

DIARY

Book 470

December 7 - 9, 1941

- A -

	Book	Page
Alien Property Custodian		
See War Conditions		
Appointments and Resignations		
Barnard, Chester I.: Resigns - 12/9/41.....	470	293
Kamarck, Andrew M.: To be attached directly to HMQr's office - 12/9/41.....		228
a) Organization of files - 12/10/41: See Book <u>471</u> , page 136		

- B -

Barnard, Chester I.		
See Appointments and Resignations		
Burgess, Randolph		
See War Conditions: Foreign Funds Control		
Business Conditions		
Haas memorandum on situation for week ending December 6, 1941.....		134

- C -

Censorship		
See War Conditions: United States		
China		
See War Conditions		
Cochran, H. Merle		
See White, Harry D.		
Customs, Bureau of		
See War Conditions: United States (Japanese in United States)		

- D -

Defense Savings Bonds		
See Financing, Government		

- F -

Federal Reserve Banks		
See War Conditions: United States		
Financing, Government		
Defense Savings Bonds:		
Minute Man on checks - status of - 12/9/41.....		216
Volunteer method of raising money and Treasury recommendations to FDR discussed by Treasury group - 12/9/41.....		242
Foreign Funds Control		
See War Conditions: Alien Property Custodian; Foreign Funds Control		

- J -

Book Page

Japan
See War Conditions
Japanese in United States
See War Conditions: United States

- K -

Kamarc, Andrew M.
See Appointments and Resignations

- L -

Libya
See War Conditions

- M -

Morgenthau, Henry Jr.
Treasury private entrance: Use of restricted -
12/8/41..... 470 147

- P -

Pearl Harbor
See War Conditions: United States

- Q -

Qualters, Thomas J.
See War Conditions: United States (White House -
Starling, Edward)

- R -

Rilly, Michael F.
See War Conditions: United States (White House -
Starling, Edward)

- S -

Schwarz, Charles
Press release on treatment of Japanese nationals
given out without HMJr's approval - 12/7/41..... 38
Starling, Edward
See War Conditions: United States (White House)
Securities and Exchange Commission
See War Conditions: United States

	Book	Page
Unemployment Relief		
Work Projects Administration report for week ending		
November 25, 1941.....	470	130
U. S. S. R.		
See War Conditions		
United States		
See War Conditions		

War Conditions

Airplanes:

Shipments - British Air Commission report -		
12/9/41.....		309

Alien Property Custodian:

If office is created, Leo Crowley mentioned as		
head; Eccles recommends that function be		
performed by Foreign Funds Control of Treasury -		
12/9/41.....		205

Biddle-HMJr conversation concerning set-up and
Crowley connection - 12/10/41: See Book 471,
page 19

Crowley-HMJr conversation - 12/12/41: Book 472,
page 143

Biddle-Crowley-HMJr-Foley luncheon conference -
12/13/41: Book 472, page 324

 a) After-developments reported by Foley to
 HMJr - 12/18/41: Book 474, page 65

 b) HMJr tells Crowley "come to Treasury and
 do the work here" - 12/18/41: Book 474,
 page 93

Attorney General's meeting; present: Biddle,
Crowley, Foley, Cohen, Townsend, Fehle, and
Bernstein - 12/18/41: Book 474, page 96

(See Foreign Funds Control report from
inception in April 1940 sent to FDR,
etc. - 12/18/41: Book 474, page 102)

 a) Biddle asks for Treasury cooperation in
 drafting necessary war legislation -
 12/18/41: Book 474, page 119-A

Byrnes, Hopkins, and Cox understood to favor
Alien Property Custodian in Treasury -
12/19/41: Book 475, page 5

 a) Cox-HMJr conversation: Book 475, page 8

China:

Fox invited to become adviser on fiscal matters
to Government of China - 12/8/41..... 168

Declaration of War: Chiang Kai-shek's willingness
to declare war on Japan discussed by Soong and
HMJr - 12/9/41..... 226

 a) Welles advises declaration of war against
 Japan, Germany, and Italy - 12/10/41:
 Book 471, page 55

Hong Kong: Chen, Fox, etc., gotten out safely and
sent to Chungking - 12/9/41..... 318

- W - (Continued)

	Book	Page
War Conditions (Continued)		
Exchange market resume' - 12/8-9/41.	470	182,315
Foreign Funds Control:		
See also War Conditions: Alien Property Custodian Burgess (Randolph) discusses problems involved - 12/9/41.		295
Japan:		
FDR's messages to Congress - 12/8-9/41.		100,284
(See also Book 473, page 188 - 12/15/41)		
Japanese Military Forces - Kamarck report - 12/8/41.		192
Libya:		
American Equipment - Kamarck report - 12/9/41.		327
Military Reports:		
Reports from London transmitted by Halifax - 12/8-9/41.		183,186,323
Summary by Kamarck - 12/9/41.		330
U.S.S.R.:		
Finished supplies transferred to Russia for which United Kingdom has paid dollars raises question - Phillips letter - 12/9/41.		311
United States:		
War orders reviewed by HMJr and staff - 12/7/41..		1,23
a) Cleared with State Department.		8
Pearl Harbor discussed at special meeting of Treasury group - 12/7/41.		5,58
White House guard doubled - 12/7/41.		16
a) Conversation with FDR.		19
b) Inspection by HMJr at midnight not satisfactory.		48,271
c) Starling, Edward: Demotion recommended by HMJr..		92,92,95
1) Reilly and Quilters appointed in Starling's place.		98,99
d) FDR refuses tanks but will permit machine guns - 12/8/41.		118
Japanese in United States: Procedure discussed by HMJr, Gaston, Foley, and Bernstein - 12/7/41.		25,38
a) Instructions to Customs personnel.		28
b) Treasury Department representatives in all Japanese banks, business, etc.		34
c) Press release without HMJr's approval.		38
Securities and Exchange Commission: Stock Exchange and Commodity Exchanges not to close unless approved by HMJr - 12/7/41.		46
Federal Reserve Banks:		
Entrance to premises restricted - 12/8/41.		127
228 Japanese concerns reported under Federal Reserve Banks supervision - 12/8/41.		129
Censorship: Draft of bill - 12/9/41.		207
<u>For further developments, now that United States is involved, "War Conditions" will be abandoned and individual subject headings used</u>		

	Book	Page
White, Harry D.		
To be given <u>status</u> of Assistant Secretary in charge of foreign affairs - 12/8/41.....	470	82
a) Cochran asks to be returned to State Department		
1) HMJr-Hull conversation.....		87
2) HMJr's letter of thanks and recommendations - 12/9/41.....		291,292
White House		
Guard doubled - 12/7/41.....		5,58
a) Conversation with FDR.....		19
b) Inspection by HMJr at midnight not satisfactory...		48,271
c) Starling, Edward: Demotion recommended by HMJr.....		92,93,95
1) Reilly and Qualters appointed in Starling's place.....		98,99
Tanks refused by FDR; will permit machine guns - 12/8/41.....		118
Air Raid Shelters: Discussion of by HMJr, Wilson, Thompson, and Reilly - 12/12/41: Book <u>472</u> , page 28		
a) Fleming-HMJr conversation - 12/12/41: Book <u>472</u> , page 31		
b) Fleming and Reynolds consult with Treasury group: Book <u>472</u> , page 111		
(See also Book <u>473</u> , page 115 - 12/15/41)		
1) Court of Claims building discussed with General Watson: Book <u>473</u> , page 124		
a) FDR disapproves: Book <u>473</u> , page 158		
Troop arrangements in Treasury discussed in Thompson memorandum - 12/12/41: Book <u>472</u> , page 119		
Christmas tree plans discussed by:		
a) General Cox and HMJr - 12/15/41: See Book <u>473</u> , page 39		
b) Colonel Smith and HMJr: Book <u>473</u> , page 44		
Protection in general discussed by representatives of New York Fire Department, etc. - 12/15/41: Book <u>473</u> , page 137		
Protection in general discussed in Wilson (Chief, Secret Service) memorandum: Book <u>473</u> , page 311		
Work Projects Administration		
See Unemployment Relief		

December 7, 1941
6:20 p.m.

Present: Mr. Gaston
Mr. Sullivan
Mr. White
Mr. Cochran
Mr. Cairns
Mr. Bernstein
Mr. Blough

HM Jr: I thought I would get all the Assistant General Counsels together with their war orders, etc. How many did I get?

White: Well, there are two more.

Blough: Tommy is outside, too.

HM Jr: I won't need Tommy. I don't think I will need Blough either but sit here any way.

Herbert, is that what I sign?

Gaston: Well, those are two things that Bernie has. They are Foreign Funds orders - one revoking licenses and the other closing the border for the Japanese. We will have a little later Customs orders under the Trading with the Enemy Act, forbidding trade by Japanese or communications by the Japanese except through the mails, and also forbidding the Japanese to go in or out of the country.

You have the word as to the Cabinet meeting, of course?

HM Jr: Yes.

(Reading from Public Circular No. 8, dated December 7, 1941, copy attached hereto): "All general licenses, specific licenses, and authorizations of whatsoever character, except General License No. 1, as amended, are hereby revoked in so far as they authorize, directly or indirectly, any transaction by, on behalf of, or for the benefit of, Japan, or any national thereof."

Why "Except General License No. 1, as amended"? What does that cover?

Bernstein: That permits payment into an American bank in a blocked account in the name of a Japanese. The account would be blocked.

HM Jr: Why - why should we say that? Do you mind if I disagree with you?

Bernstein: Well, we don't know what possible transactions we might upset if we don't do that.

HM Jr: But why - why should we do that? I can't - I just can't see it that way.

Bernstein: They can't get it. It goes into a blocked account in an American bank in the name of the Japanese. It would be frozen tight as a drum. There's no way they could get around it.

HM Jr: Is that the customary thing to do?

Bernstein: Mr. Secretary, there is no precedent for this.

HM Jr: Why make exceptions? Why not go the whole way? Why just one - why do we make any exceptions at all. You get it into their - I'm just going to argue with you.

Bernstein: Well, Mr. Secretary -

HM Jr: Now just wait a minute, Bernie. Once it's in there and for any reason you don't want the transaction consummated, you have to go to the courts.

Bernstein: Well, it's blocked at that point. The other thing would be considerably more. All Japanese property would be taken over.

HM Jr: You say there's no precedent. Why don't we revoke all licenses with no exceptions and then a fellow comes in tomorrow and says he wants to consummate a certain transaction. We will say, "Well, give us the information and we will issue a license." Do one at a time. Consider each individual transaction. - What do you think of that?

Cochran: Wouldn't there be objection to a payment to an alien enemy even in a blocked account?

HM Jr: That - I don't see why - I think Bernie is absolutely wrong about this. Every transaction should be considered.

White: Bernie, can you think of any advantage of doing it this way?

Bernstein: The only other thing - if it is left in the hands of the debtors it may not go into a blocked account. It may become dissipated. Some Americans might use some device to try to get around our controls. I might say that I don't think it would be a great blunder no matter which way we did it. There's a good deal to say for the Secretary's argument. It might mean a little more confusion or a little more work for us but it is something that we can handle. From the psychological point of view, it may be better.

HM Jr: Sure, let's be American No. 1. The public will say "Why don't they quit this appeasement stuff?" if we leave that in. If you permit this thing, once it is in there, how do you get it out?

Bernstein: But I don't think there is anything wrong with it.

Gaston: It seems to me they are simply paying money into our hands. We have absolute control there. We have a padlock on it.

HM Jr: I don't see it.

Cochran: With the war on, I don't think we ought to make any such payment. It's much better to have it in American hands.

Cairns: Can you get the Americans to report their debts to Japan?

Sullivan: Is there any danger that the American national would be willing to settle for 50¢ on the dollar and pay the Japanese?

Bernstein: That's a possibility but we can catch that.

HM Jr: (Reading from Public Circular No. 8): "All general licenses are hereby revoked." Leave out "except General License No. 1, as amended". Then tomorrow you begin considering each individual case on its merit. I think that for the public reaction it is much better to leave that out.

Does anybody differ violently with me - or partly?

Schwarz: The psychology is much better if that part is out.

HM Jr: Yes, it would be very much more interesting to the public.

Bernstein: Well, just strike that out and then you can sign it.

HM Jr: I think the thing better be retyped.

Do I have to get anybody's approval on that?

Bernstein: You may want to clear that with State or the President.

(HM Jr placed call for Secretary Hull)

Bernstein: (Handing Secretary Order dated December 7, 1941, to Collectors of Customs) The effect of that will be to prevent any Japanese fellow from leaving the country. We did the same with the Germans and Italians, and we used our Freezing Control powers to do it.

HM Jr: (Reading from above Order): "You are hereby instructed to take the same steps with respect to any Japanese national departing from the United States as you were instructed in the telegrams of June 16, 1941, and June 20, 1941, to take with respect to German and Italian nationals departing from the United States."

HM Jr: Where are telegrams of June 16th and June 20th?

Bernstein: Here they are.

(Lt. Stephens entered the conference and handed ticker item to the Secretary which he read as follows):

"The U.S. Fleet steamed out of Pearl Harbor tonight. Departure of the Fleet coincided with reports that the attack on Pearl Harbor had been launched by Japanese aircraft carriers somewhere off Barber's Point. Barber's Point is west of Pearl Harbor, in the direction of Japan. Pearl Harbor is shielded from Barber's Point by a ridge of mountains to the Northeast over which planes could appear in a surprise attack. White House says Guam attacked."

HM Jr: I can't understand where the patrol was to let these fellows come in. When I was down there, there was a continuous patrol for about five or six hundred miles.

(Operator reported that Secretary Hull was not in).

HM Jr: Don't you think we ought to get Dean Acheson to clear this with Hull?

Bernstein: Yes, sir.

HM Jr: I will see if he is in.

Bernstein: The rest of the program - we are arranging to place Foreign Funds men and Comptroller of the Currency's men in Japanese banks and business houses tonight. They are going to prevent the Japanese from taking any of the books off the premises, etc. We may want to shut down the places and also place men in any other places which we suspect.

HM Jr: I wouldn't let the Japanese in.

White: Do you have any provision for that - any legal authority?

- 6 -

Bernstein: There is provision for that in Trading With the Enemy Act and also in our Freezing Control Act which includes powers to investigate.

HM Jr: You think you have the legal right to do it?

Bernstein: I do.

White: Don't you have to do something with the local authorities?

Bernstein: Our men will be in those places tomorrow morning and, of course, they will be in touch with the local police.

HM Jr: We have two reasons - one, we want to do it, and, two, we have the legal authority for it. They're both good reasons - unless Harry can think of a monetary reason why we shouldn't.

White: The other two are good enough.

(Operator reported that Dean Acheson was not in.)

Gaston: Breckenridge Long was over there. I talked to him a little while ago.

(At this point HM Jr called Secretary Hull's office and asked who was in charge over there and was informed that Sumner Welles was in charge. HM Jr then spoke to Mr. Welles on the phone - copy of their conversation follows.)

December 7, 1941
6:30 p.m.

HMJr: Is Mr. Hull in?

Clerk: No, sir. He left about three quarters of an hour ago.

HMJr: Well, who's in charge over there?

C: I don't know whether Mr. Welles is here or not.

HMJr: Could you.....

C: Just a moment, please, I'll see.

HMJr: Hello.

C: Mr. Welles is still here, Mr. Secretary, and I'll transfer you to his office.

HMJr: Please. Hello.

C: Just a moment please, Mr. Secretary.

Operator: Operator.

C: Please transfer this call to 424, Mr. Welles' office.

Operator: Thank you.

Secy. to
Mr. Welles: Mr. Welles' office.

HMJr: Mr. Morgenthau calling Mr. Welles.

S: Is the Secretary on the wire?

HMJr: This is the Secretary.

S: Just one moment, Mr. Secretary.

Sumner
Welles: Hello.

HMJr: Sumner.

W: Yes, Henry.

- 2 -

HMJr: I'd like to do two things if the State Department will give me their approval. I'm sure they will, but I want to clear it.

W: Right.

HMJr: Number one: we want to issue the following circular, "All general licenses, specific licenses, and authorizations of whatsoever character, are hereby revoked insofar as they authorize directly or indirectly any transaction by or behalf of or the benefit of Japan or any national thereof."

W: Yes, of course.

HMJr: See?

W: Yes.

HMJr: And if and when these people - American citizens who have transactions, we'll make them come in and we'll pass on each transaction.

W: Yeah.

HMJr: All right?

W: You bet.

HMJr: That's number one. Number two, we want to send out the following instructions to all collectors of customs. "You are hereby instructed to take the same steps with respect to any Japanese national departing from the United States as you were instructed in a telegram of June 16, 1941, and June 20 to take with respect to German and Italian nationals departing from United States."

W: Absolutely.

HMJr: Well, we'll.....

W: Completely in accord.

HMJr: Well, we'll do both of those.

W: All right, Henry.

- 3 -

HMJr: Anything else?
W: Nothing that I can think of at the moment.
HMJr: Well, if I - you'll be there if I want.....
W: I'll be here all night.
HMJr: All right, Sumner.
W: All right, Henry.
HMJr: Thank you.
W: Good-bye.

- 7 -

Gaston: The Customs Orders should be ready in a few minutes. Those Orders will prohibit trading or communication with Japanese aliens and will prevent them from leaving the country under the Trading With the Enemy Act.

HM Jr: I will clear each one. I want a copy of each one for the President when I go to Cabinet. Have a ribbon copy for me to take to the President, Bernie.

White: Wouldn't you want - about getting local aid, don't you need the Secretary's assistance?

