight  
Program: Music You Want, When You Want It.  
Station: WMAL - Washington, D. C.

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.

MEMORANDUM FOR THE SECRETARY.

August 18, 1941.

Just to speed you on your way, I am sending you a brief summary on the mail received this week, up to and including the first mail Friday.

The great bulk of the letters dealt with the tax situation. Naturally, these were almost entirely antagonistic — after all, it is the ones who strongly object who write letters. Those who support the program, either warmly or without any great enthusiasm, expect to simply "shut up" and "put up". Of all the letters which object to additional taxation, the greatest complaint is about taxation on the low income group. Many quarrel with the Secretary's statement that citizens in these groups welcome a chance to contribute. Many of them cite the rising cost of food, clothing, rents, etc., and many criticize the Government for wasteful spending, while thrift is urged upon the poor and the middle classes.

In the mail of Friday morning, there were more letters abusive of the President and his policy, than of the Secretary. A number say that they understand the Secretary must raise the money wherever he can.

Many letters urge the taxation of labor unions, or of wages paid those working on defense projects.

Letters protesting help to Russia, and the anti-English ones are in the ratio of 3 to 10.

The mails of Thursday and Friday contained many protests of the drive against installment selling. These ranged from learned statements on the economic structure, written by businessmen, etc., to penciled scrawls from poorly paid heads of families who buy practically everything on the installment plan. There seems to be universal feeling that this is penalizing the middle class again, for the rich can pay cash for such things as automobiles, refrigerators, radios, vacuum cleaners, typewriters, washing machines, etc. Thousands who need replacements in order to run their houses and keep their families well could not buy any of these combined luxuries and necessities if they could not get them on time payments. This would throw thousands out of work and reduce the health, efficiency and morale of large groups of people. A number of writers bring out the fact that the Government collects income tax on the installment plan. Many writers say that they anticipate having to buy various household aids, etc., because the old ones are worn out, and that they will have to stop purchasing bonds and stamps in order to accumulate enough money to buy these articles outright.

The comments on Defense Stamps and Bonds follow the general lines of those abstracted in the last two weeks.

Letters from banks on tax anticipation notes are falling off, with only 15 recorded this week.

- 3 -

Mrs. Elsie Bressemer, Atlantic City, sends a New York Times clipping with the headline, "Huge Fees Paid to Contact Men Run Up Defense Costs". Another example of what taxpayers have to contend with. What is going to become of us? Investments give no income; security markets are not allowed to function; taxes are soaring; and Government is wasting money on every hand beyond our thinking.

There were three other letters which alluded to this article, and a waste in carrying out the defense program.

R. I. Woodworth, Ossining, N. Y. I wonder how you think a working man, paying rent, can bring up a family in Westchester County on a salary below \$2,500, and pay taxes. Insurance, medical and dental bills, food, clothing etc., take every cent we have. Many draftees have been rejected because of bad teeth that could have been saved, but there has actually been no money available in many families for this necessity.

Mrs. M.J.T., Los Angeles. I can't see how we can pay more income taxes next year. What do you expect us to live on? This is not our war, and we have no business whatever to be taxed to death.

Mrs. Walter T. Covert, Ballston Spa, N. Y. Widow and has educated four children. Owns small home, income around \$1,200 a year. In Saratoga, nearby, money is spent like water. If she has to pay more taxes, will have to let her home go and become dependent on others and family. Her sons are doing their part and have all they can handle. Tax the rich, especially for their pleasure, but help those of low income.

Various suggestions as to things that might be taxed -- "Millionaire Foundations"; Golf Clubs and memberships; soft drinks; advertising; married women working; dogs; chewing gum; hunting licenses.

A great many letters advocate the sales tax -- 15 in the four and one-half day period.

Many old people with annuities, pensioned school teachers, etc., protest having same taxation as those whose incomes are based on earning capacity.

Mrs. N. M. Bacheller, Melrose, Mass. Administration should find way to tax "petted and pampered" labor union members. "This Administration has destroyed millions of decent, thrifty, patriotic Americans. Our investments ruined. We are denied all consideration in favor of labor radicals. If you continue to tax people who have small annuities

or private incomes, but no earning power, and who are buying the necessities of life in a rising market, you will reduce us to the level of Russian peasants. Restore our dividends and we will be delighted to pay taxes and buy bonds."

Mrs. "Taxpayer O'Rourke", Chicago. Your all out for Britain spells all in for every American taxpayer. We shall not rest until every member of the Administration is forcibly "retired".

F. B. Alexander, N. Y. C. Although drastic, the all out British plan is necessary, but we in lower wage brackets can hardly get enough to eat, while those on defense work are paid fancy prices.

Anonymous - Illinois. Instead of shouting for more taxes, you should be figuring out how to collect existing ones. The Roosevelt program is to save the British and wreck the United States.

Lewis F. Jones, Bellingham, Wash. Your suggestion of a simplified income tax chart to enable the average citizen to make return without aid of experts is one of the best ideas that has come from Washington in any Administration. "Stick by your guns on this issue brother, and in the longrun the need for higher taxes to pay the salaries of able figurers may become unnecessary."

Anonymous - N. Y. C. If the papers quote you correctly about more levy on small incomes, you should be taken out and shot. Why should we continue to work? We will all leave our jobs and just give up.

Mrs. L. E. Goddard, Gulfport, Miss. Have been taxed to the limit for years. To raise a family and pay expenses has been a "defense program" all our lives. "I realize conditions are grave, but there have been grave conditions at home here for many years. We can't get along, keep our homes, our jobs, and our health on less money than we have now. We are true Americans. Tell us the way to get along and we will try to follow your guidance."

Letters threatening "tax strike" or "revolution"	4
Tax ideas and comments not abstracted	141
Just abusive or antagonistic - often anonymous	15
Help the small businessman	3

Personal  
Private

Laurier House,  
Ottawa.

August 15, 1941

My dear Mr. Secretary:

I hope this brief note may reach you tonight, by Howe, or by special delivery.

I had, as you know, planned to leave Montreal in the morning (tomorrow) but have postponed my departure till Monday, so as not to arrive in Britain before Churchill should he be delayed in reaching the shores of his own land. As always happens, fresh obligations have arisen here which make it impossible for me to leave Ottawa before Sunday night. Amongst other things, I have been busy with the preparation of some of my broadcasts and speeches in the form of a book which will appear under the title, Canada at Britain's Side. The last of the galley proofs are coming down from Toronto today, and will have to be returned at once if I am to see any of the page proof, and the final make up before leaving. In the circumstances, I hope you will forgive me if I do not go down to Montreal, as I, otherwise, had hoped to do tonight.

I cannot begin to say how very deeply I appreciate the invitation you so kindly have extended to me to spend a day or two with Mrs. Morgenthau and yourself and other members of your lovely family at Tadoussac in the course of your stay there. Had this been possible at all, I can think of nothing which would have afforded me equal pleasure. I fear, however, that, if I leave on Monday as planned and get safely across, I shall not be back before your brief vacation is at an end. If, however, matters should turn out otherwise, you may see me turning up on a moment's notice.

I do hope you and Mrs. Morgenthau, and all the members of the family, will have a very pleasant stay at Tadoussac. It is a real honor to our country to have you choose its lands and waters for a vacation. Very best of wishes to you all.

Yours very sincerely,

W. L. Mackenzie King.

The Honorable,  
Henry Morgenthau, Jr.  
The Ritz Carlton, Montreal.

(over)

- 2 -

I must express to you my deepest sympathy in the loss we have both so greatly suffered in the past few hours. Purvis' death is as great a loss as almost any that could possibly have been sustained. I know what it will mean to you personally, as well as to Anglo-American relations on which you have both worked together so splendidly since the commencement of the financial problems the war has occasioned. I do indeed feel very deeply for you.

W.L.M.K.

Herbert  
Kinn

LAURIER HOUSE,  
OTTAWA.

August 15. 1841

My dear Mr. Secretary:

I hope this brief note  
may reach you tonight. by home,  
or by special delivery.

I had, as you know, planned  
to leave Montreal in the morning,  
(tomorrow) but have postponed by  
departure till Monday, so as not  
to arrive in Quebec before 6 o'clock  
should be delayed in reaching  
the shores of his own land.

As always happens, fresh obstacles  
have arisen here which make it  
impossible for me to leave  
Ottawa before Sunday night  
though not later than I have  
been busy with the preparation

2 Some of my <sup>21</sup> broadcasts and  
 speeches in the form of a book  
 which will appear under the title  
Discourses at Stalin's Side. The loss  
 of the galley proofs are coming down  
 from Detroit today, and will have  
 to be returned at once if I am to  
 see any of the page proof, and the  
 final work up before leaving. In  
 the circumstances, I hope you will  
 forgive me if I do not go down  
 to Montreal, as I, otherwise, had  
 hoped to do, tonight.

I cannot begin to say how  
 very deeply I appreciate the invitation  
 you so kindly have extended to me to  
 spend a day or two with your  
 beautiful and generally and other  
 members of your lovely family at  
 Tadoussac in the course of your  
 stay there. Had this been possible  
 at all, I can think of nothing  
 that would have afforded me  
 equal pleasure. I fear however

31

LAURIER HOUSE,  
OTTAWA.

That, if I leave on Monday as  
planned and get safely across,  
I shall not be back before your  
brief vacation is at an end.  
If, however, matters should turn  
out otherwise, you may see  
me during my or a moment's  
absence.

I do hope you and Miss  
Kroghman, and all the members  
of the family, will have a  
very pleasant stay at Tadoussac.  
It is a real honour to our  
country to have you choose  
the lands and waters for  
a vacation. My best of  
wishes to you all  
Yours very sincerely,  
M. Kroghman  
The Honorable  
Henry Kroghman  
The King's College, Windsor

I must express to you my deepest  
 sympathy in the loss we have both  
 so greatly suffered in the past few  
 hours. Purvis' death is as great  
 a loss as almost any that could possibly  
 have been sustained. I know about  
 it well even to you personally,  
 as well as to Anglo-American  
 relations on which you have  
 both worked together so splendidly  
 since the commencement of <sup>the</sup> present  
 problems the war has occasioned.  
 I do indeed feel very deeply for  
 both.

AUG 15 1941

Dear Mr. Secretary:

I wish to acknowledge receipt of your letter of August 9, 1941, enclosing a copy of note No. 398 dated August 5, 1941, from the Canadian Charge' d'Affaires, proposing the resumption in Ottawa during the current week, of the exploratory discussions held in 1939 looking to the conclusion of a convention between Canada and the United States for the avoidance of double income tax. I am deeply interested in the resumption of these discussions and I regret that the appropriate Treasury personnel are not available for this work during the present month.

If it would be convenient to the representatives of the Canadian Government, we should prefer to defer these discussions until the week of October 6th. Mr. Ray Blough, Director of Tax Research, has been designated to conduct the negotiations on behalf of this Department.

Sincerely yours,

(Signed) H. Morgenthau, Sr.  
Secretary of the Treasury

The Honorable

The Secretary of State.

JLS/csh  
8-14-41

cc-Blough  
File to Thompson

August 15, 1941

My dear Mr. Ambassador:

Thank you very much for sending me the figures on the output of R.A.F. pilots from the training schools in Canada. I shall keep these figures in the strictest confidence.

Sincerely yours,

(Signed) E. Morgenthau, Jr.

His Excellency,

The British Ambassador.

By Messenger 11:45 am

BRITISH EMBASSY,  
WASHINGTON, D.C.

PERSONAL AND MOST SECRET

14th August, 1941.

My dear Morgenthau,

You were speaking to me the other night about the output of R.A.F. pilots from the training schools in Canada.

I have got the figures, which the Air Ministry regard as highly secret, but I think you will like to see them. Keep them, if you will, to yourself.

Yours very sincerely,

*Halifax*

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

**MOST SECRET**

Pilot Output from R.A.F. and J.A.T.P.  
Schools in Canada.

January	357
February	350
March	440
April	745
May	657
June	624
July	958

Projected.

August	698
September	1195
October	1290
November	1045
December	1710

Not all these pilots find their way into R.A.F. squadrons at home, as a proportion have to be retained in Canada as instructors and staff pilots, and a further number are posted to Canadian home squadrons. As the course in Canada lasts twenty-eight weeks, the approximate number of pilots under training can be estimated by multiplying the monthly output by eight, which should allow for the usual wastage.

C  
O  
P  
Y

August 15, 1941

Dear Mr. Jones:

The receipt is acknowledged this afternoon of your letter in which you state that the Reconstruction Finance Corporation has agreed to participate to the extent of \$3,000,000 in a loan of \$7,500,000, to be made Northrop Aircraft Incorporated. You state that a condition is imposed which requires the British to pay on certain contingencies an extra 25% on the first 140 planes delivered.

Bearing in mind the comments made in its communication of August 13, 1941, the Treasury has no objection to the arrangement contemplated in your letter.

Sincerely yours,

(Signed) D. W. Bell

Acting Secretary of the Treasury.

The Honorable  
Jesse Jones,  
Federal Loan Administrator.

Cleared by telephone with Mr. Oscar Cox  
by H.M.C.

Sent by Spec. Messenger  
4:45 p.m. 8-15-41

HMC:dm:8/15/41

RB HMC

COPY:mew 8/16/41

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## FEDERAL LOAN AGENCY

Washington

Undated, rec'd August 15, 1941

Dear Mr. Morgenthau:

The Reconstruction Finance Corporation has agreed to participate to the extent of \$3,000,000, in a loan of \$7,500,000, to be made Northrop Aircraft Incorporated. This loan will enable the company to complete their unfilled orders for airplanes, a large portion of which are for the British. A condition was imposed requiring the British to pay on certain contingencies an extra 25% on the first one hundred and forty planes delivered.

In view of the fact that the Company has a net worth of only \$266,000, we feel that the loan should not be made without the condition referred to above. We therefore request that the Treasury interpose no objection to such an arrangement.

Sincerely yours,

(Signed) Jesse Jones

Administrator

The Honorable  
H. Morgenthau, Jr.  
Secretary of the Treasury

COPY:new 8/16/41

August 15, 1941

My dear Mr. President:

I am sending you herewith a copy of a memorandum, prepared for me by Mr. Harry White, on the Far Eastern situation.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Copies to: Secretary of State,  
Secretary of War,  
Secretary of Navy.

By Messenger

*Brown*  
2:35

August 15, 1941

My dear Mr. President:

I am sending you herewith a copy of a memorandum, prepared for me by Mr. Harry White, on the Far Eastern situation.

Yours sincerely,

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The President,

The White House.

Copies to: Secretary of State,  
Secretary of War,  
Secretary of Navy.

*Brown*  
By Messenger: 2:35

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 15, 1941

TO Secretary Morgenthau  
FROM Mr. White  
Subject: Developments of Special Interest in the Far  
Eastern Situation

I believe that you will find of interest the following items which have been culled from the cables and other materials coming into my Division.

1. Dollar-Yuan Stabilization Board

- (a) The British have appointed Hall-Patch, although on a temporary basis.
- (b) Fox reports that steps are now being taken to carry through the official organization of the Board.
- (c) The British take the view that as a result of freezing Chinese assets, the prime function of the Stabilization Board will largely disappear. In Shanghai, however, financial circles expect the Stabilization Board will support fapi in the local "black market".

2. British proposal of an economic mission to China and visit of Sir Otto Niemeyer.

- 2 -

Division of Monetary  
Research

- (a) The British suggestion of an Anglo-American economic mission to China, of which Sir Otto Niemeyer was to be the British representative, may again come up for consideration since Sir Otto has now arrived in Washington.
- (b) Ambassador Gauss writes on August 1 that he was confidentially informed of the British proposal by Quo Tai-chi, Chinese foreign minister. Quo informed him that the coming of the mission might have a good "psychological" effect. Gauss, however, is of the opinion that it could accomplish very little and suggests that the invitation to the United States to join might have been prompted to some extent by the consideration that the principal recommendation of the mission would probably be outright financial assistance and the United States would probably be expected to supply the greater part of this assistance. Moreover there is the suspicion, according to Gauss, that the British proposal is another attempt to embarrass Kung.
3. British proposal of a Chinese central exchange control committee in London, Washington, Singapore and Rangoon to assist in administration of freezing controls.
- (a) The Chinese have responded favorably to the British proposal. The Treasury has taken the position that a decision regarding this matter is to await report from Fox and visit of Niemeyer.
- (b) Taylor has been sent to Shanghai to observe and report on the operation of the freezing controls there.
- (c) Fox has suggested securing the assistance of a Treasury expert. Lockhart (our Consul-General in Shanghai) also suggests the stationing of a Treasury expert at Shanghai if it is thought desirable to keep close contact with the situation there.
- (d) Fox reports that the Ministry of Finance desires a list of Chinese nationals who are depositors in the U.S. together with their securities and other holdings. The Ministry also asks how it could requisition such funds.

- (e) The Generalissimo is disturbed by the newspaper report that American assets of Germans, Italians, Japanese and Chinese who are doing business within the British Empire and other allied territories have been unfrozen.

4. Actions taken by the Japanese in China against American interests

U. S. freezing of Japanese assets have brought retaliatory freezing from the various puppet governments and Japanese authorities in China. In addition, however, further measures unrelated to freezing have been taken against American interests. For example, in Shanghai an export control system has been instituted similar to that already in operation in North China; in Chefoo, mail is not being delivered, and in Swatow, anti-American and anti-British demonstrations were held opposite the Consulates.

5. Conditions in unoccupied China.

- (a) Economic. Inflation in unoccupied China continues, while the Government takes no effective steps to remedy the situation but merely continues to print money. The Government officials are reported to be afraid to take any effective measures against the landlords, who are largely responsible for China's economic ills.

(b) Political.

- (1) Mr. Taylor reports a conversation with Madame Sun in which she expressed concern about the "Chungking appeasers".
- (2) Mr. Hemingway reports of extreme bitterness between Kuomintang leaders, including the Generalissimo, and Communists. Some in Chungking favor peace with Japan and U.S. support for war against Communists. Hemingway agrees with U.S. policy of opposing civil war in China.

6. Burma Road

- (a) In May, 1940 the volume of goods imported over the Yunnan-Burma highway approximated the best performance of the Yunnan French Indo-China railway in the month prior to the severance of that line in 1940. In June, traffic declined because of rain, but an animal transportation route has been opened between Kunming and Burma to supplement the regular highway transportation system.
- (b) The Chinese complain that the Customs authorities in Rangoon are unsympathetic and non-cooperative, with resulting delays in clearing cargo from the wharves.

7. Decline of the Chinese national currency in Shanghai.

Fapi has tended to decline in Shanghai, being 5-3/16 cents on July 28 and 4-7/32 cents on August 11. This decline is explained by the heavy purchases of foreign exchange by speculators, importers and foreign banks; the insufficiency of the available supply of exchange because licensing has stopped the repatriation of funds and remittances from abroad, and the fact that much of the export business in Shanghai is carried on by the Japanese and the export bills have not yet begun to come to the licensing banks.

AUG 15 1941

Dear Mr. Hemingway:

I deeply appreciate your writing to me of your experiences in China and read with great interest your discussion of the situation there. I shall be glad to receive any additional information which you may care to forward to me and you may be sure it will receive my careful consideration.