Bernstein: We are preparing instructions that will go out to all the Federal Reserve Banks.

HM Jr: You better hurry with them.

Bernstein: We have called all the Reserve Banks back to the buildings. They will all be in the offices awaiting these instructions. Then Schwarz can begin feeding these things out to the press.

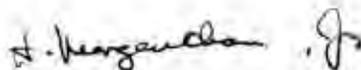
HM Jr: What I want to do - I won't need Blough or Tarleau, but I would like to see Gaston and Chief Wilson alone for a few minutes, please. I'd like to have Sullivan stay around, too.

Bernie, when you have those things ready, bring them in. I will be here.

TREASURY DEPARTMENT
Office of the Secretary
December 7, 1941

PUBLIC CIRCULAR NO. 8
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERE TO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

All general licenses, specific licenses, and authorizations of whatsoever character, ~~except General License No. 1, as amended,~~ are hereby revoked in so far as they authorize, directly or indirectly, any transaction by, on behalf of, or for the benefit of, Japan, or any national thereof.


Secretary of the Treasury.

*This public circular affects Parts 130 and 131 and will be included in appendices to those parts.
Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, and Ex. Order 8832, July 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

Customs

DEC 7 1941

TO ALL COLLECTORS OF CUSTOMS:

You are hereby instructed to take the same steps with respect to any Japanese national departing from the United States as you were instructed in the telegrams of June 16, 1941, and June 20, 1941, to take with respect to German and Italian nationals departing from the United States.

/s/ H. Morgenthau Jr

Secretary of the Treasury.

BB/ma - 12/7/41

COPY

June 20, 1941

CONFIDENTIAL

TO ALL COLLECTORS OF CUSTOMS

YOU ARE HEREBY INSTRUCTED TO TAKE THE SAME STEPS WITH
RESPECT TO ANY ITALIAN NATIONAL DEPARTING FROM THE UNITED
STATES AS YOU WERE INSTRUCTED IN THE TELEGRAM OF JUNE 16, 1941
TO TAKE WITH RESPECT TO GERMAN NATIONALS DEPARTING FROM THE
UNITED STATES

(SGD.) HERBERT E. GASTON

ACTING SECRETARY OF THE TREASURY.

COPY

CONFIDENTIAL

JUN 16 1941

TO ALL COLLECTORS OF CUSTOMS

THE EXECUTIVE ORDER OF THE PRESIDENT OF JUNE 14, 1941, REGULATING TRANSACTIONS IN FOREIGN EXCHANGE AND FOREIGN OWNED PROPERTY AND PROVIDING FOR THE REPORTING OF ALL FOREIGN OWNED PROPERTY AND THE REGULATIONS OF THE SECRETARY OF THE TREASURY ISSUED THEREUNDER WITH THE APPROVAL OF THE PRESIDENT ON THE SAME DATE PROHIBIT ANY GERMAN NATIONAL FROM EXPORTING OR WITHDRAWING FROM THE UNITED STATES ANY GOLD OR SILVER COIN OR BULLION OR ANY CURRENCY AND REQUIRE GERMAN NATIONALS TO FILE REPORTS WITH RESPECT TO ANY AND ALL PROPERTY SITUATED IN THE UNITED STATES IN WHICH SUCH GERMAN NATIONALS HAVE ANY INTEREST WHATSOEVER STOP YOU ARE ACCORDINGLY INSTRUCTED TO TAKE ALL NECESSARY STEPS IMMEDIATELY TO PREVENT ANY GERMAN NATIONAL FROM DEPARTING FROM THE UNITED STATES IN ANY MANNER WHATSOEVER UNTIL YOU HAVE RECEIVED FURTHER INSTRUCTIONS TO INSURE COMPLIANCE WITH THE EXECUTIVE ORDER AND REGULATIONS STOP IN THIS CONNECTION YOU ARE TO COOPERATE WITH THE OFFICIALS OF THE IMMIGRATION AND NATURALIZATION SERVICE OF THE DEPARTMENT OF JUSTICE WHO HAVE COMPARABLE INSTRUCTIONS STOP IN THE CASE OF GERMAN DIPLOMATIC OR CONSULAR OFFICIALS WIRE IMMEDIATELY FOR FURTHER INSTRUCTIONS.

/s/ HERBERT E. GASTON

ACTING SECRETARY OF THE TREASURY

Fleet Steams out.

HONOLULU--THE U. S. FLEET STEAMED OUT OF PEARL HARBOR TONIGHT.
12/7--W0615P

ADD FLEET, HONOLULU
DEPARTURE OF THE FLEET COINCIDED WITH REPORTS THAT THE ATTACK ON PEARL HARBOR HAD BEEN LAUNCHED BY JAPANESE AIRCRAFT CARRIERS "SOMEWHERE OFF BARBER'S POINT."

BARBER'S POINT IS WEST OF PEARL HARBOR, IN THE DIRECTION OF JAPAN. PEARL HARBOR IS SHIELDED FROM BARBER'S POINT BY A RIDGE OF MOUNTAINS TO THE NORTHEAST OVER WHICH PLANES COULD APPEAR IN A SURPRISE ATTACK.
12/7--W0621P

FLASH

WHITE HOUSE SAY GUAM ATTACKED

12/7--W0624P

December 7, 1941
6:35 p.m.

Present: Mr. Gaston
Chief Wilson

Gaston: I talked to the Chief and he told me he had already given orders to double the guard over at the White House. I had already talked to him and asked him that.

(Chief Wilson entered the conference.)

HM Jr: Now, first, what have you done at the White House?

Wilson: We have put extra men over there now and I have arranged to double the guard permanently. I have also arranged to have some men come down from New York tonight to be here tomorrow. I presume the President will go to Congress at one tomorrow. We ought to have extra men on duty in order to take care of his movements.

HM Jr: Do you think we ought to have soldiers around the White House?

Wilson: Well, I think that should have a little consideration. Maybe we ought to wait until war is declared.

Gaston: The war is on - Japan declared war on the U.S.

Wilson: Well, personally we have got 80 first class men over there and we have 20 high class agents who are up on their toes, and I think they can handle the situation in pretty good shape.

HM Jr: How many men are in the White House at one time?

Wilson: Approximately 25 uniformed officers and approximately 10 to 12 agents.

HM Jr: Well, what happened during the World War?

Wilson: They had a detail of Army soldiers.

HM Jr: That's what I would like. I would like to ask the President's permission tonight.

Wilson: All right.

HM Jr: Because how - look how they have taken us by surprise today. No telling what they will do next.

Wilson: Certainly they took us by surprise today.

HM Jr: How do you know what trick they might pull from within?

Gaston: Better to have too much than to have not enough.

Wilson: Yes, it's better to have too much than not enough. It might be better to play safe and have a military detail like they had the last time.

Gaston: Well, we undoubtedly have a much better Secret Service now.

Wilson: There's absolutely no comparison. Thanks to the Secretary for getting after me three or four years ago, we have a first class outfit. It really is due to the Secretary's keeping after me on it. All our men are really good now. There's no comparison at all.

HM Jr: But those men should be with the President when he moves. I think regular soldiers could do the White House ground stuff. When I came back, they had soldiers outside the War Department. What would you want - a couple of companies or just one company?

Wilson: There should be two companies because they divide their time, and they don't work on eight-hour shifts. They work on short details - military details. We should have a couple of companies.

- 3 -

HM Jr: How many are in a company?

Gaston: 250 in a company.

Wilson: Yes.

HM Jr: How many would there be on the grounds at one time?

Wilson: There would be approximately 75 to 100 men on each shift.

HM Jr: I think there should be 100 all the time with machine guns, etc.

Gaston: And protect all the gates - inside and outside.

HM Jr: I'll try to get the President now and ask his permission.

(HM Jr placed call for the President over the White House phone.)

Wilson: I just had three men from the White House down at the Chemical Warfare Plant getting special training. Just before that I had two other men down there taking a specialized course for two weeks.

We have a man on duty up at your house now and will have him on all night.

HM Jr: I appreciated your sending those men down.

Gaston: Had you heard about it before we got you on the phone?

HM Jr: I'll tell you how I heard it. When we came out of the restaurant - when we came out at three o'clock, Charles, the chauffeur, told us. He heard it on the radio.

(At this point, the President came on the wire and the following is their conversation:) *copy in President's book*

The President: Hello, Henry. Cabinet at 8:30.

HM Jr: Yes, sir.

I have some orders which we are getting out. I cleared all of them with Welles.

The President: Fine.

HM Jr: We are freezing all Japanese funds.

The President: Yes.

HM Jr: We are not going to let any Japanese leave the country or to carry on any communications.

The President: I see.

HM Jr: Well, our responsibility is the border.

The President: Yes, yes. That's right.

HM Jr: And we're putting people into all the Japanese banks and business houses tonight and we're not going to let the Japanese get in there at all.

The President: That's good.

HM Jr: Now the other thing I would like - Chief Wilson and Gaston are here.

The President: Yes.

HM Jr: We would like permission to put a detail of soldiers on the White House grounds.

The President: Well, wait just a second. Steve Early said something about that. (Slight pause while President talks aside.)

- 5 -

The President: Well, the thing has been suggested by the War Department but I don't think - my idea is this. Suppose you get some additional White House guards?

HM Jr: We've done that. We've already doubled the guard force.

The President: You've doubled the guard. That's all you need. As long as you have one about every hundred feet around the fence, it's all right.

HM Jr: But you think that's enough?

The President: That's fine.

HM Jr: Well, the guards have already been doubled.

The President: What you could do is this: Block off both Executive Avenues. In other words, the one on the East and the one on the West. Put up barricades between the White House and the Treasury and also on the one between the White House and State Department.

HM Jr: We will do that tonight. All right, sir.

(End of conversation with the President.)

HM Jr: He said Steve Early had suggested it but he said we should close the traffic on both Executive Avenues.

Gaston: That won't mean the South End?

HM Jr: Well, we will have to let the cars get into the entrance.

Gaston: We'll barricade it with guards but let people get into the Treasury Department and State Department.

(HM Jr walked to window and showed Chief Wilson and Gaston where the barricades should be placed at each end.)

HM Jr: Place them in those two places. Start them right here (motioning out of the window). Just so the cars can swing around there right at the corner of the fence.

- 6 -

HM Jr: Do it right away.

Wilson: Yes, sir.

HM Jr: Now what about putting on those same instructions in the building? Thompson was supposed to have worked that out.

Wilson: He has a plan ready, and we will go ahead and put it into effect now.

HM Jr: Yes, put it into effect tomorrow morning.

Wilson: Yes, sir.

HM Jr: And, while we're on the subject - I think there is too much traffic through my private door. I may want to tone that down a bit and have it for myself. Do you think that would be terrible?

Wilson: There are quite a few officials using that door. I think it would be all right to limit it to yourself.

HM Jr: Well, I'll think about it. I may limit it to the Under Secretary, and maybe the Assistant Secretaries. There's too damn much traffic going through there. Everybody would have to clear down through the other way.

Wilson: That's reasonable.

HM Jr: And then with this car business and everything. Will you (Mrs. McHugh) get a list of the people who use my entrance now and also who use my elevator? I think that the man down at the door has it.

Wilson: In order to put this pass system into effect in this building, we will have to have photographs and some sort of partition down at the money room, so I don't know whether we can put it into working order by tomorrow morning.

HM Jr: I told Thompson three months ago to get that ready. He's certainly had enough time and it should be ready.

- 7 -

Wilson: He has a plan on paper but it is not in working order.

Gaston: I think we might well start with a reception desk by the door and have everybody stopped when they come in to find out who they want to see, etc.

Wilson: Yes.

HM Jr: Where is Thompson?

Wilson: I will get in touch with him. We will get it going just as soon as we possibly can.

HM Jr: Herbert, as these orders come in, I will sign them.

Gaston: Yes, yes.

HM Jr: That's all I want for the minute, but, Herbert, the President is going to put all the Japanese in concentration camps. But at least get the other order and have it for me to take to the White House.

December 7, 1941
7:45 p.m.

Present: Mr. Bernstein
Mr. Foley
Mr. Gaston

HM Jr: (Looking at order to all Collectors of Customs Personnel) Does this apply to the Japanese alone?

Gaston: It says "or any ally". We don't specify any allies because we don't know yet.

HM Jr: Oh!

Gaston: As soon as anybody is declared to be an ally, possibly tomorrow, we can put in the name of the country - like Germany. But I talked to Breckenridge Long about it, and he said to just use the word "ally of Japan," since we were not at this moment able to give any ally of Japan.

HM Jr: Isn't Germany an ally?

Bernstein: Not yet officially.

Gaston: Not officially. Tomorrow maybe we can say that Germany is an ally of Japan.

HM Jr: It just means -

Bernstein: You are doing three things - supplement our existing trade control, make it illegal to take any people out of the country -

Gaston: And communications.

HM Jr: Have you cleared this with anybody in the State Department?

Gaston: Yes, with Breckenridge Long.

December 7, 1941
7:45 p.m.

Present: Mr. Bernstein
Mr. Foley
Mr. Gaston

HM Jr: (Looking at order to all Collectors of Customs Personnel) Does this apply to the Japanese alone?

Gaston: It says "or any ally". We don't specify any allies because we don't know yet.

HM Jr: Oh!

Gaston: As soon as anybody is declared to be an ally, possibly tomorrow, we can put in the name of the country - like Germany. But I talked to Breckenridge Long about it, and he said to just use the word "ally of Japan," since we were not at this moment able to give any ally of Japan.

HM Jr: Isn't Germany an ally?

Bernstein: Not yet officially.

Gaston: Not officially. Tomorrow maybe we can say that Germany is an ally of Japan.

HM Jr: It just means -

Bernstein: You are doing three things - supplement our existing trade control, make it illegal to take any people out of the country -

Gaston: And communications.

HM Jr: Have you cleared this with anybody in the State Department?

Gaston: Yes, with Breckenridge Long.

- 2 -

HM Jr: This goes then. Have you a set for me to take to Cabinet?

Bernstein: I have them here.

HM Jr: Put them in an envelope and mark it for Cabinet.

Now where is Johnson?

Gaston: He is here - has been here all afternoon.

HM Jr: Well now, Herbert, will this thing flow? Do I have to worry about it?

Gaston: It will flow.

Bernstein: This is the announcement we had retyped (handing Secretary Public Circular No. 8, dated December 7, 1941, copy attached hereto).

HM Jr: What about getting into Japanese business houses?

Bernstein: I have that right here.

Here is a covering telegram to the Federal Reserve Banks.

HM Jr: What does that do?

Bernstein: That just transmits this public circular (Circular No. 8, dated December 7, 1941).

HM Jr: What about getting into the banks before the Japanese do?

Bernstein: Here it is.

HM Jr: Do they know this is coming?

Bernstein: Here is what I have done. We have told

- 3 -

every Federal Reserve Bank to be open and have its staff there. All the national bank examiners have been notified, and I talked to Elmer Ireby and I asked him to get in touch with his key offices and have his men get in touch with the Federal Reserve Banks. I told him I thought his men would be in better position than the Federal Reserve Banks to get cooperation from the local police, and he said that was so.

All the wires are tied up terrible. Delano hasn't been able to get Frisco for a couple of hours. Fortunately, we have eight good Treasury boys out there and we're very lucky.

HM Jr: Well, we can always send a message by Coast Guard.

(At this point HM Jr held a phone conversation with Chairman Eccles on financing.)

Bernstein: This is a press release which we will get out right now (see copy attached).

HM Jr: Just this one thing on preventing them from leaving the country:-

Bernstein: That's right.

HM Jr: I don't know - you know the President is going to put them in a concentration camp, he tells me.

Bernstein: My only point was to indicate the basis on which we are acting.

HM Jr: But that last part seems to weaken it. I would say "prevent Japanese nationals from leaving the country" period.

Bernstein: I don't want to appear technical.

HM Jr: Well then don't. Don't pull any of your God Damn technical stuff on me. Look here, Ed - "At the same time the Treasury issued instructions to all Customs

- 4 -

Collectors to prevent Japanese nationals from leaving the country . . ." I would stop right there. You're not writing this thing - I am saying this thing.

Foley: Sure.

Bernstein: What's the matter?

Foley: We're at war and /

HM Jr: Herbert, you're a newspaper man - what do you think?

Gaston: I don't know what it is.

HM Jr: Look, Herbert, you are a newspaper man. Read this.

Gaston: Well, you don't want that because we have issued duplicate instructions - we have issued absolute instructions.

Bernstein: We are not announcing the part on putting men into the Japanese banks and business houses because we might need a couple of hours to get together on that.

Foley: He wants to be sure everything is going along all right before he gives it out.

HM Jr: That's nothing. I don't care whether you announce it or not. But leave off that last part.

Gaston: We will have to add a sentence about trading and communications.

(Mr. Bernstein left the conference.)

Gaston: Did you get any information on the losses?

HM Jr: I was there when they phoned them in but I can't tell you. They were terrible.

Foley: They must have been much worse.

Gaston: There was one story out about two battle-ships being sunk.

HM Jr: Well, it's - I can't say but it's - it's just tough.