Sincerely yours,

(Signed) H. Morgenthau, Jr.  
Secretary of the Treasury

Mr. Ernest Hemingway,

Finca Vigia San Francisco de Paula Cuba

HW:as  
8/14/41

*To the Secretary's Office*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE August 14, 1941

to Secretary Morgenthau  
FROM Mr. White  
Subject: Digest of Mr. Hemingway's Letter on China

1. The bitterness between Communists and most of Kuomintang leaders he talked with, including the Generalissimo, can hardly be exaggerated.
2. Communists in Chungking are "window-dressing" to make it appear that Generalissimo is tolerant toward Communists. Only true Communist representative is Chou En-Lai. Elsewhere in Kuomintang territory, Communists are hunted relentlessly. Liberal professors are extremely suspect and under close surveillance. Speaks of "atmosphere of fear of betrayal" at university at Chengtu.
3. Civil war can be delayed indefinitely if U.S. representatives make it perfectly clear at all times that we will not finance civil war in any way. Many in China will try to persuade these representatives that crushing of Communists is advisable but Hemingway thinks such an attempt would be disastrous for China.
4. Land owners and bankers anxious for war to end. Favor peace with Japan and U.S. support for destruction of Communists. Bring every form of pressure to bear on Generalissimo and advisers.
5. Says should not completely accept the value the Communists put on their own war effort. Quotes Generalissimo regarding this. Chiang very deprecating of Communist aid. Says large number of Government troops are diverted to guard against the Communists. However, unless the Communists use force, the Government will not. Hemingway says that Generalissimo's statements were at variance with his former statements and with known facts of Communist war effort. Chiang's statement shows passion aroused by Communist question.

6. Mr. Hemingway feels there will be no permanent settlement of Communist problem in China until an agreement between Generalissimo's Government and Soviet Union settles definite limits to the territories the Communist forces are to occupy.
7. Hemingway offers to forward additional information including report on incidents in Communist-Kuomintang clashes and study of wage scale of Chinese army.

(July 30, 1941. Mr. Hemingway to the Secretary)

## FINCA VIGIA SAN FRANCISCO DE PAULA CUBA

July 20, 1941

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

Dear Mr. Morgenthau:

I was dreadfully sorry not to get to Washington again in June. One of my best friends became ill while we were on a trip down here and died on the day I had planned to go to New York, so I had to call the Washington trip off.

When I left for China Mr. White asked me to look into the Kuomintang-Communist difficulties and try to find any information which could possibly be of interest to you. When I was in Washington last this problem was comparatively dormant, so I left it more or less alone when we talked. It will recur as a serious problem quite frequently, so I thought perhaps it would be useful for me to write you a short summary of what I find at this date to be true, after studying the problem for some three months in China.

First, I believe there will be no permanent settlement of the Communist problem in China until an agreement between the Generalissimo's Government and the Soviet Union settles definite limits to the territories the Communist forces are to occupy. Until then the Communists, as good Chinese, will fight against the Japanese but as good Communists they will attempt to extend their sphere of influence in China no matter what territorial limits they may accept on paper. It is to their territorial interests to try to make a geographically defensible frontier for whatever territory they are occupying and they have consistently tried to keep a corridor open between the spheres of influence they have behind Nanking and the territory they legally occupy in the northwest.

The bitterness between the Communists and most of the Kuomintang leaders I talked to, including the Generalissimo, can hardly be exaggerated. It is necessary to remember, always, that the Generalissimo fought the Communists for ten years and that his kidnapping and conversion to the fight against Japan was under Communist influence.

The extent of the Communists' part in the kidnapping has always been played down both by Mme Chiang Kai-shek in her writing and in all official accounts of the kidnapping. The Communists have also played it down as they sought to appear merely as mediators who were brought in and finally showed the Generalissimo the light but, as one Kuomintang official put it to me, they still regard Communism as the "HEART DISEASE" from which China suffers while the Japanese invasion is only a "SKIN DISEASE".

## FINCA VIGIA SAN FRANCISCO DE PAULA CUBA

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There are a certain amount of Communists kept in Chungking as window-dressing to prove the existence of Kuomintang-Communist co-operation in the fight against Japan but aside from these showpieces, some of whom seemed to me to be agents provocateurs, others to be sort of tourist traps, i. e., they were there well-watched and perhaps acting innocently in order that any visitors making contact with them would be signalled by their watchers to the local secret police, there is very little true Communist representation in Chungking with the exception of General Chou En-Lai. He is a man of enormous charm and great intelligence who keeps in close touch with all the embassies and does a fine job of selling the Communist standpoint on anything that comes up to almost everyone in Chungking who comes into contact with him. I do not know whether you ever knew Christian Makovsky who was a very able and also very charming Soviet diplomat before he was sent to Siberia. Chou En-Lai's ability, brilliance and charm reminded me very much of the early Makovsky, of the period of the Genoa conference and the negotiations of that first German-Soviet pact. He is one of the few people of opposing views who can get to and talk with the Generalissimo. He was once, as you undoubtedly know, the Generalissimo's aide when Chiang Kai-shek headed the Huang Pu (Whangpoo) academy. It was he who did the talking to Chiang Kai-shek at the time of the kidnaping and they will see each other quite often. Chou En-Lai and his wife and Mme. Chiang Kai-shek and the Generalissimo had dinner together in Chungking while I was there; but while Chou En-Lai and the window-dressing Communists move about freely in Chungking, under-cover Communists are hunted in Kuomintang territory almost as relentlessly as they would be in Japan, and Liberals, when they are professors in the university, are extremely suspect and under close surveillance. Students suspected of liberal views, and by this I do not mean Communist but merely those who are at all to the left of political views of the gentry or land-holding class, are liable to arrest and imprisonment in concentration camps. I have seldom seen such an atmosphere of fear of betrayal by informers as there was among the liberal professors at the great university at Chengtu. These were men that I knew were not Communists nor fellow-travelers nor Communist sympathizers, but at a tea party on the campus anyone who wished to tell you anything even remotely critical of the Kuomintang would be careful to walk away into a clear open space before speaking.

You have probably noticed that ~~various~~ reports of Kuomintang-Communist friction come simultaneously with any aggressive move in the East by Japan. Undoubtedly, incidents are created between Kuomintang and Communist troops by the Chinese in favour of the Wang Ching Wei puppet government to create friction, always with the ultimate hope of civil war between the Communists and the Kuomintang. I believe a part of these incidents are artificially forced by the pro-peace generals and politicians who surround the Generalissimo. Others are the natural product of the conflicting aims of the two parties, but



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## FINCA VIGIA SAN FRANCISCO DE PAULA CUBA

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the timing of the incidents over the past six months has too often been to Japan's advantage for them to be merely coincidences. I think it is very possible that Japan has agents working on both sides. But with the natural desire for peace of all those members of the gentry who are unable to enjoy their former privileges in wartime and whose one desire is to have the war with Japan over and the Communists destroyed, it is very natural to suppose that they would try to produce any sort of incident which would lead to war with the Communists.

To keep the whole thing as simple as possible, I think we can be sure that war between the Kuomintang and the Communists is inevitable unless the Soviet Union and the Chungking Government come to some mutual agreement which will make a part of China really Soviet-China with a defensible frontier which will be respected by both the Chungking Government and the Communists. I believe we can delay indefinitely any all-out civil war between the Chungking Government and the Communists if our representatives make it perfectly clear at all times that we will not finance civil war in any way. I am perfectly sure that many people in China will try to make it clear to any American representatives there, as they attempted to do to me, that China now has an army capable of crushing the Communists in a short time and that it would be advisable to complete the surgical intervention to cure the "Heart Disease". Personally, I have known no disease of the heart which has ever been cured by such violent means and I think that a major military campaign against the Communists in the northwest would be the most disastrous thing that could happen for China.

It is very easy to criticize the lack of true democracy in the area governed by the Kuomintang but we have to remember that they have been at war against Japan for five years now and it is a great credit to China that after five years of war, which almost invariably produces a form of dictatorship during its prosecution, any vestiges of democracy should remain at all. Life in Chungking is unbelievably difficult and unpleasant. Many of the wealthiest Chinese have fled to Shanghai or Hong Kong. Those who remain are heartily sick of the war although their public statements naturally say nothing of this. It is the wealthy people, the land-owners, and the bankers who are most anxious for the war to end. They are naturally anxious to enjoy the fruits of their wealth and position. There is no enjoyment of any kind in Chungking but these people who want the war with Japan to end are equally anxious for the destruction of the Communists and their ideal of a solution would be for us to back China while she destroyed the Communists and made peace with Japan. They bring every form of pressure on the generalissimo and his advisors to work toward this solution and naturally, as nothing is done clearly or openly in China, their aims seldom seem to be what they actually are.

## FINCA VIGIA SAN FRANCISCO DE PAULA CUBA

-4-

I could outline the various peace groups to you, but you undoubtedly have had so much information on that from others better qualified than I am to analyze them that I shall not bother you with that.

While we recognize the importance that there should be no civil war between the Communists and the Kuomintang, we should also not accept completely the value the Communists put on their own war effort. They have had such excellent publicity and have welcomed writers of the calibre of Edgar Snow to their territory, that America has an exaggerated idea of the part they have played in the war against Japan. Their part has been very considerable but that of the Central Government troops has been a hundred times greater. The Generalissimo, in conversations, is very bitter about this. He said to me in conversation,

"The Communists are skillful propagandists but without much fighting ability. As the Communists do not possess military strength, the Government does not need to resort to force against them. If the Communists try to create trouble injurious to the prosecution of the war, the Government will take minor measures to deal with them as disciplinary questions arise. I guarantee you that the Government will undertake no major operations against the Communists.

"The Fourth Route Army incident was very insignificant. It equalled one-tenth of one percent of the noise created about it in America.

"There has been intensive propaganda, so that Americans believe that Communists are necessary to the war of resistance. Actually, without the Communist Party, the armed resistance of China would be facilitated, not hindered. The Communists are hampering the Chinese Army. There are eight war zones without any Communist troops in them at all."

At this point Mme. Chiang-ai-shek said that she had received letters from Americans stating the Government army fired at the backs of the Fourth Route Army while it was withdrawing according to orders. The Generalissimo interrupted her impatiently to continue.

"The Communists give no assistance to the Government Army. They disarm Government troops whenever possible to get more material and more territory. It is not true about firing on withdrawing Communist armies. The Communists have refused to retire to the areas which have been assigned to them, and disciplinary measures were taken against them accordingly. Those are the type of disciplinary measures which will be taken in the future but there will be no major operations against the Communists and no measures against them if they obey the orders of the Central Government."

## FINCA VIGIA SAN FRANCISCO DE PAULA CUBA

-5-

The Generalissimo went on, "The Communists made no contribution in the war against Japan but hampered the war effort. If there were no Communists in China the Government could have made greater achievements. The Government is not afraid of Communists, but they only delay the final victory. If the United States worries about the Communists they are simply falling into the Communist trap."

During this time the Generalissimo spoke with great passion and vehemence, and Mme. Chiang Kai-shek interpreted for him. He sometimes interrupted her in his eagerness to proceed with his theme. He went on,

"Large numbers of Government troops are diverted to guard against the Communists. Sixty divisions are held in the rear, in readiness against a possible Japanese southward push. They also serve to watch the Communists. I tell you this in confidence. Unless the communists use force, the Government armies will not. I hope that the Communists will come into the framework of the Central Government. They will be treated as any other army unit if they do. If they do not, they must accept the disciplinary measures which they will incur."

Mme. Chiang Kai-shek interrupted to say, "We are not trying to crush them. We want to treat them as good citizens of China."

As these statements would have only served to inflame feeling between the Kuomintang and the Communists and tend toward creating an atmosphere of civil war, I did not publish it. Dr. Laughlin Curie told me in Hong Kong, as he came out, that our policy was to discourage civil war between the Communists and the Central Government and I wrote nothing which would encourage a possible war between the two parties. Also the various statements of the Generalissimo were at variance with his own former statements and with the known facts of the Communist war effort. I write them to show you the passions and the disregard of the facts which enter when the Communist question is raised. Communists, however, in my experience in Spain, always try to give the impression that they are the only ones who really fight. This is part of their tactics and their enemies slander them with equal injustice.

You have probably had enough of this subject for one letter. There are a couple of other very interesting angles which I would like to write you about if it would be of any interest. Checking over all my material, certain things stand out as of more or less permanent importance, no matter what necessary changes in the manner in which the situation must be regarded due to developments in the past six weeks. If you would care to have me write a couple of more letters on these subjects, perhaps your secretary could let me know.

## FINCA VIGIA SAN FRANCISCO DE PAULA CUBA

-6-

I have a report on various incidents in the difficulties between the Eighth Route Army and the Fourth Route Army (the two Communist units; the latter now disbanded) and the troops of the Central Government, written by Generals Ho Ying-Chin and Pai Chung-hai, Chief of Staff and deputy Chief of Staff of the Chinese Army, and two answers to their thesis on the whole situation which General Chou En-Lai wrote for me. The attack on the Fourth Route Army was as long ago as last February but the basic attitudes of the two parties toward all of these incidents are set forth very clearly in these documents. They can, therefore, serve as a basis of study for the sifting out of the truth on future incidents which are bound to occur. In reading them each side makes an extremely strong case. Their respective case is that handled in the first paragraph of this letter. I believe these dissimilar reports are valuable as background for judging the importance of future incidents which will arise. Could your secretary let me know if you want these and other documents?

Another thing you might wish to have is a study of the wage scale of the Chinese army. A Lieutenant-Colonel in the Central Government Army with ten years of military service as a commissioned officer having fought against the war lords, the Communists and the Japanese, at present makes 126 Chinese dollars per month. In 1937, before all officers took a voluntary pay cut as their sacrifice toward fighting the Japanese, the same officer received 180 dollars. In 1937 one dollar bought 14 pounds of rice. This Spring one dollar buys two pounds of rice. Officers have no food allowance. I believe that in the present wage scale of officers in the Kuomintang Army there is a greater threat to Chinese continuance of the war - not this year, but for next year - than in any other single destructive possibility.

I have the notes for a report on this which I can write and send to you if you will be interested.

Please forgive me for bothering you with such a long letter. There was so much to say when I saw you last in June, and I have tried to let time eliminate those things which did not seem essential.

With very best wishes to you in this most difficult time,  
I am

Very truly yours,

*Eusebio H. H. H. H.*

SAFE HAND

W.T. 1117/64/41.

BRITISH EMBASSY,

WASHINGTON, D.C.,  
August 15th, 1941.

Dear Mr. Cochran,

I think you may be interested to know that I have been informed that Hong Kong has been included in the sterling area as from August 1st.

Yours sincerely,

(Signed) W. Ritchie.

W. Ritchie.

Mr. Merle Cochran,  
U. S. Treasury Department,  
Washington, D. C.

COPY - dm - 8/15/41

August 15, 1941

Mr. Livenessy

Mr. Cochran

Will you kindly send the following cablegram, at Treasury expense:

"American Embassy,  
Chungking.

For Fox from Secretary of the Treasury.

Refer memorandum things to be done handed to you May 26. Please confirm by cable and have Chinese Government cable to its Ambassador that action referred to in paragraphs 1, 2, and 3 of memorandum has been taken and that documents are being forwarded if such is the fact."

KMG: dm: 8/15/41

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CONFIDENTIAL

PARAPHRASE

A telegram (no. 348) of August 15, 1941 from the American Ambassador at Chungking transmits a message from Mr. Arnstein for Mr. Currie which reads substantially as follows:

The report in regard to the Burma Road situation has been submitted to General Chiang Kai-shek. Mr. Baker is not able to handle the situation. The management and operations, which are showing no improvement, are bad beyond belief. A recommendation has been made for the appointment of Mr. Holmes as managing director with unlimited powers. At the present time Holmes is control officer in Lashio in charge of all the trucks coming in over the Burma Road to China. At the time that Holmes was asked by the Burma Government to take the post of control officer, he was operating trucks on the Burma Road and his business experience in China has been considerable. He knows thoroughly the subject of transportation by motor truck, especially the situation on the Burma Road, is a capable person and a hard hitting executive. On account of the cooperation which will be certain from the Burma Government, Holmes also is well qualified. General Chiang Kai-shek is agreeable to the appointment of a managing director with full powers. However, the Generalissimo insists that the managing director be an American

- 2 -

American. Even if it were possible to obtain the services of an American qualified for the position, six to eight months would be required for him to become familiar with the situation; Mr. Holmes could immediately take over the functions of the position. For this reason Mr. Arnstein is of the opinion that everything possible should be done to obtain agreement to the appointment of Holmes as the fact that he is a Canadian is General Chiang Kai-shek's only objection to him. A copy of the report is being sent by air mail.

P A R A P H R A S E

A telegram (no. 349) of August 15, 1941 from the American Ambassador at Chungking reads substantially as follows:

The main non-technical points covered in Mr. Arnstein's report (see telegram no. 348, August 15) may be summarized as follows:

The inefficiencies existing at the present time on the Burma Road are due to a great extent to the lack of knowledge on the part of the men now in charge at the headquarters along the road of the fundamentals of transportation by motor. There are sixteen different Government transportation agencies operating on the Burma Road and they are over-staffed with incompetent executives. The result is that nothing like the tonnage is actually being moved which could be moved with coordinated effort. Neither the present commission nor any other commission can ever successfully operate motor truck transportation. The present commission should act as an advisory body, its principal functions being the coordination of Burma Road activities with those of connecting roads. There should be appointed for the Burma Road a foreign managing director having full authority over motor transportation and personnel matters. Operating funds should be allocated to him directly. Under this foreign managing director there should be (a) a control office with absolute control over all vehicles on the highway, (b) an operating management having responsibility for maintenance and related matters, (c) a patrol (?) police organization, (d) a complete system of communications, (e) a statistics and finance department and Board of Trade. Terminal managers having full authority on the sections of the road under their

management should be appointed by the managing director and should be responsible to him only. An intolerable situation exists along the road with regard to tax collection. Inexcusable delays are due to innumerable tax inspection offices including the customs at Wan (?). It is urged that these offices be unified and operated in such a way as to facilitate the movement of freight rather than to impede it.

Inefficiency and quick deterioration of trucks results from lack of maintenance facilities. There should be centralized under a foreign supervisor having foreign assistants and qualified Chinese mechanics all maintenance work and there should be established a rigid system of inspection. There should be instituted more efficient methods of supplying gasoline and the faulty loading and unloading at present existing should be corrected. Attention should be given immediately to asphaltting the section of the road between Lungling and Wan (?) in which section there is nothing that should interfere with an even flow of traffic. At the present time, 75 per cent of the trucks return to Lashio empty. Greater use should be made of empty gasoline drums for the exportation of wood oil.