Customs

December 7, 1941

TO ALL COLLECTORS OF CUSTOMS AND CUSTOMS PERSONNEL

TAKE ALL NECESSARY STEPS TO ENFORCE IMMEDIATELY SECTION 3(a),(b), AND (c) OF THE TRADING WITH THE ENEMY ACT WHICH READS AS FOLLOWS:

QUOTE IT SHALL BE UNLAWFUL (a) FOR ANY PERSON IN THE UNITED STATES, EXCEPT WITH THE LICENSE OF THE PRESIDENT, GRANTED TO SUCH PERSON, OR TO THE ENEMY, OR ALLY OF ENEMY, AS PROVIDED IN THIS ACT, TO TRADE, OR ATTEMPT TO TRADE, EITHER DIRECTLY OR INDIRECTLY, WITH, TO, OR FROM, OR FOR, OR ON ACCOUNT OF, OR ON BEHALF OF, OR FOR THE BENEFIT OF, ANY OTHER PERSON, WITH KNOWLEDGE OR REASONABLE CAUSE TO BELIEVE THAT SUCH OTHER PERSON IS AN ENEMY OR ALLY OF ENEMY, OR IS CONDUCTING OR TAKING PART IN SUCH TRADE, DIRECTLY OR INDIRECTLY, FOR, OR ON ACCOUNT OF, OR ON BEHALF OF, OR FOR THE BENEFIT OF, AN ENEMY OR ALLY OF ENEMY.

(b) FOR ANY PERSON, EXCEPT WITH THE LICENSE OF THE PRESIDENT, TO TRANSPORT OR ATTEMPT TO TRANSPORT INTO OR FROM THE UNITED STATES, OR FOR ANY OWNER, MASTER, OR OTHER PERSON IN CHARGE OF A VESSEL OF AMERICAN REGISTRY TO TRANSPORT OR ATTEMPT TO TRANSPORT FROM ANY PLACE TO ANY OTHER PLACE, ANY SUBJECT OR CITIZEN OF AN ENEMY OR ALLY OF ENEMY NATION, WITH KNOWLEDGE OR REASONABLE CAUSE TO BELIEVE THAT THE PERSON TRANSPORTED OR ATTEMPTED TO BE TRANSPORTED IS SUCH SUBJECT OR CITIZEN. (c) FOR ANY PERSON (OTHER THAN A PERSON IN THE SERVICE

page 2 -

OF THE UNITED STATES GOVERNMENT OR OF THE GOVERNMENT OF ANY NATION, EXCEPT THAT OF ANY ENEMY OR ALLY OF ENEMY NATION, AND OTHER THAN SUCH PERSONS OR CLASSES OF PERSONS AS MAY BE EXEMPTED HEREUNDER BY THE PRESIDENT OR BY SUCH PERSON AS HE MAY DIRECT), TO SEND, OR TAKE OUT OF, OR BRING INTO, OR ATTEMPT TO SEND, OR TAKE OUT OF, OR BRING INTO THE UNITED STATES, ANY LETTER OR OTHER WRITING OR TANGIBLE FORM OF COMMUNICATION, EXCEPT IN THE REGULAR COURSE OF THE MAIL: AND IT SHALL BE UNLAWFUL FOR ANY PERSON TO SEND, TAKE, OR TRANSMIT, OR ATTEMPT TO SEND, TAKE, OR TRANSMIT OUT OF THE UNITED STATES, ANY LETTER OR OTHER WRITING, BOOK, MAP, PLAN, OR OTHER PAPER, PICTURE, OR ANY TELEGRAM, CABLEGRAM, OR WIRELESS MESSAGE, OR OTHER FORM OF COMMUNICATION INTENDED FOR OR TO BE DELIVERED, DIRECTLY OR INDIRECTLY, TO AN ENEMY OR ALLY OF ENEMY: PROVIDED, HOWEVER, THAT ANY PERSON MAY SEND, TAKE, OR TRANSMIT OUT OF THE UNITED STATES ANYTHING HEREIN FORBIDDEN IF HE SHALL FIRST SUBMIT THE SAME TO THE PRESIDENT, OR TO SUCH OFFICER AS THE PRESIDENT MAY DIRECT, AND SHALL OBTAIN THE LICENSE OR CONSENT OF THE PRESIDENT, UNDER SUCH RULES AND REGULATIONS, AND WITH SUCH EXEMPTIONS, AS SHALL BE PRESCRIBED BY THE PRESIDENT UNQUOTE THE WORDS "ENEMY" AND "ALLY OF ENEMY" UNDER SECTION TWO OF THE TRADING WITH THE ENEMY ACT INCLUDE -- (a) ANY INDIVIDUAL, PARTNERSHIP,

page 3 -

OR OTHER BODY OF INDIVIDUALS, OF ANY NATIONALITY, RESIDENT WITHIN THE TERRITORY (INCLUDING THAT OCCUPIED BY THE MILITARY AND NAVAL FORCES) OF JAPAN, OR OF ANY NATION WHICH IS AN ALLY OF JAPAN, OR RESIDENT OUTSIDE THE UNITED STATES AND DOING BUSINESS WITHIN SUCH TERRITORY, AND ANY CORPORATION INCORPORATED WITHIN SUCH TERRITORY OR INCORPORATED WITHIN ANY COUNTRY OTHER THAN THE UNITED STATES AND DOING BUSINESS WITHIN SUCH TERRITORY (b) THE GOVERNMENT OF JAPAN OR OF ANY NATION WHICH IS AN ALLY OF JAPAN, OR ANY POLITICAL OR MUNICIPAL SUBDIVISION THEREOF, OR ANY OFFICER, OFFICIAL, AGENT, OR AGENCY THEREOF.

HENRY MORGENTHAU, JR
SECRETARY OF THE TREASURY

10c

CODE OF FEDERAL REGULATIONS
Title 31 - Money and Finance: Treasury
Chapter I - Monetary Offices, Department of the Treasury
Parts 130 and 131
Appendix*

TREASURY DEPARTMENT
Office of the Secretary
December 7, 1941.

**PUBLIC CIRCULAR NO. 8
UNDER EXECUTIVE ORDER NO. 6389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.***

All general licenses, specific licenses, and authorizations of whatsoever character are hereby revoked in so far as they authorize, directly or indirectly, any transaction by, on behalf of, or for the benefit of, Japan, or any national thereof.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

* This public circular affects Parts 130 and 131 and will be included in appendices to those parts.
Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 6389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, and Ex. Order 8832, July 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

Foreign Exchange Control 1940 and 1941

DEC 7 - 1941

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS:

THE FOLLOWING PUBLIC CIRCULAR UNDER EXECUTIVE ORDER NO. 8889,
AS AMENDED, HAS BEEN ISSUED TODAY.

[Here take in enclosed]

COPIES OF SUCH DOCUMENTS ARE BEING AIRMAILED TO YOU.

YOU ARE REQUESTED TO HAVE COPIES OF THESE DOCUMENTS PREPARED
AND DISTRIBUTED TO ALL BANKS, INCLUDING NONMEMBER BANKS, IN YOUR
DISTRICT AND TO SUCH OTHER PERSONS AS YOU MAY DEEM APPROPRIATE.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

BB:vls - 12/7/41

TREASURY DEPARTMENT
WashingtonFOR IMMEDIATE RELEASE
December 7, 1941.

Press Service

Secretary Morgenthau tonight revoked all outstanding general and specific licenses authorizing any transactions by Japan and her nationals. The effect of this action by the Treasury Department is to place an immediate and complete stoppage on all financial and business dealings, as well as trade transactions, in which Japan or her nationals have any interest.

At the same time the Treasury issued instructions to all Customs Collectors to prevent Japanese nationals from leaving the country, ~~until the Treasury can be assured that there has been no violation of the freezing order.~~



COPY

Foreign Exchange Control

DEC 7 - 1941

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

YOU ARE REQUESTED TO EFFECT THE IMMEDIATE INSTALLING OF TREASURY DEPARTMENT REPRESENTATIVES IN ALL BLOCKED JAPANESE BANKING AND BUSINESS ENTERPRISES. THESE REPRESENTATIVES MAY BE NATIONAL BANK EXAMINERS, CUSTOMS OFFICERS, TREASURY INVESTIGATORS, OR ANY OTHER AVAILABLE TREASURY PERSONNEL ALL OF WHOM ARE BEING INSTRUCTED TO GET IN TOUCH WITH YOU IMMEDIATELY AND BE AT YOUR DISPOSAL IN THIS CONNECTION. SUCH REPRESENTATIVES SHALL, PENDING FURTHER INSTRUCTIONS, PREVENT ANY ACCESS BY ANY PERSON TO THE PREMISES OF SUCH ENTERPRISES AND SHALL PARTICULARLY PREVENT ACCESS TO, ALTERATION, DESTRUCTION OR REMOVAL OF BOOKS, FILES, RECORDS OR OTHER PROPERTY OF SUCH ENTERPRISES. NO PERSON SHALL BE PERMITTED TO LEAVE SAID PREMISES UNLESS SAID REPRESENTATIVE GIVES HIS CONSENT UPON BEING SATISFIED THAT THE PURPOSE HEREOF IS NOT BEING VIOLATED. YOU ARE REQUESTED TO OBTAIN THE COOPERATION OF LOCAL POLICE IF NECESSARY. LIST OF APPLICATION NUMBERS INVOLVING SUCH BLOCKED CONCERNS FOLLOWS BY SEPARATE TELEGRAM.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

December 7, 1941.
7:53 p.m.

35

H.M.Jr: Hello

Marriner
Eccles: Hello Henry.

H.M.Jr: Yes, Marriner.

E: I just thought I'd let you know before you went over to the White House that I'd talked to Rouse and talked to Sproul and talked to one or two of the Board Members and - we're to meet in the morning before the market opened - but this is the thing that Rouse and Sproul and I discussed on the phone and I'm sure that the other members of the committee will support it.

H.M.Jr: Yes.

E: Now tomorrow your bill market - you've got 150 million of bills.....

H.M.Jr: Yes.

E:and the first thing in the morning your going to get around to the market that Fed will stand ready to take bills off of the hands of any of the banks or dealers that might buy the bills at around the last week's price, which would mean they may give you a little above it. They wouldn't bill at the same price and then expect to sell at that. But that ought to assure that the bills would go - in fact I think it may look a little better if it was slightly above last week's.

H.M.Jr: I see.

E: Ah - it would look less like complete fixing. I'm sure that with that there will be no hesitancy to buy these bills and likewise to not buy them at too high a rate - they'll buy them somewhere around last week's figure, I feel sure.

H.M.Jr: It sounds good to me.

E: Now on the bond end of it.

H.M.Jr: Yes.

- E: Of course, this last issue is more or less suspended in mid air.
- H.M.Jr: Yes.
- E: By the way did - ah - have you got all the figures in on the subscriptions?
- H.M.Jr: I don't think so.
- E: Well now what we thought was this. Allan is going to talk to some of the leading bankers up there in the morning and also the dealers, telling them that of course this situation has no way changed the monetary picture; there's still the abundance of funds that there's always been and, of course, this thing's going to be financed and the is just not to rock the boat and they're not to do any selling and to pass the word out to the country when any inquiries come in.
- H.M.Jr: Yes.
- E: Then we will stand ready to give support to these long bonds.
- H.M.Jr: Good.
- E: Of course, the new issue isn't out but I mean there's some of the other issue which amounts to the same thing.
- H.M.Jr: Well we'll be glad to go joint account with you.
- E: Yes, well now I thought that - I don't want to - I hate to give any profit to these free writers or underwriters that just want to run, so it would be my thought to not buy very money and let it gradually work down, if that's what it's going to do, as long as it doesn't reach any panic proportions.
- H.M.Jr: That's right.
- E: And then when it got around par, to hold it.
- H.M.Jr: That's right. Well I'll tell you, Bell will be in in a little while and I'll tell him of this conversation and I'll ask him, as far as I'm concerned, to work with you on this tomorrow - that will be his responsibility.

E: Well I just thought I'd let you know that we don't expect anything, and if there is we're fully prepared to take care of it.

H.M.Jr: I'm delighted to get this message, appreciate it and, as I say, at the end of the day we'll be glad to go joint account with you.

E: Yes, O.K., fine then.

H.M.Jr: And if there's anything special tomorrow, I'm always available.

E: Yes.

H.M.Jr: I'm always available. But I mean I just wanted to - so that you'll know there's some one person - it will be Bell.

E: Yes, well we usually, of course, work with Bell but I understand that Dan was out of town.

H.M.Jr: No I wanted to talk to you myself but I meant as for tomorrow if you want minute to minute, it will be his responsibility but anytime you want to talk to me I'm always available.

E: Yes, well Sproul isn't coming down. I figured he'd better stay in New York, so both he and Rouse will be in New York and we'll be there when the market opens with the idea of meeting whatever the situation is.

H.M.Jr: Well thank you very much.

E: All right then. Goodbye.

H.M.Jr: Goodbye.

December 7, 1941
8:10 p.m.

Present: Mr. Foley
Mr. Gaston
Mr. Bernstein
Mr. Schwarz

HM Jr: Now look, Bernie. Of all things - you come in here and ask me to approve a press release and the thing is already on the ticker. Under these conditions - from now on any mistakes like this, I'm not going to fool with people. What the Hell is the use!

Bernstein: I didn't give it out.

HM Jr: Now listen - for God's sake! I haven't time to fool with blunderers. Damn it any way. I don't know whose responsibility that is, but you come in here with something you have already given to Schwarz to release.

Bernstein: Who did?

HM Jr: I said Schwarz gave it out. Why should Schwarz give it out if it hadn't been approved. Where did you (Schwarz) get it from?

Schwarz: We got the press release from Bernie.

Bernstein: We worked together on it - Chick and I. I told him I was going to take the papers in to you. I gave him a copy to start mimeographing it but it hadn't been approved. There weren't any initials on it.

HM Jr: Now, Bernie, for God's sake be honest! Did you make a blunder?

Bernstein: I told Chick I was bringing it up to you.

HM Jr: Who is responsible for giving it out? Should you or Chick -

Schwarz: That was given to me as a press release.

- 2 -

Bernstein: I didn't give any authority to release it. I told Chick I was bringing it up to you.

HM Jr: Somebody brings a thing in for me to approve, and the thing is on the wire, and it might be of terrific importance, and I just won't have this happening. Now whose fault was it? Somebody ought to at least admit they made a blunder.

Foley: (To Schwarz) Did you have any authority to release it? Bernie says there were no initials on it and we never release anything that isn't initialled at least by an Assistant Secretary.

Schwarz: It was given to me as a press release.

HM Jr: Now, Chick, for God's sake - stop passing the buck.

Schwarz: I've never passed the buck. If I'm wrong I would be the first to admit it.

Foley: There were no initials on it. We don't put out press releases that way.

Schwarz: You said you were taking the things in to the Secretary that were being sent.

Foley: But that doesn't mean that it was ready to go.

Schwarz: You wanted to get it out as fast as possible.

HM Jr: I'm just not going to get excited about this. We've been through it before. I wasn't pushing anybody.

Schwarz: I thought that was what we were supposed to do.

HM Jr: Who gave it to Chick?

Bernstein: I gave it to him. We were working together on it.

HM Jr: Well, should I say that you are both under suspicion? For Heaven's Sakes! Somebody admit that they did it.

- 2 -

Bernstein: I didn't give any authority to release it. I told Chick I was bringing it up to you.

HM Jr: Somebody brings a thing in for me to approve, and the thing is on the wire, and it might be of terrific importance, and I just won't have this happening. Now whose fault was it? Somebody ought to at least admit they made a blunder.

Foley: (To Schwarz) Did you have any authority to release it? Bernie says there were no initials on it and we never release anything that isn't initialled at least by an Assistant Secretary.

Schwarz: It was given to me as a press release.

HM Jr: Now, Chick, for God's sake - stop passing the buck.

Schwarz: I've never passed the buck. If I'm wrong I would be the first to admit it.

Foley: There were no initials on it. We don't put out press releases that way.

Schwarz: You said you were taking the things in to the Secretary that were being sent.

Foley: But that doesn't mean that it was ready to go.

Schwarz: You wanted to get it out as fast as possible.

HM Jr: I'm just not going to get excited about this. We've been through it before. I wasn't pushing anybody.

Schwarz: I thought that was what we were supposed to do.

HM Jr: Who gave it to Chick?

Bernstein: I gave it to him. We were working together on it.

HM Jr: Well, should I say that you are both under suspicion? For Heaven's Sakes! Somebody admit that they did it.

- 3 -

Schwarz: I was given the press release by Bernie.

HM Jr: Do you ever give out press releases that aren't initialled?

Schwarz: Sure I do.

Foley: Not from us you don't. We always have them initialled by either an Acting Secretary or the Secretary.

Schwarz: Oh, yes, we have.

Foley: Oh, come on now, Chick - play fair. We have never released anything that isn't initialled. We sometimes tell you to start getting it ready but not to release it until it is approved.

Bernstein: I said I would take - he got no word from me to give it out.

Schwarz: We used the same routine that we have always used.

HM Jr: That isn't true - it can't be true.

Schwarz: It was handed to me as a press release.

HM Jr: I don't care - if somebody would only say that he made a blunder.

Schwarz: I just don't feel that I made a blunder.

Foley: Now, Chick, be fair. We prepare papers and we prepare press releases, but he never gets authority to put it out unless you (Secretary) or somebody in authority initials the release and says to go ahead.

Schwarz: It was given to me as a press release.

- 4 -

Foley: But, Chick, you said you would have it changed right away.

Schwarz: I gave it out as soon as we got it from Bernie.

HM Jr: Bernie comes in to show it to me and the thing is already out. What's the use of my looking at anything - what's the use of my being Secretary of the Treasury?

Schwarz: There's no reason why a press release should be brought up here any way.

HM Jr: You're crazy, Chick!

Somebody has made a blunder and nobody wants to admit it.

Schwarz: If I made a mistake I would be the first to admit it.

HM Jr: Now, listen - the next time you send a thing out make sure that it has been signed by either the Secretary or an Acting Secretary. This is a warning. The next time it happens - this was No. 1 - No. 2, you're out.