Although about 17,000 tons of freight crossed the border in the month of June, only 6,000 tons arrived in Kunming. The problem for immediate consideration is to increase the movement of freight into Kunming so as not to increase further the freight being stored at the present time in different warehouses along the highway. The amount of freight coming into Rangoon for China is increasing and will further increase substantially when lend-lease materials begin arriving in quantities. During the first twenty days of July, 23,000 tons of

- 3 -

freight arrived at Rangoon for China. Station officials who want to be helpful are getting ready to handle the transportation of additional tonnage to Lashio and into China. Bearing in mind this situation the report concludes with the stipulation that many of the recommendations can and should be made effective without delay.

eh: copy

PARAPHRASE

Telegram 350, August 15, from Chungking.

COPY

I have reluctantly come to the view after having made a careful study of the Yunnan-Burma Highway situation since my arrival at Chungking that Mr. John Earl Baker has shown that he is not able to handle the problem. In the first place, he is not an expert in motor transportation. Secondly, he has not been given full powers. Finally, he has not had, in my opinion, full Chinese support, perhaps in part due to his non-insistence in the very beginning upon such support. While I should prefer that the Yunnan-Burma Highway Managing Director be an American, the recommendation made by Arnstein and his associates is completely supported by the information regarding Holmes derived from all independent sources of information.

While the Chinese authorities may not be willing definitely to grant the full powers which Arnstein recommended to a managing director, success on that score may be achieved by presenting the problems frankly and energetically to the responsible Chinese authorities. I am strongly of the opinion, at the same time, that the director of the Highway should have virtual autonomy in financial matters; that he will be unable to operate effectively unless he is given in addition to full powers sufficient military or police assistance to enforce discipline, suppress any interference, from no matter what source, with the efficient

efficient operation of the Highway, and to supply essential police facilities and patrols. General Chiang's opposition to the appointment of Holmes in this capacity is, in my opinion, based somewhat on distrust of the British. He may feel that in the appointment of a man who is at present a Burma official as Managing Director of the Burma Road, there are implications of the extension into Chinese territory of Burma authority. It is also quite possible that hostility has been created by the blunt procedure which Holmes adopted in dealing with the Southwest Transportation Company and that this hostility has been transmitted to General Chiang. Arnstein has informed me that General Chiang has indicated that his (the Generallissimo's) opposition would not be altered by American approval of Holmes.

I have the concurrence of Major McHugh, who is well-informed on the entire problem in the preceding opinions.

Arnstein's report is, I understand, being translated into Chinese, following which translation General Chiang Kai-chek will receive Arnstein and his associates for further consultation.

Please inform Mr. Currie.

FE:JD:WRS            FE  
8-19-41

Copy:wc:bj:8-21-41

C O P Y

293

KD

Shanghai via N.E.

Dated August 15, 1941

Rec'd. 8:15 p.m.

Secretary of State,  
Washington.

1092, August 15, noon.

American Presbyterian Mission South has received reports from Chinese sources to the effect that on the morning of July 31st Japanese military police and Chinese police entered the mission's hospital at Tsing Khur-pu, north Kiangsu, carried out an all day inspection of the property, refused to allow any one to enter or leave the premises and placed the following named American missionaries under guard in one of the hospital residences; Mr. and Mrs. James M. Montgomery, Dr. and Mrs. T. C. Vinspain, Miss Mary McCown, Miss Jessie D. Hall.

The mission has also received a report from Chinese sources that Miss Lillian Wells stationed at Hwaiian Gap which is a few miles south of Tsingkiangpu, camp strangled to death.

Both reports lack confirmation, but the report concerning the situation at Tsingkiangpu comes from a

-2-

fairly reliable Chinese christian and may therefore have some (?) in fact. The report regarding Miss Wells was received from a Chinese chit merchant and may therefore be a mere rumor.

Immediately upon receipt of these reports from the mission I requested the Japanese Consul General here to make a thorough investigation without delay and stressed with the Japanese authorities that a speedy and complete report regarding the safety and welfare of these American missionaries is imperative.

Sent to Department repeated to Chungking and Peiping by airmail to Tokyo.

LOCKHART

WWC

Cory:bj:8-21-41

KD

PLAIN

Shanghai via N.R.

Dated August 15, 1941

Rec'd 1:25 p.m., 16th

Secretary of State,

Washington.

1100, Fifteenth. (SECTION ONE)

Peiping circular August 13, 1 p.m.

One. Full text of regulations imposed by Japanese authorities upon their nationals in connection with business transactions with Americans in Shanghai given in Shanghai's 963, July 29 and 981, July 30. The above mentioned regulations govern all business transactions which Japanese business men may wish to undertake with American firms or individuals. It is understood that they have not been applied very strictly in Shanghai and that the few Japanese business men who have desired to transact business with Americans have experienced no great difficulty in obtaining the requisite permission from their authorities.

Two. Export restrictions imposed by the Japanese through the medium of the Shanghai customs on the export of fifteen different commodities from Shanghai were quoted in full in Shanghai's 963, July 29 and 978, July 30. While these restrictions do not include the principal commodities exported from Shanghai to the United States they have seriously affected a number of American firms engaged in the manufacture locally in machine tools, hardware and other metal manufacturers.

LOCKHART

DJD

Copy:bj:8-19-41

Shanghai via N.R.

Dated

Rec'd 8:42 a.m., Aug. 16

Secretary of State,

Washington.

1100, (SECTION TWO)

A number of these firms whose applications to export commodities of this nature have been refused by the Shanghai customs have been placed in touch with the Economic Consul of the Japanese Consulate General who is one of a committee which passes on such applications. Up to the present time on such applications is known to have been approved, while the others are still pending. Japanese authorities here have intimated informally that if the American authorities are "easy" in the application of freezing regulations to Japanese nationals residing in the United States reciprocal treatment will be accorded American firms here.

Three. No other special restrictive measures have been enforced in the Shanghai area up to the present time. No attempt has been made to place the property of American firms located within or outside the International Settlement or French Concession under protective custody or to confiscate or control their stocks. There has been no special difficulty in obtaining Japanese travel from the Japanese authorities here.

Four. Thus far American missionaries and mission property located in this Consular district do not appear to have been subjected to any special retaliation with one exception. As reported Shanghai's 1092 August 15, 12 noon, American missionaries and mission property at Tsing Kaing Pu and Hwaiian Kiangsu are reported to have been subjected to harsh retaliatory measures.

Five. Regulations imposed by Nanking regime reported 52 July 30 and 53 July 31. So far as I know no attempt has been made thus far to enforce these

regulations in Shanghai. Sent to Department. Repeated to Peiping  
Chungking Nanking.

(END OF MESSAGE).

LOCKHART

DJD

Copy:bj:8-19-41

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PLAIN

Tsinan via Peiping  
and N.R.

Dated August 15, 1941

Rec'd 9:55 a.m. 18th

Secretary of State,

Washington. \*

9, August 15th.

Embassy's circular August 13th, one p.m.

One. Freezing regulations promulgated in Peiping presumably in force throughout Tsinan consular district but interpretation and implementation thereof varies in different places. As in all other matters Japanese military authorities on the spot appear to govern measures taken.

Two. Generally speaking stocks of goods of representatives of American firms have been placed under protective custody completely suspending trade while the extensive American Mission properties have also been afforded "protection" by Chinese and/or Japanese pickets in some cases, at Tsinan, the pickets demanded and receiving board and lodging. Travel passes being issued Americans for urgent and necessary travel only after considerable delay and with greatest reluctance. Theoretically possible but practically difficult obtain permit to carry other than hand luggage and even latter subjected to strictest search.

-2-

"Unofficial" pressure being brought to bear on local Americans by Shin Min Hwei which has instructed coal dealers not to sell to Americans while taxicab service no longer available to this Consulate.

Three. Have endeavored to interview Japanese colleague to discuss general measures but he is too "busy" to grant me an appointment. Unwarranted and arbitrary interference American rights and interests in general formed subject of written protest by this office to Japanese Consul General yesterday.

Sent to Peiping by mail for transmission by radio. Sent to Department, repeated to Chungking, Shanghai, air mail to Tokyo.

HAWTHORNE

HPD

Copy:bj:8-19-41

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TOKYO VIA SHANGHAI & N.R.

Dated August 15, 1941

Rec'd 1:25 p.m. 16th

Secretary of State,  
Washington.

1247, August 15, 3 p.m.

Press despatches from Hanoi report French Indochina Government promulgated a decree on August 12 effective as of August 5 prohibiting all exports from the colony but providing under special licenses exemptions from the general ban for certain trade items. Despatches state that the ban is not to affect trade with Japan as the French Indochina Government will permit by these licenses export of materials needed by Japan. The despatch in the NICHU NICHU English language issue further reports that a German economic mission will shortly visit French Indochina to adjust "the trade quota between Japan and Germany." The same article concludes: "The future exportation of rubber and other materials to Britain and the United States will be drastically restricted or totally prohibited in accordance with the present executive order. On/ <sup>the whole</sup> French Indochina is completing her preparation to join the Axis and fulfill her mission as a unit of the greater East Asia co-prosperity sphere."

Sent to the Department via Shanghai.

GREEN

COPY:wec:8-19-41

LET

GRAY

August 15, 1941

5 p.m.

AMERICAN EMBASSY,

TOKYO VIA PEIPING AND H.R.

504.

Department is receiving numerous inquiries regarding transmission of funds to Americans in Japan for subsistence and repatriation through official channels. Department prepared accept funds for transmission Americans, their alien spouses, and unmarried, minor alien children for their subsistence or repatriation within the limits of General License 33 which permits remittances up to \$500 monthly for necessary living and traveling expenses of citizen and his household and one additional remittance up to \$1,000 to enable citizen or household to return to United States. Please telegraph as soon as possible what provisions have been made for the living and traveling expenses of American nationals and to what extent official drafts drawn by the Embassy or Consulates in amounts and for the purposes permitted under General License 33 against special deposits made with the Department may be negotiated. Proceeds of drafts drawn on Secretary of State by American Foreign Service Officers and negotiated by banks in Japan will be paid

-9- 504, August 15, 5 p.m., So Tokyo.

paid upon presentation and the proceeds of such drafts will be credited to a free dollar account in the name of the negotiating bank.

HULL  
(BL)

SD:TJH:WFW:PB

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DA

TO THE SECRETARY  
TECHNICAL ASSISTANT  
OFFICE OF THE

NOV 18 1950

TECHNICAL ASSISTANT  
RECEIVED

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Panamá, Panama, via M.R.

DATE: August 15, 1941, 4 p.m.

NO.: 230

It is requested that the Department refer to telegram No. 223, dated August 12, 9 a.m., and despatch No. 180, dated August 14, from the Embassy.

The following telegram, dated August 14, from Madrid has just been received by a representative in Panamá:

"You are requested to approach the Minister and urgently request that telegraphic instructions be given the Panamanian Consul, New Orleans, to effect the transfer of SANTA HELENA, Spanish flag now Port Arthur. It would be disastrous should there be a delay. Please confirm.

Compania Primera Navigation,  
Jose Ifoglu, Hotel Ritz."

WILSON

EA:PAK

819.852/80

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE August 15, 1941.

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£54,000
Purchased from commercial concerns	£33,000

Open market sterling was slightly lower at 4.03-1/4. Transactions of the reporting banks were as follows:

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

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

Canadian dollar	11% discount
Argentine peso (free)	.2382
Brazilian milreis (free)	.0505
Colombian peso	.5800
Mexican peso	.2070
Uruguayan peso (free)	.4380
Venezuelan bolivar	.2725
Cuban peso	1-1/8% discount

In Shanghai, the yuan was off 1/32¢ at 4-13/16¢. Sterling was also lower at 4.01-3/4, off 1/4¢.

We sold \$4,000,000 in gold to the Central Bank of the Republic of Argentina, to be added to its earmarked account.

The London fixing prices for both spot and forward silver were unchanged at 23-7/16d. The U. S. equivalent of this price was 42.55¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman settlement price for foreign silver was also unchanged at 34-3/4¢.

We made two purchases of new production silver amounting to 125,000 ounces for forward delivery under the Silver Purchase Act.

BRITISH EMBASSY,  
WASHINGTON.

PERSONAL AND  
SECRET

August 15th, 1941

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,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

## TELEGRAM RECEIVED FROM LONDON

DATED AUGUST 18th, 1941NAVAL.

H.M. Ship "Protector" hit by aircraft torpedo p.m. August 11th 80 miles N.N.W. Port Said. Assistance sent.

2. Night of August 10th/11th. Naval aircraft attacked 13,000 ton merchant ship in Syracuse with 3 torpedoes. Believed 2 hits one caused explosion amidships, reconnaissance shows ship down by stern and list to port.

3. ROYAL AIR FORCE. Bad weather curtailing our patrols but August 11th, 3 merchant ships attacked off west coast of France and one off south Norway.

4. Night of August 11th/12th. Royal Air Force objectives included Bheydt, Krefeld, Rotterdam. About 90 aircraft engaged. All returned safely.

5. MIDDLE EAST. Royal Air Force continued attacking enemy ports and harbours. August 10th Martin near missed petrol tanker in Bardia harbour and Blenheim hit 700 ton French collier off Lampedusa. Ship seen sinking by stern.

6. Enemy air activity United Kingdom negligible.

7. EGYPT LIBYA. Night of August 9th/10th. British observation post attacked by 30-40 Italians. 26 were killed. Our casualties nil. August 10th/11th, about 20 aircraft attacked Suez and aerodromes near Ismailia.

Russia/

Regreded Unclassified

RUSSIA.

Finland Baltic White Russian fronts  
no news. Ukraine pressure on Kieff continues.  
Russians believed counter-attacking south of  
Kieff. German thrusts on Nikolaev and Odessa  
making headway.

TELEGRAM RECEIVED FROM LONDON  
DATED AUGUST 13th, 1941

NAVAL, July 31st. Off Ghamiras British submarine sank by gun fire large Schooner carrying ..... and Stores, on August 6th, she bombarded Apollonia (Libya).

2. "Protector" was due arrive at harbour 0600/12.

3. ROYAL AIR FORCE, August 12th. About 80 Bombers and 500 Fighters including 4 Fortresses and 12 Whirlwinds took part in day operations. Amongst targets attacked were two power stations at Cologne with ..... operations against shipyards at Le Trait and aerodromes at St. Omer and Amsterdam. Preliminary reports indicate that low-level attacks at Cologne resulted in both battery stations being completely gutted by fire and destroyed. At Le Trait ship was hit in slipway. Fighters escorted bombers and carried out offensive sweeps to cover return. We lost 12 bombers and 10 fighters, 1 pilot safe. Enemy losses, 4 aircraft.

4. August 12th/13th. Over 230 aircraft attacked targets in Germany including Berlin, Hanover, Magdeberg and Essen. 13 missing.

5. LIBYA, August 10th/11th. 36 heavy bombers attacked Benghazi. Bombs fell on military objectives, railway and dock installations many large fires seen in docks.

6. GERMAN AIR FORCE, EGYPT, August 11th/12th.

9 heavy aircraft attacked Suez Canal zone. 4 aircraft damaged on ground near Ismalaya and several

buildings/

buildings destroyed.

7. MALTA, August 11/12th. About 9 enemy aircraft bombed Island; 2 destroyed by Hurricane night fighters.

8. Night of August 12th/13th. About 80 enemy bombers scattered bombs mostly in fields over midland, eastern and southeast England.

9. MILITARY, RUSSIA, Finnish Baltic White Russia fronts no news. Ukraine, Germans claim to have reached coast and to control lower course of Dnieper River and whole railway system in Southern Ukraine. Claims unconfirmed but quite possibly true. Russians suggest armored forces of this area far ahead of infantry. Pockets of Russian resistance probably still south of Uman.

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MILITARY INTELLIGENCE DIVISION  
WAR DEPARTMENT  
Washington, August 15, 1941.

TENTATIVE LESSONS BULLETIN  
No. 145  
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 PRINCIPLES OF MILITARY LEADERSHIPSOURCE

This is the first of a series of bulletins based on a report submitted November 15, 1940, by an American official observer in Berlin. These bulletins, which will be published from time to time, will illustrate some of the German principles of leadership, both practical and theoretical.

This particular bulletin contains extracts from the 1940 edition of Der Kompaniechef, by Ellenbeck, a current treatise on the German company commander.

It will be noted that many of the German ideas are identical with our own military thought and teachings.

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NO OBJECTION TO PUBLICATION IN SERVICE JOURNALSGERMAN PRINCIPLES OF MILITARY LEADERSHIP

"The company commander is a living example to every man in his organization. To be an officer means to set an example for the men. The officer must be his soldiers' incarnation of soldiery, his model. If the German officer is inspired by this mission, the best and deepest qualities of his soul will be awakened; his life's aim will be fulfilled if he succeeds, through knowledge, demeanor, and conviction, in forcing his troop to follow him. This is the main purpose for which it is worthwhile to stake life in order to win life.

"In Germany, the road to the rank of officer is open to every capable soldier; the destination can be reached only by efficiency in time of war and by actions in the face of the enemy.

"The real authority of an officer is recreated daily by his entire attitude; the ancient proverb applies - 'earn it in order to possess it.' The more his men are convinced that the authority of his rank is deserved through moral worth, the stronger will be the influence of the officer's personality. No one should expect that rank attained by promotion will give to his position authority sufficiently high for him to relax his effort in the belief that the objective has been reached. Real authority is not dependent upon shoulder straps, stars, and badges; it depends only on efficiency and worth.

"The old General Staff principle of being better than one appears to be, shows us the road to self instruction. The clearer we realize how great is the responsibility we owe to our nation, the more intense will be our effort and the more passionate will be our will to throw everything into the scale in order to distinguish ourselves in the fulfillment of our mission.

"The men able to perform military duty are entrusted to the officer. Their soldierly training and instruction, their direction in battle, are our care; we are joined to them in a comradeship whose loyalty must last until death. No German can attain a higher post of responsibility.

"Efficiency in war, which includes the soldier's knowledge of his arms and his ability to handle them, is the aim of training. His character, however, is of decisive importance in building up

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the attack spirit. Character forming and the officer's personal influence on the conduct of his men are, therefore, of utmost importance, particularly in time of war. Not only young recruits, but reservists also, are called to the colors; people in arms include all categories, the young and older year classes. These problems are, therefore, all-embracing.

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"The soldier must be hard. Care and supervision do not weaken him; they simply help him to travel cheerfully the road to hardness.

"When the soldier learns by experience that he is being taken care of and that it is the officer, as his best comrade, who sees to this care, then he is ready. He will follow such a superior through thick and thin and will cheerfully perform the most difficult duties. The officer must always set an example by his own conduct and his soldierly qualities. He must never think of himself until his men have been cared for. Only such an example can convince of the moral right to demand services from others; only the model life can confirm that right. The officer's own efficiency alone will emphasize the necessity of his orders. If the men model themselves upon the officers, officers and men will be firmly joined together.

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"Discipline is the basic doctrine of the army; the objective of soldierly training must be to make it the unshakable principle of every individual. If the officer personifies physical and moral discipline and thereby sets the example for the conduct of his men, he will achieve this aim. Even in difficult situations his authority will be unquestioned if he has convinced his men of his sincerity and leadership. He need not be the most clever, but he must be the most faultless man of his unit. The German soldier has an instinctive worship - particularly the simple man - of the moral qualities of his superior. He cheerfully follows a leader whom he respects, whom he can admire. Daily life on the battleground forces the officer to be under the eyes of his men day and night. This necessitates a large amount of self discipline, both on and off duty, which includes not only cheerful and conscientious fulfillment of all duties, but also modesty in requirements for quarters and food, soberness in drink, self control in sexual matters, cleanliness in speech, and a balanced character.