Schwarz: There won't be any No. 2.

HM Jr: You're right there - there just can't be a No. 2.

Schwarz: From now on, I will demand that everything is signed.

HM Jr: From now on I want to work this thing - we went through this once before.

Gaston: Chick, did Bernie tell you he was taking the press release up to the Secretary for approval?

Bernstein: There was no specific reference to the press release. I said I was taking all the papers up to the Secretary and Chick was working with me.

- 5 -

Foley: Well, I think it is pretty common knowledge that when we say we are going to take things into the Secretary they shouldn't be released until after he has approved them.

HM Jr: Well, all right. But we're at war and the next time - I don't know whether it is - but the next time something like that happens you both will have to suffer.

Schwarz: From now on I won't take things without initials.

Gaston: Well, there should have been a clear understanding that this wasn't ready for release until it was okayed. Bernie apparently thought that impression was clear; Chick didn't get that impression.

HM Jr: Now look - it just - it just won't happen again as long as I sit in this chair.

Foley: Mr. Secretary, Bernie never assumes authority on a thing like this and I'm sure he didn't do it this time.

HM Jr: But why - why should you bring in a press release to me for approval that's already on the wire?

Foley: We never intended to do that.

HM Jr: Gentlemen, let this be a warning, please. I won't stand for it again, and that's that.

Schwarz: Nobody told me that it shouldn't be released.

Bernstein: We worked the thing out together. You (Schwarz) knew what we were doing.

Schwarz: Yes, but nobody -

- 6 -

HM Jr: Chick, please get out. Go on - both of you get out, please.

(Messrs. Schwarz and Bernstein left the room)

HM Jr: Now, Herbert, this doesn't happen to be a matter of vital importance but just the same it's not going to happen again. It might have been serious, and it just casts suspicion on everybody.

Gaston: The matter should have been checked.

HM Jr: I haven't rushed anybody.

Foley: Well, I know how these things work. When the Legal Division prepares a press release they don't put it out unless they are told it is cleared.

HM Jr: It might have been of importance. It isn't this time but it might have been.

Foley: If something is being shown to you, you certainly should have the courtesy of getting it the way you want it before it is put on the wires.

HM Jr: Well, all right.

I guess I won't eat my dinner now. It doesn't do me any good to eat when I'm excited. I'll save it.

COPY

44

TREASURY DEPARTMENT
Washington

Press Service

FOR IMMEDIATE RELEASE
December 7, 1941

Secretary Morgenthau tonight revoked all outstanding general and specific licenses authorizing any transactions by Japan and her nationals. The effect of this action by the Treasury Department is to place an immediate and complete stoppage on all financial and business dealings, as well as trade transactions, in which Japan or her nationals have any interest.

At the same time the Treasury issued instructions to all Customs Collectors to prevent Japanese nationals from leaving the country.

H. M., Jr.

Corrected form

ADD MORGENTHAU

SIMULTANEOUSLY, HE REVOKED ALL OUTSTANDING GENERAL AND SPECIFIC LICENSES AUTHORIZING WITHDRAWAL OF "FROZEN" FUNDS BY JAPANESE, AND OTHER FINANCIAL TRANSACTIONS IN THE U. S. BY JAPAN AND HER NATIONALS.

THE ORIGINAL FREEZING ORDER ISSUED BY THE PRESIDENT ON JULY 25, PLACED IN "TEMPORARY CUSTODY" APPROXIMATELY \$130,000,000 OF JAPANESE ASSETS.

12/7--W0755P

December 7, 1941

For the Secretary's Files:

The Secretary called me from the White House at 9:45 saying that the President had instructed him to call the Securities and Exchange Commission, directing them to do nothing toward closing of the Stock Exchange until they had consulted the Secretary of the Treasury.

On directions from the Secretary, I tried to get in touch with Mr. Eicher, Chairman of the Commission. Not being able to get him, I called Purcell and gave him the message, and told him it was the desire of the President not to close the Stock Exchange or the Commodity Exchanges, and that they should keep in touch with the Secretary before taking any action in this connection. He said he had been in touch with the people in New York and everyone agreed that the Stock Exchange should be kept open.

D. W. Bell

December 7, 1941
11:09 p.m.

Present: Mrs. Henry Morgenthau, Jr.
Henry Morgenthau III
Mr. Foley
Mr. Bell
Mr. White
Mr. Cochran
Mr. Sullivan
Mr. Gaston
Mr. Kuhn

HM Jr: It is just unexplainable. And they caught us just as unprepared as the others - just the same.

Foley: Must be worse than anybody realizes.

HM Jr: Much, much worse. I just can't say - much worse than anybody realizes.

Have you got something for me to sign?

Foley: Yes, these wires (see attached). I thought we ought to send telegrams to the Governors in the Possessions authorizing them to put people into all Japanese business enterprises and into all the Japanese banking and financial houses, and prevent anything being taken out, and they can get in touch with the local agencies for available personnel to carry out the instructions. I called Dean Acheson's office. He wasn't in but I talked to Donnie Hiss, and he thought we ought to do it. It is carrying out what we did with the Presidents of the various Feds. They are all about the same.

HM Jr: They're all about the same?

Foley: That's right.

HM Jr: All right. Then I'll sign them and will you (Foley) see that my office gets copies?

Foley: I'll give them copies of all of them.

December 7, 1941
11:09 p.m.

Present: Mrs. Henry Morgenthau, Jr.
Henry Morgenthau III
Mr. Foley
Mr. Bell
Mr. White
Mr. Cochran
Mr. Sullivan
Mr. Gaston
Mr. Kuhn

HM Jr: It is just unexplainable. And they caught us just as unprepared as the others - just the same.

Foley: Must be worse than anybody realizes.

HM Jr: Much, much worse. I just can't say - much worse than anybody realizes.

Have you got something for me to sign?

Foley: Yes, these wires (see attached). I thought we ought to send telegrams to the Governors in the Possessions authorizing them to put people into all Japanese business enterprises and into all the Japanese banking and financial houses, and prevent anything being taken out, and they can get in touch with the local agencies for available personnel to carry out the instructions. I called Dean Acheson's office. He wasn't in but I talked to Donnie Hiss, and he thought we ought to do it. It is carrying out what we did with the Presidents of the various Feds. They are all about the same.

HM Jr: They're all about the same?

Foley: That's right.

HM Jr: All right. Then I'll sign them and will you (Foley) see that my office gets copies?

Foley: I'll give them copies of all of them.

- 2 -

(Chief Wilson entered the conference)

HM Jr: Just a minute. I want to see the Chief alone for a minute.

(HM Jr and Chief Wilson left the room.)

(HM Jr returned in about five minutes.)

HM Jr: I just made an inspection - I was telling Chief Wilson - and in the whole rear of the White House only three men. I asked one man to take out his gun. He started tugging away (with motions) and after about two minutes got the gun out. And I told the President the guard was doubled. The whole back of the White House - only three men. Anybody could take a five ton truck with 20 men and they could take the White House without any trouble.

Bell: Have they got police around the White House? I saw three of them when I came in.

HM Jr: They're not stationed there. It is terrible.

All right. What else do I do tonight?

Bell: Nothing else - that's all.

Foley: Well, there is one thing we ought to do in the morning. There is an old Executive Order issued by Wilson in 1917. This Executive Order was issued by President Wilson in 1917, and under that order there was vested under the Trading with the Enemy Act in the Treasury the Administration of Foreign Exchange Transactions, which is much more limited than what we are doing now because the powers we have under Freezing Control have been enlarged, and we have specific authorization since this time from the President in that field. The other was in relation to the bringing in and out of -

(Mrs. Morgenthau entered the conference.)

(Messrs. Gaston, Sullivan and Kuhn entered the conference.)

- 3 -

Foley: There was vested in the Treasury under the Trading with the Enemy Act supervision of taking in and out of the United States tangible forms of communication, and we are authorized to establish a licensing system with respect to such communications.

I think we ought to get together with Justice. They admit that the powers are revived by the declaration of war against us. I think we ought to get together with Justice tomorrow. It was handled during the last war by Customs. It refers to tangible forms of communications except in the regular course of the mails. That would be somebody trying to carry letters or documents on their person or in their baggage. We ought to get together on the censorship end.

Gaston: Did you (Foley) know Huntington found that that old power under the Trading With the Enemy Act appears now to rest with the Secretary of the Treasury so that we need an Executive Order tomorrow placing that where it is decided it should be?

Foley: Huntington told me that. It is already here insofar as tangible forms are concerned.

Gaston: All other forms -

Foley: It only applies to the enemy.

Gaston: Communication with the enemy - that's right.

Foley: So we ought to get together with Justice.

HM Jr: Better do it tonight. He is over there - Biddle.

Foley: Biddle is - all right

Gaston: That involves creating a censorship.

White: You're getting together with Biddle - how would that solve it?

- 4 -

Gaston: That involves that whole problem which that Committee of the President's was supposed to be considering.

White: Isn't that something right here?

Gaston: That's a Committee set up - Frank Walker was the chairman.

HM Jr: Who represents me on it?

Foley: Herbert Gaston.

Gaston: I attended the only meeting which was ever held.

Foley: You and Huntington Cairns.

Gaston: Yes, we both went.

HM Jr: Well, Huntington is younger and so is Ed. You and I have to go to bed. Let the young fellows work all night. We're too old.

Gaston: Yes. Well, I doubt that they will get it together tonight.

HM Jr: They don't have to. But if you (Foley) and Francis get together -

Gaston: I think it is quite clear we don't want that censorship power.

Foley: No, I don't think the Treasury wants this censorship stuff.

Gaston: We can handle the baggage with the Customs inspection at the various ports to see if they are carrying tangible evidence - carrying any documents, etc. We're doing that now in the regular course - whether they are carrying on their person or in their baggage any pictures,

- 5 -

memoranda, and that sort of thing. That's all right but not the mails, not the radio, not the cable, not the telephone. We don't want those.

HM Jr: I certainly don't want mail censorship.

Gaston: No, no.

HM Jr: Okay. When are you (Foley) going to get together with him?

Foley: I will call him as soon as I get out. We'll work on it tonight. As soon as I get him, we will work on it with him.

Gaston: I got a cable from Daly in Shanghai saying he had destroyed all the confidential files and records.

HM Jr: They have taken those 200 poor Marines prisoners in China - in Japan.

Foley: I thought they had taken them out.

HM Jr: They took all but 200 out.

Bell: They took the gunboat, too, I hear.

Cochran: How about the Trading with the Enemy Act on property now in Japanese hands?

Foley: Well, that's Alien Property Custodian Property Statute. That wouldn't be much use because the alien property has been pretty well taken care of. The Germans have realized that there would be another Alien Property Custodian, so they have been for two years trying to keep the control of these companies by personal relations rather than by stock ownership or actual title. So the statute as well as our own statute will have to be amended, and I think we ought to ask Congress - just as soon as any emergency legislation is sought now - for power which would permit us to take over funds of companies that are frozen.

Bell: Do we need legislation on that?

Foley: Our present powers aren't broad enough or clear enough, and I think that there will be a great deal of this emergency legislation coming up, so we ought to get ours in at the head of the list.

Bell: Wouldn't Trading with the Enemy Act take care of it?

Foley: It isn't absolutely clear. And we didn't put it in when we expanded the statute the other time.

Bell: You probably wouldn't have gotten it through at that time.

HM Jr: We probably wouldn't have.

Foley: We are working on the statute and it will be ready tomorrow or Wednesday at the latest. There will be a flood of requests for legislation now that war has been declared, and we ought to get ours in while the men on the Hill are still recovering from the shock of this.

Gaston: Ed, isn't it pretty clear that this censorship thing - that this provision under which communications with the enemy can be supervised - isn't it clear that that would enable us to supervise all foreign communications? Wouldn't that cover all forms of communications abroad?

Foley: I haven't looked at it myself but that is what Huntington has told me. We will have to get busy with Post Office, Justice and the Federal Communications Commission.

Gaston: I doubt whether anyother statute is necessary.

Cochran: But this other statute you were talking about - isn't that all right?

Foley: That, Merle - that question has been kind of playing ring-around-the-rosy with Justice because nobody knows whether we are going to use these freezing powers, which

- 7 -

are quite adequate, or whether this old Alien Property Custodian statute is going to be revived and something done to get around the difficulty because of the title concept in that statute.

Cochran: I don't know whether it could be revived in conjunction with Foreign Funds Control.

Foley: We have much more actual control without having the title to property vested in some agent of the United States, and I should very much like to see the Foreign Funds Control implemented by such an amendment, and have us put people right in each one of these corporations - Japanese and German - and be in direct contact by having a civilian in each corporation who would exercise licensing control over all the financial transactions the corporations carry on.

Of course, we would have to have quite a staff, but I think it is much better to do it that way than to sell these corporations which takes months and sometimes years, and involves the nastiest kind of problems. This idea of putting people on the Board of Directors I think is an absurd way of trying to control the situation. I think it would be much, much better if we could put a man in General Aniline and Film, and he has to put his okay on each expenditure that the company wants to make. That is the kind of control this Government needs in these times to see that the funds and the personnel of these corporations, or their actual productive capacity, aren't used against our interests.

HM Jr: Herbert, have you seen that these men are going into these Japanese institutions - these Customs men I mean?

Gaston: Well, they are Foreign Funds men.

Foley: We are using Controller of the Currency people.

- 8 -

Gaston: They have talked to Delano and to Irey, but in every case guards will be supplied so that the Japs won't get in.

HM Jr: They won't get in? The President said his policy would be to put all the Japanese in concentration camps regardless of what they are. Then if they can prove they're all right, they can come out; otherwise not. But he is putting all Japanese who are not citizens into concentration camps tonight or tomorrow morning.

Gaston: You'll find that most of the people in charge are citizens of the United States - I mean in those institutions, etc.

White: It is impossible to do anything about that.

HM Jr: Well, I think everything is in pretty good shape. We have a tough time ahead of us, and those of us who don't have to work tonight - this is just the beginning of a very, very serious situation. I just can't overemphasize it. Of the news that is out - it is much, much worse, really.

Gaston: There was a story on the radio that there were two cattle ships sunk and one damaged, and three or more destroyers.

White: Has there been negligence or is it just the fortunes of war?

HM Jr: Harry, how the thing could happen - to me it is just unexplainable. They walked in just as easily as they did in Norway. And they didn't do it in the Philippines. Let Stimson take credit for that.

Gaston: I understand they have taken Wake and Guam.

- 9 -

HM Jr: I think they have taken Guam but I don't know about Wake. But I just - the Navy is supposed to be on the alert, and how this thing could have happened - all the explanations I have heard just don't make sense, and Stimson says they don't make sense to him either.

They attacked the Philippines but the Army drove them off. They attacked Manila.

Gaston: They did attack Manila?

HM Jr: According to Stimson, they attacked Manila, and they drove them off.

How this thing - I think when they get full knowledge of it, it is going to be the most terrific shock this country has ever had.

Kuhn: Well, they are going to be allowed to get it, aren't they?

HM Jr: They won't get it tonight. The President didn't tell the full story to the leaders. They may not get it tonight but they will certainly have it by Tuesday or Wednesday.

Kuhn: They should have it. Don't you think so?

HM Jr: Don't worry, Ferdy. They'll get it.

Kuhn: Well I know how I feel about those things and I know that you feel the same way.

Gaston: Did he tell either the Cabinet or the leaders the full story?

HM Jr: He told the Cabinet but not the leaders. I was with Frank Knox when he got the report from Pearl Harbor, and that telephone conversation was taken down, and I read it, so I know the President read the same one at Cabinet.

- 10 -

Gaston: The Chicago Tribune has an editorial saying everything that is past is past, and it is still our country, etc.

HM Jr: Yes. And don't worry about the shock, Ferdy.

Kuhn: Well, I feel strongly about it.

HM Jr: We have always been led to believe that the Navy was our first line of defense and Hawaii was impregnable. I mean that has been sold to us.

Well, I'm going to go to bed.

Mrs. Morgenthau: That's what I came down for - to bring you home.

HM Jr: We have hard days ahead of us. We better get as much sleep as we can.

Cochran: You don't want any more ticker stuff?

HM Jr: No, it isn't right any way.

Mrs. Morgenthau: LaGuardia and Eleanor are leaving for the Coast tomorrow.

HM Jr: What for?

Mrs. Morgenthau: To organize these defense things for civilians.

HM Jr: I gave Starling the most terrific dressing-down you ever heard of. I made an inspection of the back of the White House and I could only find three men after Wilson had said he had doubled the guard. And that's under you (Gaston).

- 11 -

Gaston: He said he had talked to Mike Reilly this afternoon.

HM Jr: I mean I personally made the inspection. The only thing Starling differed with me on was he said there were four men and I said there were three. I asked one of the men to take out his gun and it took him two minutes to get it out.

Gaston: I guess they just didn't move fast enough.

HM Jr: Herbert, somebody could put 20 men in a five-ton truck, crash in there and take over the White House. But Wilson is over there now. And that Starling - I think he just should be fired.

Now you (Bell) have tried to keep the Exchanges open?

Bell: I tried to call Eicher but he wasn't in, so I talked to Purcell. He promised to keep in touch with you and wouldn't take any action without first consulting you.

HM Jr: Fine. And Secretary Wickard said he would let the limits take the regular course.

Bell: They are on the job at the Federal Reserve Bank.

HM Jr: Did you read that phone conversation? I thought Eccles was very good.

Bell: Yes, he was, and Sproul is going to have a conference early in the morning with the banks and Rouse with the dealers. I think you have assurance from the bankers that you needn't worry about the bills tomorrow.