"Comradely association and festivities place the officer in a situation basically different from that in times of peace. He must never represent a contrast to the privations and restrictions which

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the men must necessarily undergo, and he must never forget that their need for comradeship and entertainment is no less great or justified than his own.

"Burdens and privations, restrictions and negations are shared mutually and equally. Every company commander must be a Spartan. His men must feel that privations mean nothing to him, that he rises above such problems, and that daily difficulties cannot break his spirit.

"The officer and his men receive the same field kitchen and food rations. This is only just and is an expression of the comradeship within the German Army. It is important that there be not the slightest suggestion that this law of comradeship is not carried out to the last, or that it is violated in some manner, as through special preparation of the officer's food.

"The officer's position is raised above that of his subordinates by the honor of being allowed to carry higher responsibilities and fulfill more duties. His uniform obligates him to be the first servant of his unit.

"He will exercise authority who knows and achieves something, and who, as chief, is the best comrade, the father of his company. His men will also be disciplined, and hardness and force will seldom be necessary.

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"The company commander must be able to be severe on occasion. The less often this happens, the more effective will it be. His severity, however, must contain something refreshing; it must be the just anger of a man, a thunderstorm which has been kindled. The shorter a thunderstorm, the better. It clears the atmosphere; afterwards the sun will shine again.

"Raw terms of abuse are undignified, insulting, and dishonorable. They not only lower respect for the officer, but they also embitter and cause stubbornness instead of creating order and reestablishing a relation of confidence.

"Scolding and criticism can become a habit; if they do, they then have a detrimental effect and weaken authority.

"When something is wrong, an energetic and straightforward word must be said immediately. Clear relations must exist between the company commander and his company. Smallness and chicanery do not fit the officer; he should never bear a grudge against anyone, or bring up old

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stories.

"Censure and reprimands should contain an appeal to make good, through extra effort, the damage caused. They should show the soldier how to repair this damage, and they should be positive.

"Strict self-criticism and constant efforts to increase efficiency should be a part of the soldier's nature,

"The right of the company commander to inflict punishment demands a high understanding of responsibility and a willingness to carry it,

"To deal out punishment quickly and often, is easy. The real art is to make punishment rare by shaping the service and increasing the soldier's willingness in such a manner that he is not given the cause or the opportunity to commit crimes.

"The subordinate must know that the chief deals out punishment only when it is necessary, and the entire unit must inwardly agree that the discipline is essential and justified. The man punished must be so addressed that he will feel that the treatment is just and deserved; it must make him wish to make up for the misdeed at any cost. When he reports after his punishment, he must be shown the way to clear himself and must be given every opportunity in the future.

"If the chief is not certain whether or not he should give a certain penalty, he should sleep over it for a night. His decision can always be guided only by the cause which he serves. If this requires action, the company commander must not be afraid to act, despite any kind of consideration.

"Complaints are the exception, which is well. The soldier is guided correctly by feeling that he should not consider his own person but so important and that he should not make a clamor over every little matter which does not go as he wishes. This applies to small matters. It is, however, wrong as to large matters, and it can become serious if real damage is caused and no remedy is applied.

"For this reason the company commander, in his instructions on the right of complaint, must impress upon his men the necessity of reporting when they are wronged, and must demand that, as honest German soldiers, they fulfill this duty. He must make clear to them that it is a sign of cowardice for the soldier not to utilize his right of complaint for fear of consequences. When one of the soldiers makes a formal charge and divulges a wrong, the man's courage must be recognized and the company commander must protect him.

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"Nevertheless, many soldiers, particularly the best, will not easily decide to worry the company commander. On special occasions, therefore, he must make an effort to open the men's hearts; he must notice when one of his men is worried.

"By solving this problem, he can prove his mastery in leading men. Denunciation and spying should be impossible. Small complaints should be settled by a gesture of the hand. But the soldiers, who are filled with a consciousness of the justice and fairness in the German Armed Forces, must feel that their commander can also take time and be an understanding helper and advisor.

"The great problem of advising and supervising his men in difficult personal cases, opens a further field to the company commander. This field includes taking an interest in family matters and assisting the soldier in making contact with various offices.

"It is not sufficient to wait until a soldier submits his worries. In his instructions, the commander must again and again say in a friendly way: 'If you are worried about something at home, or if you have trouble with the authorities, etc., come to me. That is what I am here for. We will get things done together.'

"Things are often straightened out by merely discussing the matter. Something which appeared so serious, looks simple after the company commander has given an unbiased opinion. Frequently the framing of a letter will suffice. If that will do, the commander had best sit down himself and quickly dictate to the company clerk. For the officer, the matter is comparatively easy; it might cost the man much time and worry. And the clear letter bearing the commander's signature will probably do a great deal to help in bringing about a quick settlement.

"Of still greater importance is his interest in personal family affairs, particularly in the case of deaths or births.

"When death strikes a family there are always decisions to be made. Often weeks of worry pass; weeks which are more wearing than those of peace time because the man is in the field and his advice, aid, and quiet demeanor are not where they are most important, at home. Telegraphic advice comes to the troop section; but it has been on its way a comparatively long time. Hours, often days, have passed since the death, and in those first hours of helplessness the man had been needed more than ever. The news therefore hits him particularly hard. Such a telegram must, for that reason, be submitted by the company commander himself; he must find time for this duty. If possible, this difficult matter is settled between the officer and soldier alone. No set method can be established by which this delicate mission should be handled. All that can be said is that great understanding should be

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shown and a comradely appeal made to the soldier's self-discipline, which will, for the moment, be more necessary than usual. If the situation allows, the man should be offered leave before he asks for it. He should be started off immediately, and the company commander should see to it that he gets away as quickly as possible. The officer should never forget to give him an expression of sympathy for his family. A word in such an hour is heard and remembered, and will certainly be reported at home. If, in this bitter moment of life, the soldier has found support in his company commander, he will be tied to him forever.

"The return to the field from a fresh grave is extremely difficult. When the man returns from leave, his chief must remember this.

"Pessimism as a basic outlook on life is a serious impediment, not only for the man himself but also for his surroundings; in times of war it is dangerous and detrimental. A happy, fresh outlook is good medicine. The pessimist should often be spoken to, best of all humorously. His gloomy disposition will not then affect his comrades. It may often be possible to help him to overcome his affliction, which frequently is the result of unfortunate experiences or events. A heart-to-heart talk hastens relief. Such soldiers, more than any others, need the happy experience of true comradeship. The company commander can do much to bring this about by secretly ordering a man of sensitive feelings to devote himself specially to the affected man.

"Soldierly obedience is silent obedience. Military orders require no reasons or justification. It is a principle of the German art of soldiery that the military leader has unlimited command over his soldiers. The short word Jawohl - yes, sir! - explains the whole system. The company commander need not give a reason if he has to turn down a request or a demand for leave. Frequently the situation will force him to refuse requests which, in themselves, are absolutely justified. In such cases, however, it is best not to be too business-like; war is hard, and it hits the individual soldier hard. If, for example, serious illness is reported from home, and the company commander can nevertheless not grant leave, he should call the man in and tell him why it is not possible. If the soldier sees that his commander, just like himself, has to submit to the demands of war, he will more easily resign himself to his fate, and will bear the disappointment and become independent.

"If the company is billeted in a town, the company commander should inspect quarters soon after they have been occupied. Such an inspection is one of his duties. Orderliness, cleanliness, and adequacy should be investigated, grievances remedied, and improvements suggested.

"Later, a walk through the quarters of the men, or an occasional unofficial visit in the evening, unaccompanied and unannounced, will

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prove particularly informative. Under these circumstances the commander does not come as a superior, but as an older, good-natured comrade. He remains for a cigar, sitting at the table among his boys and letting them talk and do as they please. Some of them he will now learn to understand for the first time. The silent corporal of the second squad, whom he had always considered rather sullen, is brooding over a chess problem - so he knows how to think. First-class Private Mueller, whom he has not noticed at all so far, is baking pancakes. Heaven knows how he manages that. The company commander learns that this Mueller is the center of everything, always cheerful, always ready to help. In another quarter he finds X, who is never agreeable, all alone. After some effort a conversation is started. Suddenly the commander discovers the man X as he really is. His wife has been paralyzed for a year and will soon die; he has little reason to laugh.

"In a shed near the larger quarters a soldier is producing a comic show. He does not know that the company commander has come in, so he remains unaffected. A star for the next company feast has been discovered. Schulze finally takes heart and asks the commander if he can talk to him alone some time. Lance Corporal W, in the workshop, is a regular artist. His are the sketches on the wall. The officer begins talking to him; one word follows the other. The corporal had gone to a public school somewhere, but he has read a great deal. Suddenly, to his great surprise, the commander realizes that it is midnight. For an hour he has talked about German art with the painter's apprentice; the others have listened in amazement. It has been a pleasant evening.

"The company commander, the father of his company, learns to know his soldier family by such an evening walk through the quarters.

"Home leave, which the soldier considers an unparalleled gift, is granted from time to time in modern war. The keeping of the leave list, therefore, requires great care and consideration, and the company commander should make an extra effort to be just in granting leave.

"When it is the soldier's turn to go on leave, he is in a pleasant mood; he probably has not been so completely happy since childhood. The first sergeant has given him the necessary instructions, and he now stands in front of the commander and reports for leave. A pleasant word should be said, a word showing that his happiness is shared; and greetings to the family should not be forgotten.