HM Jr: Oh, I don't think so.

Gaston: Have you got 250 tomorrow?

Bell: 150 tomorrow.

- 12 -

HM Jr: How about the Morgenthau luck?

Foley: You're lucky you got your financing out of the way last week. That was pretty close.

Bell: It's getting too close.

HM Jr: Well the President told me I better do it this week because it might be worse next week.

But Tom Connally kept saying, "But, Mr. President, how could this thing happen? How did this happen?"

Bell: I can't understand it.

HM Jr: I can't either. Knox feels something terrible.

White: It is his responsibility.

Mrs. Morgenthau: Was it a terrible shock to the President?

HM Jr: Must be - must be.

Bell: Merle mentioned when he flew back ten days ago what a wonderful target those ships would make at Pearl Harbor.

Cochran: Those ships were all tied up and they were a perfect target.

HM Jr: That's what Stimson kept saying. He kept mumbling that all the planes were in one place.

Cochran: Yes - in back of that little peninsula.

HM Jr: They haven't learned anything here. They have the whole Fleet in one place - the whole Fleet was in this little Pearl Harbor base. The whole Fleet was there.

Cochran: But away back in the very inside. The only place beyond that was the place they tied the clipper up.

HM Jr: That little place where they come in - they're still coming in in back.

Mrs. Morgenthau: We flew over that when we went over to Hawaii.

Henry III: Daddy and I flew over there in a Navy plane that time.

Bell: You would think they would have patrols on the outside.

HM Jr: When I was down there, they patrolled for 5 or 600 miles. I don't see how these people came up.

White: What Admiral was in charge.

Bell: Kimmel is Admiral of the Pacific Fleet.

HM Jr: Block. He is in charge at Pearl Harbor.

Gaston: The Navy has a curious decentralized system. Each district works differently. It depends on the man who runs it.

HM Jr: They never can explain this. They will never be able to explain it.

Foley: Another thing we ought to do in the morning is to take up with the State Department the addition of all Japanese firms to their South American blacklist.

HM Jr: Okay. Take it up with State.

Mrs. Morgenthau: Don't you think you better go home?

HM Jr: Yes. Well, good night, Gentlemen.

TOROLSO

Salaries and Expenses

Foreign Exchange Control 1942 - Alet 1-b

December 7, 1941.

THE GOVERNOR OF THE PANAMA CANAL

BALBOA HEIGHTS

PANAMA CANAL ZONE

WE HAVE ISSUED THE FOLLOWING PUBLIC CIRCULAR:

(Here take in attached Public Circular No. 8)

WE ARE TAKING IMMEDIATE STEPS TO PLACE EXAMINERS OR OTHER SUPERVISORY PERSONNEL IN ALL JAPANESE BANKING AND BUSINESS ENTERPRISES WITHIN THE CONTINENTAL UNITED STATES. YOU ARE REQUESTED TO FOLLOW A SIMILAR PROCEDURE. THE FIRST DUTY OF SUCH EXAMINERS WILL BE TO PREVENT THE EXAMINATION, REMOVAL, DESTRUCTION, ETC., OF BOOKS, RECORDS, PROPERTY, ETC., AND WHEREVER NECESSARY TO PREVENT ALL ACCESS TO THE PREMISES. YOU SHOULD CALL UPON ALL AVAILABLE AGENCIES FOR PERSONNEL FOR THIS PURPOSE. YOU ARE AUTHORIZED TO ISSUE SUCH LICENSES TO NATIONALS OF JAPAN AS YOU DEEM ABSOLUTELY ESSENTIAL. ANY OTHER APPLICATIONS INVOLVING JAPAN OR NATIONALS THEREOF SHOULD BE REFERRED TO THE TREASURY DEPARTMENT FOR CONSIDERATION.

(Initialed) H. W. - JR.

SECRETARY OF THE TREASURY.

AUF: LCA: gmb - 12/7/41

2020120
Salaries and Expenses
Foreign Exchange Control 1942 - Allot 1-b

DECEMBER 7, 1941.

TUGWELL

SAN JUAN, PUERTO RICO

WE HAVE ISSUED THE FOLLOWING PUBLIC CIRCULAR:

(Here take in attached Public Circular No. 8)

WE ARE TAKING IMMEDIATE STEPS TO PLACE EXAMINERS OR OTHER SUPERVISORY PERSONNEL IN ALL JAPANESE BANKING AND BUSINESS ENTERPRISES WITHIN THE CONTINENTAL UNITED STATES. YOU ARE REQUESTED TO FOLLOW A SIMILAR PROCEDURE. THE FIRST DUTY OF SUCH EXAMINERS WILL BE TO PREVENT THE EXAMINATION, REMOVAL, DESTRUCTION, ETC., OF BOOKS, RECORDS, PROPERTY, ETC., AND WHENEVER NECESSARY TO PREVENT ALL ACCESS TO THE PREMISES. YOU SHOULD CALL UPON ALL AVAILABLE AGENCIES FOR PERSONNEL FOR THIS PURPOSE. YOU ARE AUTHORIZED TO ISSUE SUCH LICENSES TO NATIONALS OF JAPAN AS YOU DEEM ABSOLUTELY ESSENTIAL. ANY OTHER APPLICATIONS INVOLVING JAPAN OR NATIONALS THEREOF SHOULD BE REFERRED TO THE TREASURY DEPARTMENT FOR CONSIDERATION.

SECRETARY OF THE TREASURY.

(Initialed) H. W., Jr.

FH:LCA:fiw 12/7/41

**DOMESTIC
Salaries and Expenses**

Foreign Exchange Control 1942 - Article 1-b

DECEMBER 7, 1941.

FOUNDER

HONOLULU, HAWAII

WE HAVE ISSUED THE FOLLOWING PUBLIC CIRCULAR:

(Here take in attached Public Circular No. 8)

WE ARE TAKING IMMEDIATE STEPS TO PLACE EXAMINERS OR OTHER SUPERVISORY PERSONNEL IN ALL JAPANESE BANKING AND BUSINESS ENTERPRISES WITHIN THE CONTINENTAL UNITED STATES. IF YOU DEEM IT APPROPRIATE YOU ARE AUTHORIZED TO FOLLOW A SIMILAR PROCEDURE. THE FIRST DUTY OF THESE PERSONS WILL BE TO PREVENT THE EXAMINATION, REMOVAL, DESTRUCTION, ETC., OF BOOKS, RECORDS, PROPERTY, ETC., AND WHEREVER NECESSARY TO PREVENT ALL ACCESS TO THE PREMISES. YOU SHOULD CALL UPON ALL AVAILABLE AGENCIES FOR PERSONNEL FOR THIS PURPOSE. YOU ARE AUTHORIZED TO ISSUE SUCH LICENSES AND TAKE SUCH OTHER ACTION AS YOU DEEM APPROPRIATE IN THE LIGHT OF THE LOCAL SITUATION.

SECRETARY OF THE TREASURY.

(Initialed) H. M., JR.

LCA:JL: EMB:fw - 12/7/41

2020120
Salaries and Expenses

Foreign Exchange Control 1942 - Allet 1-b

DECEMBER 7, 1941.

THE GOVERNOR

CHARLOTTE ANALIE, VIRGIN ISLANDS

WE HAVE ISSUED THE FOLLOWING PUBLIC CIRCULAR:

(Here take in attached Public Circular No. 8)

WE ARE TAKING IMMEDIATE STEPS TO PLACE EXAMINERS OR OTHER SUPERVISORY PERSONNEL IN ALL JAPANESE BANKING AND BUSINESS ENTERPRISES WITHIN THE CONTINENTAL UNITED STATES. YOU ARE REQUESTED TO FOLLOW A SIMILAR PROCEDURE. THE FIRST DUTY OF SUCH EXAMINERS WILL BE TO PREVENT THE EXAMINATION, REMOVAL, DESTRUCTION, ETC., OF BOOKS, RECORDS, PROPERTY, ETC., AND WHEREVER NECESSARY TO PREVENT ALL ACCESS TO THE PREMISES. YOU SHOULD CALL UPON ALL AVAILABLE AGENCIES FOR PERSONNEL FOR THIS PURPOSE. YOU ARE AUTHORIZED TO ISSUE SUCH LICENSES TO NATIONALS OF JAPAN AS YOU DEEM ABSOLUTELY ESSENTIAL. ANY OTHER APPLICATIONS INVOLVING JAPAN OR NATIONALS THEREOF SHOULD BE REFERRED TO THE TREASURY DEPARTMENT FOR CONSIDERATION.

SECRETARY OF THE TREASURY.

(Initialed) E. A., Jr.

LCA:PH:fiw - 12/7/41

SECURITY
Salaries and Expenses

Foreign Exchange Control 1941 - Aillet 1-b

December 7, 1941.

SAYRE

MANILA, P.I.

WE HAVE ISSUED THE FOLLOWING PUBLIC CIRCULAR:

(Here take in attached Public Circular No. 8)

WE ARE TAKING IMMEDIATE STEPS TO PLACE EXAMINERS OR OTHER SUPERVISORY PERSONNEL IN ALL JAPANESE BANKING AND BUSINESS ENTERPRISES WITHIN THE CONTINENTAL UNITED STATES. IF YOU DEEM IT APPROPRIATE YOU ARE AUTHORIZED TO FOLLOW A SIMILAR PROCEDURE. THE FIRST DUTY OF THESE PERSONS WILL BE TO PREVENT THE EXAMINATION, REMOVAL, DESTRUCTION, ETC., OF BOOKS, RECORDS, PROPERTY, ETC., AND WHEREVER NECESSARY TO PREVENT ALL ACCESS TO THE PREMISES. YOU SHOULD CALL UPON ALL AVAILABLE AGENCIES FOR PERSONNEL FOR THIS PURPOSE. YOU ARE AUTHORIZED TO ISSUE SUCH LICENSES AND TAKE SUCH OTHER ACTION AS YOU DEEM APPROPRIATE IN THE LIGHT OF THE LOCAL SITUATION.

SECRETARY OF THE TREASURY.

(Initialed) H. M., Jr.

LCA:JL:EMB:fiw - 12/7/41

TREASURY DEPARTMENT

66

INTER-OFFICE COMMUNICATION

DATE December 7, 1941

TO Secretary Morgenthau
FROM Mr. Foley

A part of the Executive Order issued by President Wilson on October 12, 1917, vesting certain authority in you with respect to the Trading With The Enemy Act, is still in effect. You are thereby vested with:

(1) the executive administration of foreign exchange transactions;

(2) the executive administration of section 3(c) of the Trading With The Enemy Act, relating to the sending out of, or the bringing into, the United States of tangible forms of communication except in the regular course of the mails; and relating to the sending out of communications intended for the enemy. You are also authorized to establish a licensing system with respect to such communications.

On April 11, 1918, the authority of the Secretary to license the sending out of the United States of articles forbidden by section 3(c) of the Trading With The Enemy Act

TREASURY DEPARTMENT

66

INTER-OFFICE COMMUNICATION

DATE December 7, 1941

TO Secretary Morgenthau
FROM Mr. Foley

A part of the Executive Order issued by President Wilson on October 12, 1917, vesting certain authority in you with respect to the Trading With The Enemy Act, is still in effect. You are thereby vested with:

(1) the executive administration of foreign exchange transactions;

(2) the executive administration of section 3(c) of the Trading With The Enemy Act, relating to the sending out of, or the bringing into, the United States of tangible forms of communication except in the regular course of the mails; and relating to the sending out of communications intended for the enemy. You are also authorized to establish a licensing system with respect to such communications.

On April 11, 1918, the authority of the Secretary to license the sending out of the United States of articles forbidden by section 3(c) of the Trading With The Enemy Act

was revoked. But this authority was revested in the Secretary by Executive Order No. 3180 on November 25, 1918.

Justice agrees with us that the above provisions are still in effect.

S.M.Fh.

2020120
Salaries and Expenses

Foreign Exchange Control 1942-1114.1-b

DEC 7 - 1941

ALL COLLECTORS OF CUSTOMS

THE FOLLOWING PUBLIC CIRCULAR PURSUANT TO EXECUTIVE ORDER
NO. 8389 WAS ISSUED ON DEC. 7, 1941:

"ALL GENERAL LICENSES, SPECIFIC LICENSES, AND
AUTHORIZATIONS OF WHATSOEVER CHARACTER, ARE HEREBY
REVOKED IN SO FAR AS THEY AUTHORIZE, DIRECTLY OR
INDIRECTLY, ANY TRANSACTION BY, ON BEHALF OF, OR FOR
THE BENEFIT OF, JAPAN, OR ANY NATIONAL THEREOF."

YOU SHALL BE GUIDED ACCORDINGLY.

(Signed) E. H. Feltus, Jr.

Acting SECRETARY OF THE TREASURY.

2029130

Salaries and Expenses

Foreign Exchange Control 1942 - Alloc. 1-8

DEC 7 - 1941

ALL COLLECTORS OF CUSTOMS

ALLOW NO RELEASE FROM CUSTOMS CUSTODY WHETHER FOR EXPORTATION OR CONSUMPTION OF MERCHANDISE IMPORTED FROM JAPAN, MANCHURIA, OR FRENCH INDO-CHINA OR IN WHICH JAPAN OR A NATIONAL THEREOF (WHETHER SUCH NATIONAL IS WITHIN JAPAN OR THE AMERICAN REPUBLICS OR ELSEWHERE) OR ANY PERSON WITHIN MANCHURIA OR FRENCH INDO-CHINA HAS AN INTEREST. LICENSES ISSUED PRIOR TO DEC. 7, 1941 UNDER EXECUTIVE ORDER NO. 8369 RELATING TO SUCH TRANSACTIONS HAVE BEEN REVOKED. YOU MAY, HOWEVER, ALLOW SUCH TRANSACTIONS IF PURSUANT TO TREASURY LICENSES ISSUED AFTER DEC. 7, 1941.

(Signed) H. H. Foley, Jr.

Acting SECRETARY OF THE TREASURY.

70

2020120
Salaries and Expenses

Foreign Exchange Control 1942 - Allet.1-b

DEC 7 - 1941

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

YOU ARE HEREBY INSTRUCTED UNTIL FURTHER NOTICE NOT TO LICENSE ANY TRANSACTION WHICH IS BY, OR ON BEHALF OF, OR FOR THE BENEFIT OF JAPAN, OR ANY NATIONAL THEREOF, OR MANCHURIA, OR FRENCH INDO-CHINA, OR ANY PERSON WITHIN MANCHURIA OR FRENCH INDO-CHINA, OR WHICH INVOLVES PROPERTY IN WHICH ANY OF THE FOREGOING HAS AT ANY TIME ON OR SINCE THE EFFECTIVE DATE OF THE ORDER HAD ANY INTEREST.

THIS SUPERSEDES TELEGRAM ON SAME SUBJECT SENT YOU EARLIER TODAY.

(Signed) H. H. Foley, Jr.

Acting SECRETARY OF THE TREASURY.

December 7, 1941
11:10 p.m.

HMJr: Where are you, Chief?

Chief
Wilson: In my office.

HMJr: Chief, can you come right up, please?

W: Yes, sir.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: December 7, 1941, 11 p.m.

NO.: 1931

The Rio branch of the Yokohama Specie Bank has deposits with the Bank of Brazil approximating 34,000 contos (about \$1,700,000). Accounts with commercial banks are maintained principally in the State of Sao Paulo by Japanese firms but are relatively small in amount. The Minister of Finance and the Director of Exchange will discuss this matter tomorrow, December 8, which will be a bank holiday here. I have expressed hope that these funds will be blocked by the Brazilian Government.

CAFFERY

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil
DATE: December 7, 1941, midnight
NO.: 1932

All banks in Brazil will be closed Monday. Heavy sales of dollar futures on Tuesday, December 9, are anticipated by the Director of Exchange. The Director expects that there will be a very nervous market in New York and that this will affect markets in the other Americas unless precautionary measures are adopted. He makes the suggestion that the central banks in the Americas be requested by the United States Government to cooperate in maintaining cross rates. He assures me of his assistance in this regard.

CAFFERY

December 8, 1941
9:03 a.m.

HMJr: Hello.

Robert
Rouse: Good morning, sir.

HMJr: Hello. Bell's in here with me. We can both listen.

R: Yes.

HMJr: He said you were going to tell him what you're going to tell the dealers.

R: Well, I just was telling him that first I had in mind that - there are three basic things - to first operate in the interest of the market as a whole and certainly not for personal profit or gain or loss; that in general that we feel as they have expressed themselves generally in conversations yesterday that - and last night - that the thing should be able to take care of itself; that there are two particular - two other things particularly - the general market with the interest in cotton traded and the when-issued securities; that we believe that the banks will take - insurance companies and the like - will take care of it.

HMJr: Yeah.

R: We don't anticipate a large volume of selling.

HMJr: Uh huh.

R: But in the event they don't, we believe that the resources of the Treasury and of the system are adequate to do it.

HMJr: Right.

R: And third, in respect to Treasury bills - there's a sale today of a hundred and fifty million.

HMJr: Yes.

R: And we also believe there that the market will

December 8, 1941
9:03 a.m.

HMJr: Hello.

Robert
Rouse: Good morning, sir.

HMJr: Hello. Bell's in here with me. We can both
listen.

R: Yes.

HMJr: He said you were going to tell him what you're
going to tell the dealers.