"Of still greater importance is the pleasant, soldierly greeting upon return; a comradely question as to how things were at home, an

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encouraging remark: 'Well, now things will go easier. It is always good to have a chance to look things over at home.'

"The soldier then feels that the commander understands his feelings, and that he is sharing experiences with him, and a further bond is tightened.

"Promotion and decoration afford the means of lifting a man above the mass of his comrades and of showing special appreciation for his deeds. By no other means can the entire company so definitely decide upon the judgment of its commander, than by his promotion of his men. For this reason it is very important that the company commander avoid falling for bluff; the men themselves have long since adjudged the bluffers. The decision is easy if the man has distinguished himself in the face of the enemy; it is more difficult if the only guide is the carrying out of routine duty. Accordingly, the company commander must observe his men most carefully and must discuss fully with his platoon leaders those men whom he has in mind for decoration or promotion to a higher grade. His decision will show his ability to judge men. If the decision is correct, and the company can rejoice with the comrade who is chosen for promotion or distinction, his authority has again been more firmly established.

"Noncommissioned officers must feel that they are the trusted assistants of their commander. Their responsibility for the men, and the company property entrusted to them, must inspire them. They must, however, consider this responsibility a distinction rather than a pressing load. As often as possible the company commander should discuss pertinent plans with the individual noncommissioned officer. By showing interest, asking questions and answering others, he will give the man a high opinion of his mission. He will train him to make decisions and to have an opinion of his own. His aim must be to gain the man's cheerful obedience in cases where obedience is necessary and to gain his willingness to assume responsibility when the situation so demands.

"The company commander must always remember that even more than the men, the noncommissioned officers follow his example, good or bad. If his manner is strict, they will try to equal him; if he is careless, they will be too.

"Noncommissioned officers who are bullies are detrimental to the company. If the commander finds any such men, he must use radical means to alter that situation. It is also well, from time to time, to check up on the internal administration; surprises will often be experienced, and these not always pleasant.

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"Much depends on the first sergeant, who is the mother of the company and the first assistant to the company commander. He influences the entire noncommissioned officer corps, and he can do much in training and in influencing the other soldiers. His actual duty is inside work. He must, however, take an interest in the many problems of the company, and his superior should see to it that he is not tied to his desk and overburdened with files. A good first sergeant will make an effort to have unlimited control.

"Sometimes, if he is of a very independent and capable nature, he will nullify the influence of the captain on the company. It is a great art to keep the first sergeant cheerful and happy in his work without loosening the reins, but the company commander carries the responsibility, and he alone must command the company.

"In the spiritual supervision of the company, the commander must realize that the fighting strength of his unit will be increased if the men know what they are fighting for. Every officer can fulfill the missions stipulated; all he needs is the will to do it.

"Daily newspapers and field papers, radio and books, shows at the field theater, and similar entertainment are intended to keep the soldier in good spirits.

"Of even greater importance is the spoken word, the instruction given by the commander himself, during the course of which he translates into the language of the soldier the material he has for the spiritual supervision of the soldier. The political background must be considered from the simplest basis. The soldier must know that the war directly concerns him; that it is his own personal affair; that it is a people's war in which his existence and the future of his children will be decided. If he realizes that, he will understand the importance of his personal cooperation. Spiritual supervision means the mobilization of head and heart. At the end of an instruction period by the company commander - this period should be brief - the head must be clear and the heart warm.

"If there are men within the company who are well acquainted with one of the subjects covered and able to lecture on it, their services may be well utilized.

"A company is happy in its drill if the drill is carried out properly and scientifically, and if the company commander himself is cheerful and full of spirit. The men must see that the drill has sense and has an objective. It must commence punctually. For long drills, men should not be ordered to appear one minute too soon; if they are, they gain the impression that the commander is a poor organizer. The

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officer must set the example for punctuality.

"The manner in which the captain greets his company in the morning may keep the company cheerful for the rest of the day; a word of recognition after difficult tasks, during a pause after tiresome marching, has surprising results and is an incentive toward greater efforts. A sense of humor is a gift of God. He who possesses it will overcome many difficulties. With a gesture of the hand, with a single remark he can rearrange those matters which a humorless pedant considers grave. Humor is the sign of a healthy conception and a superior outlook on life, and it is, therefore, always a fountain of strength to the company.

"When the company is reported in the morning and the eye of the commander passes over the 150 men, he should remember that behind those 150 men are 150 German families who have placed their boys at the disposal of Fuehrer and country and who entrust them only to this company and this company commander. What should be the opinion of these men's families when they talk about the officers? Will they say: 'Our boy's commander - let's not mention him. He is selfish, and without a real interest in his soldiers. All he knows is how to scold.' Or will they, with a thankful heart, say: 'My boy has a commander for whom he would go through hell-fire.'

"This opinion of the people, the better part of which falls upon the officers, is based as much upon their personal value as upon their value in service.

"There the officer is confronted with the decisive question of his value and position with respect to the German people. The company commander should discuss this question often and thoroughly with his juniors.

"Let us see to it that the German officer, following the great tradition of his profession, will also do honor to himself in this war, and that his soldierly leadership will be recognized by his men because he sets a high example for a feeling of responsibility, a superior knowledge, and an untiring care of his soldiers."

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G-2/2657-220; No. 468 M.I.D., W.D. 11:00 A.M., August 15, 1941.

SITUATION REPORTI. Eastern Theater.

Ground: The German mopping up operation in the Pripyat swamp area west of the Dnepr River is proceeding rapidly. German troops have occupied Mosyr, on the Pripyat River, and have begun to advance in the direction of Gomel. The extreme northwestern limit of the Russian bridgehead at Kiev is the Teterev River.

Rumanian troops have encircled the city of Odessa.

Hungarian motorized troops have occupied the village of Nikolaevka, on the lower Bug estuary, opposite Nikolaev.

Italian motorized forces are advancing down the east bank of the Bug to support the Hungarians and have reached the area southeast of Voznesensk. In the area on the west bank of the Bug, large Russian forces have been cut off.

A German armored column advancing down the east bank of the Bug has reached Guryevka, about fifteen miles northwest of Nikolaev.

A German armored column advancing southward on the west bank of the Inguletz River has reached the area east of Nikolaev. The Russians have begun a counterattack against this column from the direction of Berislav.

Air: Little activity.

II. Western Theater.

Air: The R.A.F. attacked Hanover, Brunswick and Madeburg heavily during the night. Polish fighter squadrons of the R.A.F. claimed destruction of thirteen Me's in a daylight flight over France. British attacks on Berlin were driven off.

III. Mediterranean Theater.

Air: British planes raided Sicily.

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CONFIDENTIAL

323

Paraphrase of a Code Cablegram  
Received at the War Department  
at 8:18, August 15, 1941.

M/A London, filed 7:40 P.M. August 15, 1941.

1. British Air Activity over the Continent.

a. Day of August 14. A total of 565 fighters were dispatched as follows: 41 on interception patrols, 294 on offensive missions, 22 on special missions, and 206 in the protection of shipping. The docks at Boulogne were attacked by 11 Blenheims, the results of this raid not being observed. 11 Blenheims, engaged in attacking shipping off the Frisian Islands, claimed two direct hits on a 2000 ton motor vessel. 5 more Blenheims attacked shipping off the Dutch coast, the results of which operation were not given. Because of failure to contact their escort, 5 Blenheims dispatched to attack the munitions factory at Marquise had to abandon their mission. According to a statement made by the Fighter Command, hard fighting occurred as 12 squadrons of fighters performing escort duty were engaged by German fighters, causing all but one of the German and four of the British losses for the day.

b. Night of August 14-15. A total of 316 bombers were dispatched as follows: 82 to the railway station at Brunswick, 181 to the Hanover railway center, 3 to Dunkirk, 8 on sea mining off the Frisian Islands, 8 to Rotterdam, 14 to the warehouses at Boulogne, and 27 Wellingtons, 9 Sterlings, 9 Halifax and 7 Manchesters to the railway center at Magdeburg. The weather was so bad over Magdeburg that most aircraft dropped their bombs by estimating their position. Fair results were claimed for the raid on Brunswick and good results for the raid on Hanover, weather conditions being good there.

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2. German Air Activity over Britain.

a. Day of August 13. 20 reconnaissance aircraft and 6 long range bombers were used.

b. Night of August 13-14. A convoy off the southwest coast of Spain was attacked by a Focke Wulf, the results of which were not reported. Just before dusk, 2 long range bombers dropped bombs without causing serious damage in Northumberland, and Durham.

c. Day of August 14. Large defensive patrols of fighters were maintained over Northern France. Reconnaissance of weather and shipping was made by a few aircraft. No planes appeared inland.

d. Night of August 14-15. There was some activity of night fighters in the area of the east coast of Britain, also small scale operations against shipping off the east coast of Scotland.

3. Aircraft Losses Reported.

a. British losses. During the day of August 14, six Spitfires and pilots were lost, One Blenheim was also missing. Losses of bombers during the night of August 14-15 were as follows: raid on Hanover, 7 lost and 2 down at sea, rescue underway; Brunswick raid, 1 lost; Magdeburg raid, 2 Wellingtons and 1 Halifax lost, also 1 Stirling believed forced down at Ostend; and Boulogne raid, 1 Wellington lost by anti-aircraft at Grimsby, 5 of crew safe and 1 killed.

4. British Air Activity, Other Theaters.

a. Mediterranean Theater. The 13,000 ton motor vessel CALIFORNIA, which was attacked the night of August 10-11 by Swordfish aircraft of the Fleet Air Arm, is now sunk in the harbor of Syracuse, according to reconnaissance of that area.

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C. E., B. and N. E., W. E.

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