R: Well, I just was telling him that first I had
in mind that - there are three basic things -
to first operate in the interest of the market
as a whole and certainly not for personal profit
or gain or loss; that in general that we feel
as they have expressed themselves generally in
conversations yesterday that - and last night -
that the thing should be able to take care of
itself; that there are two particular - two
other things particularly - the general market
with the interest in cotton traded and the when-
issued securities; that we believe that the banks
will take - insurance companies and the like -
will take care of it.

HMJr: Yeah.

R: We don't anticipate a large volume of selling.

HMJr: Uh huh.

R: But in the event they don't, we believe that the
resources of the Treasury and of the system are
adequate to do it.

HMJr: Right.

R: And third, in respect to Treasury bills - there's
a sale today of a hundred and fifty million.

HMJr: Yes.

R: And we also believe there that the market will

- 2 -

take care of itself. We don't anticipate any problem; but if it will help, we'd be interested in receiving offerings of the new bills tomorrow.

HMJr: Yeah.

R: Within the range of rates and bidding in recent weeks.

HMJr: That's all right.

R: And that really is all.

HMJr: Okay.

R: I don't see anything else to say. I think that we've gone a long way in the last two years with a general understanding of money funds circulating within our own economy, and I think that we've gone through crisis after crisis and a better understanding's been reached.

HMJr: Good.

R: So I'm not looking for a problem there. If it develops, we'll be ready to do business.

HMJr: Okay.

R: Suit you?

HMJr: Entirely.

R: Fine.

HMJr: Sounds good.

R: All right, sir. Allan's talking with some of the bankers and insurance companies, our general market committee.

HMJr: Okay.

R: Fine.

HMJr: Thank you.

December 8, 1941
9:38 a.m.

HMJr: Hello.

Allan
Sproul: Good morning, Mr. Secretary.

HMJr: Hello, Allan. How are you?

S: Fine, how are you?

HMJr: I'm alive.

S: I just wanted to mention now, I just had a meeting here of representatives of the banks, the savings banks, the investment bankers, the insurance companies, and Mr. Schramm of the Stock Exchange.....

HMJr: Yes.

S:merely to express to them my opinion that there was no reason for any serious disturbance in the market and that in the circumstances it would seem the proper thing for banks, insurance companies, and others certainly not to contribute to any nervous selling; and in fact, if they had an investment program and investment funds to proceed with their buying program.

HMJr: Right.

S: And that, however, if there were any difficult situations, that we in the Treasury were ready and willing to take care of them.

HMJr: Good.

S: There was general agreement, I think, with that point of view, first with the feeling that there should not be any serious disturbance but that if there was, the situation was such that it could readily be taken care of, probably by the market itself, and only in an extreme and unlikely case, would we have to step in.

HMJr: Good.

S: I think that represented the view of everyone at the meeting.

HMJr: Well, you keep Bell and me posted as we go along, will you?

S: I'll do that. Now, George Harrison was at the meeting and is here and would like to speak to you for a moment.

HMJr: Go ahead.

George Harrison: Hello, Mr. Secretary.

HMJr: Hello, George.

H: It seems like old times to be back here again.

HMJr: Good.

H: Henry, I just wanted to say that if for any reason or for any purpose you want me for anything, I'm right here and I'll be glad to do anything at all that you or the President or anybody else might want me to do.

HMJr: Well, that's very useful, George; something may come up that I may want you.

H: Well, I don't know; and I'm not going to bother you and keep on calling you up, but I did want you to know this morning.

HMJr: Well, we've been through a lot of difficult times together; and I know you're one of the people that I can count on.

H: Well, you can.

HMJr: I will.

H: All right.

HMJr: Thank you.

H: Good-bye.

December 8, 1941
9:41 a.m.

HMJr: Hello.

Deniel
Bell:

The Stock and SEC and Foley have been together
on the Japanese bonds.

HMJr: Yeah.

B:

And the Stock Exchange wants to suspend trading
in the Japanese bonds, and SEC and Foley think
that's right. I think it is, too. I think they
ought to, however, issue a statement that -
indicating very clearly that this is not the
first step in closing the exchanges. I think
they agree to that. Do you see any objection?

HMJr:

Well, who'll issue the statement?

B:

SEC.

HMJr:

Yes. And if they want to say that - bring me in
and say that they consulted with me and I concur,
I'd be glad to have them do so.

B:

All right, swell.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, December 8, 1941.

Press Service
No. 28-81

Secretary of the Treasury Morgenthau today announced the subscription figures and the bases of allotment for the offering of 2 percent Treasury Bonds of 1951-55 and of 2-1/2 percent Treasury Bonds of 1967-72.

For the 2 percent Treasury Bonds of 1951-55, reports received from the Federal Reserve Banks show that subscriptions total approximately \$4,695,000,000. Subscriptions in amounts up to and including \$5,000, where the subscribers specified that delivery be made in registered bonds 90 days after the issue date, were allotted in full. All other subscriptions were allotted 11 percent on a straight percentage basis, with adjustments, where necessary, to the \$100 denomination.

For the 2-1/2 percent Treasury Bonds of 1967-72, reports received from the Federal Reserve Banks show that subscriptions total approximately \$6,955,000,000. Subscriptions in amounts up to and including \$5,000, where the subscribers specified that delivery be made in registered bonds 90 days after the issue date, were allotted in full. All other subscriptions were allotted 15 percent on a straight percentage basis, with adjustments, where necessary, to the \$100 denomination.

Further details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

TREASURY BILLS

	<u>Dec. 10</u>	<u>Dec. 3</u>	<u>Nov. 26</u>	<u>Nov. 19</u>
Amount offered	\$ 150 M	\$ 200 M	\$ 200 M	\$ 200 M
Bids tendered	403	468	467	439
Low rate	-**	-*	.0917 ₀	.0797 ₀
High rate . . . . .	.3287 ₀	.2777 ₀	.2937 ₀	.3097 ₀
Average rate . . . . .	.2937 ₀	.2427 ₀	.2677 ₀	.2587 ₀
Amount in New York . . . . .	.100 M	123 M	62 M	76 M
Amount in Chicago	6	8	58	64
Amount in San Francisco	14	20	30	19
Amount in balance of country .	30	49	49	42

* \$6,165,000 bid at 100.000
 ** \$240,000 bid at 100.000

SWB

December 8, 1941

December 8, 1941
10:40 a.m.

HMJr: Admiral, is it agreeable to you that Stephens be detailed to me again for awhile?

Admiral
Waesche: Yes, sir.

HMJr: Is it all right?

W: Yes, sir.

HMJr: I asked Stephens if it was agreeable to him, and he said it was.

W: Yes, I knew it would be.

HMJr: And if that's all right, I'd like to have him until further notice.

W: All right, sir. I'll have him report to you right away.

HMJr: Thank you.

W: Yes, sir.

December 8, 1941

11 a. m.

Present:

Mr. Bell
Mr. Foley
Mr. Thompson
Dr. White
Mr. Cairns
Mrs. Klotz

HM, Jr: What I wanted to tell you people is this. I have spoken to each of you individually, except Norman, and that is this, Norman: in order to have the least friction, as far as I am concerned, and to make life easier for me and at the same time if it is easier for me it's better for the Treasury, I want to give Harry White the status of an Assistant Secretary. I can't make him an Assistant Secretary. I want to give him the status just as though he were and he will be in charge of all foreign affairs for me. See?

Now, I have talked to each person, in turn, and it's agreeable to everybody but Merle Cochran and he has asked me to have him transferred back to the State Department, which I am going to do, because I cannot -- I mean, everybody else said "Fine! Glad to do it!", but Merle said he could not and wanted to be transferred, so I have a call in for Mr. Hull, and that's that.

(Mr. Cairns came in at this point.)

HM, Jr: You're (Mr. Cairns) representing Mr. Gaston here. I just said I have talked to each

-2-

person separately so everybody knows this. I am giving Harry White the status of Assistant Secretary of the Treasury in charge of foreign affairs that come to the Treasury. Everybody is entirely agreeable except Merle Cochran and he has asked to be transferred back to the State Department, which I am asking, and that means that the things that I have to pass on, that I have to know about, that have to do with foreign affairs, Harry has to know about.

Mr. Gaston said, "Does that mean, well, if I want to call up Breckenridge Long, I should first talk to Harry?" I said, "Yes." He said, "That's entirely agreeable."

Foley will continue as chairman of his committee, but if it is a foreign matter or something like that he wants me to know about, he will discuss it with Harry and Harry will come in to me with Foley. In other words, the way it is now, nobody knows everything that is going on except me and I don't always know.

Mr. Bell: That's true.

HM, Jr: I want it in one brain and I want it in Harry White's brain. He will tell Bell as much as Bell wants to know. If Bell wants to know it all, he will tell Bell everything, as much as Bell wants to know. That's up to Bell.

Mr. Bell: I would like to be informed. At times I am Acting Secretary and it's a little difficult to pick up loose ends.

HM, Jr: That's the purpose of this meeting. If you want to know all of it, I want to know all of it, it's his responsibility to service you as I expect him to service Mr. Hull. But the questions -- when it is some question of foreign matters, Harry will come in and see me and I will give him a decision and when the de-

-2-

person separately so everybody knows this. I am giving Harry White the status of Assistant Secretary of the Treasury in charge of foreign affairs that come to the Treasury. Everybody is entirely agreeable except Merle Cochran and he has asked to be transferred back to the State Department, which I am asking, and that means that the things that I have to pass on, that I have to know about, that have to do with foreign affairs, Harry has to know about.

Mr. Gaston said, "Does that mean, well, if I want to call up Breckenridge Long, I should first talk to Harry?" I said, "Yes." He said, "That's entirely agreeable."

Foley will continue as chairman of his committee, but if it is a foreign matter or something like that he wants me to know about, he will discuss it with Harry and Harry will come in to me with Foley. In other words, the way it is now, nobody knows everything that is going on except me and I don't always know.

Mr. Bell: That's true.

RM, Jr: I want it in one brain and I want it in Harry White's brain. He will tell Bell as much as Bell wants to know. If Bell wants to know it all, he will tell Bell everything, as much as Bell wants to know. That's up to Bell.

Mr. Bell: I would like to be informed. At times I am Acting Secretary and it's a little difficult to pick up loose ends.

RM, Jr: That's the purpose of this meeting. If you want to know all of it, I want to know all of it, it's his responsibility to service you as I expect him to service Mr. Hull. But the questions -- when it is some question of foreign matters, Harry will come in and see me and I will give him a decision and when the de-

-3-

cision is made he will tell you about it. If it in any way crosses anything that you have got, he will come in first and see you and ask your views. Is that all right?

Mr. Bell: He will not cross me, because I take it China will go over there.

HM, Jr: That's right.

Mr. Bell: So he will handle China and I will be in on the same side as you.

HM, Jr: That's right. But I told Harry that where there is a decision, anybody in the Treasury affected, he will first talk to them before he comes to see me so everybody will have a chance to talk to Harry before he comes to me so that on every question there can never be a time "Mr. Morgenthau, you decided on that. I did not have a chance." So Harry will see that person and talk to him and he says, "I don't agree with you, Harry". "Well, come on in. We will both see the Secretary."

Mr. Bell: Certainly.

HM, Jr: But there has to be one brain cell and not as it is now. Is that all right, Dan?

Mr. Bell: Fine! Swell with me!

Mr. Thompson: I assume he will continue to have the same title as Assistant to the Secretary.

HM, Jr: He hasn't got that.

Mr. Thompson: Oh, yes!

HM, Jr: I want something drawn up.

Let's just go a little slowly. Bell, have you any suggestions?

-4-

Mr. Bell: I have a question. What are we going to do with the Stabilization Section?

Dr. White: I will have some suggestions to offer and discuss it with Dan before it comes to you.

HM, Jr: Will you? What else, Dan?

Mr. Bell: That's all, for the moment.

HM, Jr: (To Mr. Cairns) For Mr. Gaston?

Mr. Cairns: The only thing hot at the moment is the censorship problem and Hoover is to be the censor until a civilian can be appointed. Treasury will administer censorship of tangible communications otherwise than in the mails.

Dr. White: Huntington, I don't believe the Secretary wants to discuss this here.

HM, Jr: What I mean, is there anything Mr. Gaston has to do as between State and Treasury which I ought to know and, putting Harry in this position, he should know?

Mr. Cairns: The only thing is censorship. State is tremendously interested in it.

Dr. White: I will get in touch with him.

HM, Jr: Ed?

Mr. Foley: No. The only suggestion I have is that Harry sit in on Foreign Funds meetings whenever he can. I think it will help him.

Mr. Foley: Don't you now?

Mr. Foley: He does occasionally. He always has a couple of people in.

-5-

HM, Jr: It's taking two good men, you (Foley) and Harry.

Mr. Bell: How many meetings a week?

Mr. Foley: A couple of times a week; sometimes once. We can work it out with Harry. I can send minutes of the meetings to Harry just as I do to you now. If there is anything Harry wants to raise, if he has not been in on the meeting, we can straighten it out, but our fellows and Harry's fellows very closely together and I daresay nothing has been done in Foreign Funds that I know of that Harry's people did not know about and did not approve. Is that right?

Dr. White: That's definitely true.

HM, Jr: Norman, do we need anything?

Mr. Thompson: I think we can prepare a little order putting it into effect.

Mr. Bell: I would make your order public.

HM, Jr: You would?

Mr. Bell: I think I would. I think it sets up a little section in the Treasury to handle this matter and gives Harry a better status publicly.

HM, Jr: Well, think that over, Harry.

Dr. White: I don't see that it is necessary. Let me think about it, but as far as functioning is concerned, Dan, you don't have any suggestions?

Mr. Bell: No. Not now. I will think it over. I think it is all right.

HM, Jr: I have had a preliminary talk with Dan. Dan and I have talked this over. I have talked to everybody else.

(At this point, HM, Jr spoke with Secretary Hull and copy of their telephone conversation follows this page.)

December 3, 1941
11:08 a.m.

Operator: The Secretary is on the line.

HMJr: Hello.

Clerk: Mr. Secretary, Secretary Hull is coming right on.

Secretary Hull: Hello, Henry.

HMJr: Hello, Cordell.

H: Yes, sir.

HMJr: This is only a small matter, but nobody could handle it but you. I'm rearranging my organization here in the Treasury where we deal in foreign affairs and where we deal with you.

H: Yeah.

HMJr: And I wanted to center it in one person so that we wouldn't have two or three people calling up the State Department. It would be one person, you see?

H: Yes.

HMJr: And I - the person I'm designating is Harry White.

H: Yes. Well, he's a mighty suitable man.

HMJr: I wanted to know whether that would be agreeable to you.

H: Yes. He's a very high-class fellow.

HMJr: Well, now.....

H: Capable.

HMJr:everybody in the Treasury is pleased with it - Mr. Bell and Mr. Gaston and Mr. Foley. They're all pleased.

H: That's good.

- 2 -

HMJr: But Merle Cochran is not.

H: You say he's not pleased?

HMJr: No. He's asked me to ask you to have him transferred back to the State Department.

H: Oh, I didn't know that.

HMJr: Well, I just took this up this morning and talked to everybody individually to ask them.....

H: Yeah.

HMJr:and everybody was delighted and said it would be helpful; but Merle Cochran said that he.....

H: What - did he want to do that himself?

HMJr: Yes.

H: Yes. Well, he's - of course, he's a very capable fellow.

HMJr: A very capable fellow, but - and he's been extremely useful to me, but he didn't like the arrangement and he said he'd like to be transferred back.

H: Yeah. Well, I'll take it up with my folks then if you say so.

HMJr: I wish you would, please.

H: Yes. All right, Henry.

HMJr: Thank you very much.

H: All right.

-6-

Mr. Bell: He said he would?

HM, Jr: He would. Ought that be done in writing?

Mr. Thompson: To the State Department? I don't think you need to put your request in writing.

HM, Jr: You might look up when I asked originally that he be loaned to us and if I did -- look up and see if there is a letter and if there is in this letter I would like to say "very valuable service he has rendered to us during this time" -- which he has -- and I greatly appreciate the fact that the State Department has let us have him during this time, but at Mr. Cochran's request he would like to be transferred back to the State Department.

Mr. Bell: Would you do that anyhow, whether or not you did it in the first instance?

HM, Jr: Yes.

Mr. Bell: I think it would be a nice thing to do.

HM, Jr: I think he has earned it. I think he has earned it.

oOo-oOo

December 8, 1941
11:24 a.m.

HMJr: Hello.

Allan
Sproul: Hello, Mr. Secretary.

HMJr: How's things going?

S: Going very well, I think.

HMJr: Good.

S: The market was off, as you know, at the opening; but there was very little trading and when trading really began to develop its strength enough, the two new issues, which are the only vulnerable spots, around par and a half now, which I think is fine.

HMJr: Did you have to buy anything?

S: Not a thing.

HMJr: Wonderful.

S: Fine, I think.

HMJr: I think that's swell.

S: Yeah.

HMJr: Allan, did the free-riders unload a little bit?

S: Yes, but it wasn't heavy. They haven't come in heavily yet.

HMJr: I see.

S: There were some - the largest lots we heard were two of about a million each.

HMJr: I see. A million each.

S: Yeah.

HMJr: Yeah. Well, that sounds very good.

- 2 -

S: So far it's taken care of itself very well.
HMJr: Thank you.
S: All right, sir.

December 8, 1941

My dear Mr. President:

After Cabinet last night, I made an inspection of the White House grounds accompanied by Edward Starling, and found that my orders had not been carried out. As a result of this inspection, I strongly recommend that Edward Starling have all responsibility for supervising the White House Secret Service detail and guards taken away from him, and similar responsibility as far as Hyde Park and Warm Springs are concerned. Chief Wilson concurs in this recommendation.

In view of my previous conversation with you, if you still wish Edward Starling to do the so-called "advance work" for you, of course, we will carry out your wishes in this matter.

I sincerely hope that you will accept my recommendation in regard to Edward Starling.

Yours sincerely,

Henry M. Magrath, Jr.

The President,

The White House.

December 8, 1941
11:38 a.m.

HMJr: Hello.

Operator: Grace Tully.

HMJr: Hello.

Grace
Tully: Mr. Secretary.

HMJr: Yes, Grace.

T: The President says okay on that recommendation but to keep him on for advanced trips - you know, making the advance arrangements on trips.

HMJr: I'll do that. Now, do you suppose he'll want to know who we decide to put in charge? We haven't quite decided yet.

T: He didn't say anything about that, sir. You didn't ask him, so I didn't take it up with him.

HMJr: All right. Before I do - whoever we decide, I'll submit the name to him.

T: All right, fine. If you'd do that, then I'll get his okay on it if you would like to have it.

HMJr: Oh, naturally.

T: Yeah.

HMJr: Don't you think I'm right?

T: Yeah.

HMJr: What?

T: Yes, I do, if you.....

HMJr: Oh, I was out late last night. I was.....

T: Well, I told him I thought you were very upset. I didn't know exactly all the details because I didn't have time to get them; but that I took it

you were upset about it.

HMJr: I was terribly - there's no use frightening the man, but you see, ever since those children went up into the White House on New Year's Eve.....

T: Uh huh.

HMJr:I've always blamed Starling.

T: Uh huh.

HMJr:and last night was the final straw.

T: Yeah. Well, you can go ahead and act on it and keep him for the other job.

HMJr: I will.

T: All right, fine, grand, Mr. Secretary.

HMJr: Thank you.

T: All right.

December 8, 1941
11:43 a.m.

Operator: Go ahead.

HMJr: Frank.

Joseph
Murphy: No, this is Murphy talking.

HMJr: Who, Joe?

M: Yes. He just stepped out of the office.

HMJr: Oh.

M: He's in the building. He's getting ready to go up with the boys at twelve o'clock.

HMJr: Well, just tell the Chief that the letter that I wrote the President - he's sent me word that he's accepted my recommendation.

M: I see. I'll tell him that.

HMJr: Do you know what that means?

M: I know what it means, yes.

HMJr: And that I want - some time this afternoon - I want a recommendation from the Chief who to take Starling's place.

M: Uh huh. I'll tell him that, too.

HMJr: Tell him that, and Starling is to do the advanced work, and - hello.

M: Hello.

HMJr: Starling is to do the advanced work and nothing else.

M: I see. Okay, I'll tell him that.

HMJr: The President said he's to do the advanced work and nothing else.

M: Uh huh.

- 2 -

HMJr: But I want the Chief to recommend to me who
he wants to take Starling's place.

M: Yes, I'll do that. Okay.

TREASURY DEPARTMENT
Office of the Secretary
Secret Service Division

97

MEMORANDUM

December 8, 1941

To: Secretary Morgenthau

I will await advice of the approval of these two changes at the White House before notifying Supervising Agent Starling.



*Chief Clerk for me
Johnston, who Capra for the file*

TREASURY DEPARTMENT
WASHINGTON, D. C.

December 8, 1941

Memorandum to the Secretary:

It is recommended that Assistant Supervising Agent M. F. Reilly be designated to immediately assume all duties in connection with the protection of the President which have heretofore been performed by Supervising Agent E. M. Starling, except the advance arrangement relating to the travel of the President which duties will continue to be performed by Supervising Agent Starling.

It is further recommended that M. F. Reilly be promoted from CAF-11 at \$3800 to Supervising Agent, CAF-12, at \$4600 per annum.


Chief, Secret Service Division*W.M.P.*

TREASURY DEPARTMENT
WASHINGTON, D. C.

December 8, 1941

Memorandum for the Secretary:

It is recommended that Agent Thomas J. Qualters be designated as Assistant Supervising Agent of the White House Detail (District No. 16), effective immediately.

It is further requested that Agent Qualters be promoted from CAF-9 at \$3400 per annum to CAF-11 at \$3800 per annum.

[Handwritten Signature]
Chief, Secret Service Division

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

December 8, 1941

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published or given out until delivery of the President's message to the Congress HAS BEGUN.

Release expected about 12:30 P. M., E. S. T., December 8, 1941.

CAUTION: Extreme care must be exercised to avoid premature publication.

STEPHEN EARLY
Secretary to the President

TO THE CONGRESS OF THE UNITED STATES:

Yesterday, December 7, 1941 -- a date which will live in infamy -- the United States of America was suddenly and deliberately attacked by naval and air forces of the Empire of Japan.

The United States was at peace with that nation and, at the solicitation of Japan, was still in conversation with its Government and its Emperor looking toward the maintenance of peace in the Pacific. Indeed, one hour after Japanese air squadrons had commenced bombing in Oahu, the Japanese Ambassador to the United States and his colleague delivered to the Secretary of State a formal reply to a recent American message. While this reply stated that it seemed useless to continue the existing diplomatic negotiations, it contained no threat or hint of war or armed attack.

It will be recorded that the distance of Hawaii from Japan makes it obvious that the attack was deliberately planned many days or even weeks ago. During the intervening time the Japanese Government has deliberately sought to deceive the United States by false statements and expressions of hope for continued peace.

The attack yesterday on the Hawaiian Islands has caused severe damage to American naval and military forces. Very many American lives have been lost. In addition American ships have been reported torpedoed on the high seas between San Francisco and Honolulu.

Yesterday the Japanese Government also launched an attack against Malaya.

Last night Japanese forces attacked Hong Kong.

Last Night Japanese forces attacked Guam.

Last night Japanese forces attacked the Philippine Islands.

Last night the Japanese attacked Wake Island.

This morning the Japanese attacked Midway Island.

Japan has, therefore, undertaken a surprise offensive extending throughout the Pacific area. The facts of yesterday speak for themselves. The people of the United States have already formed their opinions and well understand the implications to the very life and safety of our nation.

As Commander-in-Chief of the Army and Navy I have directed that all measures be taken for our defense.

Always will we remember the character of the onslaught against us.

No matter how long it may take us to overcome this premeditated invasion, the American people in their righteous might will win through to absolute victory.

I believe I interpret the will of the Congress and of the people when I assert that we will not only defend ourselves to the uttermost but will make very certain that this form of treachery shall never endanger us again.

Hostilities exist. There is no blinking at the fact that our people, our territory and our interests are in grave danger.

With confidence in our armed forces -- with the unbound^{ed} determination of our people -- we will gain the inevitable triumph -- so help us God.

I ask that the Congress declare that since the unprovoked and dastardly attack by Japan on Sunday, December seventh, a state of war has existed between the United States and the Japanese Empire.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

December 8, 1941.

December 8, 1941

The Secretary called Pa Watson around 2:00, and the following is HM Jr's end of the conversation:

"If you think well of this, I wish you would take it up with the President. I would like to have four light tanks on duty with the necessary crew at the four entrances of the White House - one at each entrance. If the President does not want this, then I would suggest having one at each end of Executive Avenue.

"If he will not let me have them at the White House, then let's say that they are guarding the Treasury and the State Department.

"I urge it on him very strongly.

"You will take care of the orders with the War Department if he approves?

"It will take over-night to bring them from Fort Knox or wherever they are."

December 8, 1941
3:30 p.m.

GROUP MEETING

Present: Mr. Bell
Mr. Barnard
Mr. Blough
Mr. Cochran
Mr. Foley
Mr. Graves
Mr. Haas
Mr. Kuhn
Mr. Morris
Mr. Schwarz
Mr. Sullivan
Mr. Thompson
Mr. White
Mr. Henry Morgenthau, III

H.M.Jr: Where did you (Morris) come from?

Morris: I heard there was a little trouble around here.

H.M.Jr: Have you been around all day?

Morris: Yes. I didn't get to Atlanta at all, Mr. Secretary. I turned around at Lynchburg last night in the middle of the night.

H.M.Jr: How do you turn around in the middle of the night?

Bell: He called me last night from Lynchburg and I said I thought the situation in Atlanta could wait.

- 2 -

It was probably less important and it might be a good thing if he came back.

H.M.Jr: I see.

Norman, this is something from the President saying, "I am today directing J. Edgar Hoover to take charge of all censorship arrangements pending such further arrangements as I shall presently take."

Foley: That is right. They are preparing an Executive Order for a civilian administrator for censorship, and that probably won't be out until tomorrow, and in the meantime, Biddle said that Hoover had been asked to kind of pull everything together and it will be a civilian administrator. It won't be in the Army or Navy; and that is along the lines we were talking about last night. We will do tangible stuff, and they will do the intangible stuff. I got him last night about one o'clock.

H.M.Jr: Who?

Foley: Biddle.

H.M.Jr: Dan?

Bell: The market is going up a little. At the close it went off to one thirty-seconds premium for the two and a half's and six thirty-seconds for the two's. Back now to six and eleven thirty-seconds. Seemed to go off right after the President's speech.

H.M.Jr: Well I suppose--

Bell: The seriousness of it probably shocked them a little. We have bids of three hundred seven million dollars on the bills in New York, ranging all the way - enough bids to take the

- 3 -

bills from prices ranging from point thirty-six down; and the rest of the country, of course, we have not heard from.

Bob Rouse thinks if it all went to New York, you would get a rate of somewhere from thirty to thirty-two.

H.M.Jr: Up a little bit.

Bell: Yes, but the rest of the country may bring it down below the thirty's.

H.M.Jr: I think the stock market is off four points.

Bell: Yes.

H.M.Jr: That also happened mainly after the President's speech.

Bell: Yes, some of it two points after that.

That is all I have.

Thompson: I have nothing.

H.M.Jr: Norman, again I congratulate you on the over-night arrangements for entrance to the Treasury. I asked one question. I understand you have people escort people to the office where they are going?

Thompson: That is right.

H.M.Jr: Who escorts them out?

Thompson: If it is a short call, the person escorting will remain and take them out. They also have a card they have to sign.

H.M.Jr: But supposing that fellow stayed and the escort left, the fellow could wander all over the Treasury?

Thompson: No, the escort stays with him, and if he is going to be long, they phone down to take him out.

H.M.Jr: I gather it is working all right.

Thompson: Yes, that is the arrangement. The escort will stay with him or, if he plans to stay a long time, that office will phone down when he is ready to leave and the guard will escort him out.

H.M.Jr: That is good work.

Have you (Klotz) tried to get in the Treasury?

Klotz: I came in and out the front way and nobody stopped me.

H.M.Jr: The Fifteenth Street door?

Klotz: Yes.

Bell: They must know her.

Foley: I think so, because they rotate on the Secretary's door.

White: Are you going to arrange that our cars go through there?

Thompson: They have removed the blockade. You can go around the street.

Foley: Could it be fixed that cars equipped with a T.D. sign could go through without any trouble?

Thompson: There is no trouble. They have taken the blockade off. Oh, you mean into the Secretary's entrance. Yes. I will speak to Wilson about that. He told me it had been taken care of.

Foley: I think a little insignia on the front of the car will take care of that.

Thompson: I will take care of it.

H.M.Jr: All that was necessary was to get out and remove the barrier and come through.

Foley: I told the cop he was making it awfully difficult to win the war, keeping people out of the offices.

Sullivan: Not in those exact words. You are oversimplifying it.

H.M.Jr: I am glad the cops are so good.
Are you through, Dan?

Bell: Yes.

H.M.Jr: Norman?

Thompson: That is all.

White: We got a cable from Brazil in which they are worried that declarations of war will be preceded tomorrow with withdrawal of funds. They have a holiday today, so we don't know what is happening today, and they are afraid it will result in weakness of the dollar rather than depreciation of the milreis.

We had a meeting in which possibilities of helping them through freezing was canvassed, and Foley will report on that, but since that was turned down, we are going to prepare a cable.

H.M.Jr: Who turned it down?

White: Foreign Funds, but the State Department really.

- 6 -

We thought we would freeze all the rest of the world and give general licenses, et cetera, but the State Department said they are now engaged in getting the cooperation of the Latin American Republics, so we are going to answer that cable in a way to indicate that we don't see that there is any matter for concern as to the weakness of the dollar.

In other words, it will be a monetary answer, with nothing to do with freezing. As soon as it is prepared, it will be routed through. I think you ought to see the answer to that.

H.M.Jr: All right.

White: We will write it sometime today.

H.M.Jr: Have it in English.

White: It will be in English.

H.M.Jr: Not Portugese.

White: We could put it in Portugese.

H.M.Jr: Chick?

Schwarz: I have nothing.

You will be asked for comment on the Government bond market and also any new tax program. That is the main thing.

H.M.Jr: Foley has not had time to turn around at

- 7 -

night yet to produce a new tax bill - I mean Sullivan.

Sullivan: Got one in there for you at any time.

Schwarz: They may ask for a change in the name of the defense bonds. I mentioned it to Harold. We can go slow on that. Somebody asked if they would be called "war bonds."

Bell: "War savings."

Barnard: "Victory."

H.M.Jr: George?

Haas: You wanted to see this each Monday. It is up.

H.M.Jr: It is up?

Haas: Yes, five days.

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

Haas: I have nothing else.

H.M.Jr: Harold?

Graves: Mr. Haw has closed the Bureau of Engraving and Printing to all visitors, and I asked the people in the mint to wire out to our mint institutions to apply the same rule.

H.M.Jr: O.K.

Graves: Visitors have been admitted to all these places. We just cut that off because it is sight-seeing.

I have nothing further.

H.M.Jr: Roy?

Blough: You wish a continued flow of those corporation charts or not?

H.M.Jr: I think I would accumulate them and then when we sit down we can discuss them. Are you through with the steel group?

Blough: I think we have all the important steels.

H.M.Jr: Well, I think we will sit down.

Blough: We are working on a memo on steel.

H.M.Jr: Good. I think if you will get them all together you can give me your ideas on them.

Blough: All right. That is all.

H.M.Jr: Barnard?

Barnard: I have nothing.

Morris: Nothing.

Sullivan: I did not see the statement Mr. Doughton made, but Chick tells me he made a statement that he was ready to sit down with the Treasury any time and discuss a new revenue bill.

H.M.Jr: I think in place of going to Arizona, this is as good a way to have a good time.

Sullivan: You will get more exercise this way.

I think you had intended that Carl Shoup was to actually carry the ball on the continuing gap stuff, and Roy had a letter from him Saturday, I think, that indicated that he did not think he would be able to do that.

H.M.Jr: Maybe you turned around at night too?

Sullivan: Well, Roy and I will talk it over and Mr. Blough will have some conversation with him and the three of us will talk it over and give you a letter to sign. That is all.

H.M.Jr: All of you who weren't here last night missed something. You should have seen Foley's sweater. The moment it walked in, things began to lighten up. You don't use any headlights at night, do you?

Sullivan: All ready for the blackout!

Foley: It is a warm sweater.

The State Department sent a comprehensive cable to all its missions in South America about the steps we have taken and about getting in touch with the local governments down there. Do you want me to read it to the group?

H.M.Jr: Please.

Foley: It is interesting, but a little long.

H.M.Jr: Who drafted that?

Foley: Well, all the steps except the last one in regard to export control are those we took last night; and while they did not show us this before they sent it out, it is merely a compilation of the information and the steps

- 10 -

contained in the documents we sent out last night, copies of which I sent to Dean Acheson this morning. Donny Hiss brought this over to the Foreign Funds meeting at a quarter of three. Dean wasn't able to come. They are contemplating a meeting - I think this is very confidential - of all the Latin and South American representatives here this week to get parallel controls from those local governments and also declarations of war from each one, and Donny said he thought they had a declaration of war from every one, with the possible exception of Argentina, which may be our Ireland.

- H.H.Jr: Not being Irish, I can't appreciate that.
- White: There is another bit to that story. There was one paragraph drafted by the State Department and then Bernie and his boys, in looking it over, expanded it to its present form and then it went to the State Department and they followed it.
- H.H.Jr: Two things I would like to suggest being done. I think Canada ought to get one --
- White: They turned that down. If you want to re-open that, re-examine it --
- H.H.Jr: ...for their information. I would simply send one to Canada and one to England for their information.
- Foley: All diplomatic consular establishments in the American republics got it.
- H.H.Jr: That does not include Canada.
- White: That definitely excludes it.
- Foley: I will ask them to send copies - excuse me - I mean Harry will.

- H.M. Jr: Anyway, Harry, I think it certainly should go to Casaday for his information at once, and I strongly urge it go to Canada.
- White: Except it is a State Department document.
- H.M. Jr: Well, call up Dean Acheson and tell him that is what I said; and at the capitol I brought it up with Hull and told him I hoped he would let Dean Acheson handle everything viz-a-viz the Treasury and he said he did not see why not, and would take it up; and until I hear from him I think you should call him up and say I think it should go to Canada and Chungking, Chungking definitely.
- Morris: What about Australia and Africa, just as a matter of courtesy?
- H.M. Jr: Let's say the British Empire and Chungking, the United Kingdom and Chungking.
- Morris: That is what I was thinking of, the whole British Empire.
- (The Secretary had a telephone conversation with General Watson.)
- H.M. Jr: I tried to get a tank at each end of the street and move over into the White House grounds gradually, because I was unable to get the President to let us put troops in. I got modern machine guns, ostensibly to guard the Treasury and State Department, and then we will gradually move in, but that is the first step.
- You don't have to use much imagination. The President's bodyguard reminded me what they did to Dollfuss in 1934, just sent thirty or forty Germans across the border and he was a marked man. They went over the border and nobody got them.

- 12 -

Foley: We got wonderful assistance from the Federal Reserve Banks, putting people in these various places. One of the things I want to mention, in my talk with Biddle last night, he said, "Ed, I am sitting here with John Shea discussing some sort of a court order we could get to go into Japanese establishments to keep them from taking their papers out and burning them."

I said, "We don't need any court order. We have people in every Japanese enterprise." He said, "You have?" I said, "We have a fellow in every Japanese institution and every Japanese enterprise in the United States." He was quite surprised. Shea ran out to call me up to see what we had done. I said we had covered everything except the consular offices and he said he thought they would try to do something about the consular offices.

H.M.Jr: In a day or two I think you (Bell) might prepare some letters for me thanking the Federal Reserve Bank.

Foley: Frank Wright in San Francisco was particularly helpful. He said, "What are you going to do if you encounter opposition?" I said, "Our people have been instructed to get help from all Federal agencies, and if they don't get it, they go to the local police and they will give it."

December 8, 1941

CIRCULAR

TO ALL DIPLOMATIC AND CONSULAR ESTABLISHMENTS IN THE AMERICAN
REPUBLICS.

TRIPLE PRIORITY.

Department's circular telegram to All Missions in the American
Republics, December 7, 1941, 7 p.m.

Reference is made to circular telegram of December 7, 7 p.m., in
which you were requested to get in touch immediately with the appro-
priate authorities of the government to which you are accredited in
connection with Japanese economic activities in the Western Hemisphere.
You are requested immediately to call the attention of the appropriate
authorities in the government to which you are accredited to the
measures which have been taken by this Government affecting Japanese
economic activities in this country. These measures prohibit all
financial, business and trade transactions in which Japan or her
nationals have any interest.

In conformity with inter-American declarations of solidarity in
the event that the peace, security, or territorial integrity of any
American Republic is threatened, particularly of Resolution XV adopted
by the Second Meeting of Ministers of Foreign Affairs of the American
Republics, you are requested to state that it is presumed that the
Government to which you are accredited will be disposed to adopt im-
mediately, necessary financial and economic measures to curb Japanese
economic activities in the Western Hemisphere.

You should point out that because financial transactions such as the withdrawal of funds from banks, et cetera, can be effectuated at a moment's notice, it is absolutely essential that the steps taken in this direction be taken without delay.

For your information and for the guidance of the appropriate local authorities there follows a more detailed statement of the measures taken by this Government affecting Japanese economic activities in this country.

(1) All licenses issued under the United States Freezing Control relating to transactions by or on behalf or for the benefit of Japan or any national thereof have been revoked. The effect of this action is to place an immediate and complete stoppage upon all financial and business dealings, as well as trade transactions, in which Japan or her nationals have any interest. Among other things, except as may be authorized in appropriate cases in the future:

- (a) No withdrawals whatsoever are allowed from any account in any banking institution if Japan or any national of Japan has any interest in such account.
- (b) No withdrawals whatsoever are allowed from any safe deposit box by Japan or any national of Japan, and access is not allowed to any safe deposit box in the contents of which Japan or any national thereof has any interest.
- (c) No remittances in any amounts whatsoever may be made to Japan or any national of Japan, wherever located.

- 3 -

- (d) No trade transaction with any part of the world in which Japan or any national of Japan has any interest may be effected.
- (e) No Japanese national may engage in any business activities in the United States.
- (2) Government representatives have been placed in all Japanese banking and business enterprises and they have been instructed for the time being to prevent any access by any person to the premises of such enterprises and to prevent any person from having access to or altering, destroying, or removing any books, files, records or other property of such enterprises.
- (3) Under Export Control Act, all outstanding export licenses for all commodities destined to Japan its possessions, Manchukuo, occupied China, French Indo China and Thailand have been revoked. All export licenses for all goods for all destinations to consignees of Japanese nationality have been revoked and goods already at sea in that category are to be put in the custody of United States missions at destinations.

Although it must be left to the discretion of each chief of the mission for the presentation of the Department's views, it is hoped the controls of the type outlined will be readily adopted by all the governments. The defense of the United States and of each of the other American Republics it is felt will be in danger if the adoption of these measures fall or is delayed,

December 8, 1941
3:55 p.m.

Operator: Do you want General Watson?
HMJr: Yes, I do.
Operator: All right. He's right here.
HMJr: Hello.
General Watson: Hello.
HMJr: Henry talking.
W: Yes, Grandpa, I got to him finally.
HMJr: Yeah.
W: And he said to tell you that he is opposed to the tanks - doesn't want any tanks under any circumstances. But he says you can put machine guns.
HMJr: Well, now, who'll man those?
W: Well, the Army can. You'd better let me ask them about it.
HMJr: At each end of Executive Avenue?
W: Yeah. He said he doesn't mind that. In fact, that's more effective than the other.
HMJr: I think that would be fine. How fast do you fellows work in the Army?
W: Well, maybe we can get some of those new ones.
HMJr: I mean, do you think you can have them in there by tonight?
W: Where would they want them? I told him frankly I thought it was a method to protect him rather than the other.
HMJr: Yeah. Well, of course, the place - but he

won't let us put them on the.....

W: No.

HMJr:White House grounds.

W: No, no.

HMJr: Well, we'll move over there grad - I'd just have them at each end of both Executive Avenues.

W: There'd be four, then, the two ends.

HMJr: Yes, but why not have two at each end, making it eight?

W: Well, let's don't overdo it.

HMJr: What?

W: Let's don't overdo it. We can get four big ones.

HMJr: Four what? What do you call big ones?

W: Well, they've got some new ones, you know.

HMJr: Fifty calibre?

W: Yeah.

HMJr: What?

W: Yeah. I don't know whether they've got any of those or not. I'll have to speak to General Marshall.

HMJr: Will you, and then twenty-four hour duty.

W: Yeah.

HMJr: All right. Well, that's a start.

W: All right. Now, he might have a squad at each end.

HMJr: Yeah.

W: All right.

HMJr: Shall I leave it with you?

W: Well, it's going to be awful conspicuous out there, isn't it?

HMJr: Well, I think it should be.

W: Uh huh. All right.

HMJr: No, I needn't tell you, Pa, we're dealing with fellows that have got diabolical.....

W: Yeah, I know.

HMJr:imagination.

W: Yeah. Well, the point is, we better put them - who would be the man for them to consult with?

HMJr: Chief Wilson.

W: All right. Suppose I tell him that.

HMJr: Yeah.

W: Who's going to be in charge here?

HMJr: I just sent a recommendation over to the President - Reilly.

W: Mike?

HMJr: Yeah. Is that all right with you?

W: Yeah, it's all right with me. I like old Starling, you know, as a matter of fact.

HMJr: Yeah, but he didn't carry out my orders.

W: Yeah, well all right. But you're the boss.

HMJr: He didn't carry out my orders.

W: Yeah, all right. You know, I never interfere with anybody's business.

HMJr: Yeah. Well, in these times, you've got to carry out your orders.

W: That's right. All right.

HMJr: Yeah.

W: But I'll get the Army now and have them get in touch with Wilson.

HMJr: Right.

W: All right.

December 8, 1941
4:01 p.m.

HMJr:but - hello.

Chief
Wilson: Yes, sir.

HMJr: Chief, he's going to - he told General
Watson to order at each end of Executive
Avenue a squad with a modern, up-to-date
machine gun.

W: At each end of East and West Executive
Avenue?

HMJr: Yeah, making four in all.

W: A squad with machine guns.

HMJr: Yeah, and Watson said that they would tell
the Army to contact you.

W: Yes, sir.

HMJr: Well, that's the first move on the path,
and maybe gradually we can move in on the
White House grounds; but that'll help.

W: Yes, that'll help a great deal. It will
make all of us feel better.

HMJr: And ostensibly, it's to protect the - if
anybody asks - it's to protect the State
Department and the Treasury.

W: Yes, Mr. Secretary.

HMJr: And don't shoot anybody that's coming into
my entrance.

W: Well, we'll try not. (Laughs) All right.
I sent that other letter up to you, Mr.
Secretary - about Qualters.

HMJr: Well, now, I - wait a minute. I don't know
whether he's back. I sent them over to the

- 2 -

President to get his approval.

W: Oh, yes. Well, as soon as we hear from the President.....

HMJr: Hold on. (Talks aside)

We left them with Miss Tully, and she's going to show it to the President.

W: All right. And as soon as you get word, I can talk to Colonel Starling then.

HMJr: As soon as we get word, Lieutenant Stephens will get word to you.

W: Thank you, Mr. Secretary.

HMJr: All right.

December 8, 1941

CONFIDENTIAL

On arrival home, General Watson called me and said he had talked with General Marshall, and that they thought it was a mistake to have machine guns, and that he would put men at either end with Garand rifles, but I better talk to him myself.

I talked to General Marshall and told him what I had in mind. He said he would like to think about it and he would call me back in 15 minutes, which he did. He then said he thought the best way to handle the situation was to put 30 men on the detail and one man would have a Garand rifle and another would have a Tommy Gun. Then he would like to put a truck somewhere with machine guns in it. I told him he could put that in the basement of the Treasury. He said he would consider that.

Then I called up Chief Wilson and gave him the same information. I also told him that I had asked General Marshall to synchronize this thing with Chief Wilson.

December 8, 1941

At 9:45 tonight I was brought a memorandum from the Attorney General signed by Lawrence M. C. Smith in regard to the censorship bill. They asked me to initial it which I did. I also asked them for a copy of this memorandum for my files.

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM Treasury Department
BUREAU Expenses of Loans
CHG. APPROPRIATION Defense Savings Staff

Please send the following
NIGHT LETTER to the names
on the attached list:

Washington, D. C., December 8, 1941

The Declaration of War places a new and increased responsibility on Defense Savings Committees.

You should at once advise all local committees to redouble their activities and conduct a sales campaign which by its response will demonstrate to our enemies that America to a man is behind our greatest national test.

It is suggested that payroll allotment participation be increased, that each locality push the bank draft plans, stamp banks, school programs, and other plans to secure increased consistent purchasing.

Also local committees should form groups to solicit limit purchasing of all series of bonds for 1941. Increased cooperation in merchandising of all financial groups should be asked.

Our committees have performed a splendid task in organization and promotion work to date. Now that war is on us, let every man, woman, and child be given the opportunity and urged to purchase bonds on a regular plan. I know you and your committees will perform great service.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

Send to all State Chairmen and State Administrators.

FOREIGN FUNDS CONTROL 127

3020320

Salaries and Expenses

Foreign Exchange Control 1942 - Alloc. 2-b

DECEMBER 8, 1941.

TO THE PRESIDENTS OF ALL ~~MEMBER~~ FEDERAL RESERVE BANKS:

YOU ARE HEREBY AUTHORIZED TO AFFIX THE ENCLOSED NOTICE

(Have quote attached notice)

TO PREMISES IN WHICH YOU HAVE INSTALLED TREASURY REPRESENTATIVES.

(Signed) H. Morgenthau, Jr.

SECRETARY OF THE TREASURY.

JLhwg - 12/8/41.

NOTICE

THIS PROPERTY IS UNDER THE CONTROL OF THE UNITED STATES GOVERNMENT. ALL PERSONS ARE HEREBY PROHIBITED FROM REMOVING THE PROPERTY UNDER PENALTY OF LAW.

L. HUGHES, JR.
SECRETARY OF THE TREASURY.

TREASURY DEPARTMENT

129

INTER OFFICE COMMUNICATION

DATE December 8, 1941.

TO Secretary Morgenthau
 FROM E. H. Foley, Jr.

By 4:45 p.m., December 8, telegrams had been received from eight Federal Reserve Banks. They indicated that approximately 228 Japanese concerns had been placed in the custody of Treasury representatives and that 331 Treasury representatives, local police, etc. were engaged in supervisory work.

	<u>Concerns Supervised</u>	<u>Personnel Used</u>
Dallas	9	16
Richmond	0	0
Philadelphia	Several	Several
Kansas City	1	1
	Kansas City	1
	Omaha	1
Chicago	6	16
San Francisco	49	67
	San Francisco	52
	Seattle	35
	Los Angeles	2
	Portland	140
New York	76	4
Minneapolis	4	4
	<u>228</u>	<u>331</u>

S. H. F. L.

TREASURY DEPARTMENT

130

INTER OFFICE COMMUNICATION

DATE December 8, 1941

TO Secretary Morgenthau
FROM Mr. Haas *[Signature]*

Employment under the Work Projects Administration reached 1,060,000 persons during the week ended November 25, 1941. This was 2,000 more than the previous week's employment and 13,000 more than the number of persons employed at the end of October.

Attachments

WORK PROJECTS ADMINISTRATION
 Number of Workers Employed - Weekly
 United States

Week ending	Number of Workers (In thousands)
1941	
May 7	1,519
May 14	1,497
May 21	1,474
May 28	1,464
June 4	1,442
June 11	1,423
June 18	1,410
June 25	1,368
July 2	1,172
July 9	1,030
July 16	1,016
July 23	1,025
July 30	1,036
August 6	1,041
August 13	1,042
August 20	1,043
August 27	1,045
September 3	1,043
September 10	1,037
September 17	1,035
September 24	1,033
October 1	1,032
October 8	1,037
October 15	1,040
October 22	1,044
October 29	1,047
November 5	1,050
November 12	1,056
November 18	1,058
November 25	1,060

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

	Number of Workers (In thousands)
1939	
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464
June	1,368
July	1,036
August	1,045
September	1,033
October	1,047
November	1,060

Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.

TREASURY DEPARTMENT

134

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE December 8, 1941

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending December 6, 1941.

Summary

(1) The existence of a state of war with Japan will likely lead to a renewed buying movement in the commodity markets and in the markets for various consumer goods. Developments last week, in fact, had indicated that a renewed price rise was getting under way, strongly influenced by the growing realization that no effective price control legislation was in prospect in the near future. The effect of the war on commodity prices will be tempered, of course, by whatever emergency action is taken to control price advances, and by the tenor of news from the war fronts.

(2) Basic commodity prices rose last week, with the BLS index of 16 industrial materials reaching a new high for the war period. The all-commodity index in the last week in November rose very slightly to equal the 11-year peak reached earlier in the month.

(3) Evidence of renewed buying in the retail markets is seen in an upturn in the department store sales index for November (seasonally-adjusted) to 115, as compared with 105 in October.

(4) The increased buying reflects a rising trend in consumer incomes. Thus factory payrolls in October again rose to a new record level. However, factory employment declined a trifle, largely as a result of a sharp seasonal decline in the canning and preserving industries, although employment dislocations due to materials shortages was a contributing factor.

(5) Weekly business indexes in the last week of November rose sharply, due chiefly to a substantial gain in freight carloadings. The New York Times index of business activity rose 3.6 points to 133.4, while Barron's index advanced 3.8 points to 141.7.

Renewed price advance in prospect

The entry of the United States into war with Japan will likely be followed by a renewed rise in commodity prices, perhaps comparable to the advance that began last spring which was halted temporarily in September. It will be tempered, of course, by whatever action is taken in the present emergency to halt inflation, and will be influenced by the trend of news from the war fronts. Prices of various commodities rose this morning on buying inspired by the war news.

Developments of the past week indicated rather clearly that a renewed price rise was getting under way. Basic commodity prices, both industrial materials and foodstuffs, rose to higher levels. An important bullish influence recently has been an apparent awakening of the public to the realization that no effective price control legislation was in prospect in the near future. This realization became clearer early last week, when press reports stated that hope had been abandoned for passage of the price control bill this year, and that February 15 had now been set as a tentative goal. It was also strengthened by Administrator Henderson's statement that amendments to the price bill as passed by the House had rendered it ineffective for preventing inflation, coupled with his prediction that the cost of living is sure to advance another 10 percent by next spring unless an effective bill is quickly passed.

Other factors have also contributed to a renewal of buying interest in the commodity markets. One influence was a strengthening of prices in the stock market last week on an increased volume of trading, which may indicate that the peak of tax selling has been passed. Both the security markets and the commodity markets were doubtless favorably influenced by the more optimistic news from the Russian front, and by the strong stand taken by the House against defense strikes in passing the Smith bill. News that Senator Bankhead is preparing legislation to raise the levels of Government crop loans more frequently as parity prices advance was interpreted bullishly for agricultural prices.

A renewed price advance will doubtless be accompanied by a marked increase in speculative activity and probably by another wave of consumer buying, which will themselves contribute strongly toward raising commodity prices. Since the bulk of the 1941 crops has been marketed, speculative buying in the months immediately ahead is likely to have

- 3 -

a greater lifting effect on prices of such commodities as wheat and cotton than in the months just passed, with less benefit to growers.

Basic commodity prices advance

Prices of basic commodities rose steadily last week, carrying the BLS index of 12 foodstuffs to the highest level since early October, and the index of 16 industrial materials to a new high since the war began. (See Chart 1.)

Among the 12 foodstuffs, sharp price advances occurred in wheat, corn, cottonseed oil, and steers, with moderate increases in several others. Butter prices continued to decline. The advance in prices of basic industrial materials was featured by a sharp gain in shellac prices on the Far East crisis, a further mark-up in print cloth prices under the operation of the flexible ceiling plan, and a continued advance in rosin prices.

The BLS all-commodity index in the week ended November 29 held within the narrow range of the previous 2½ months, rising 0.1 percent to equal the 11-year peak reached in mid-November. Higher prices for agricultural products, particularly livestock, largely accounted for the advance.

Price movements since August 1939 show wide divergence

In Chart 2 a summary view is shown of the price movements of individual basic commodities since the beginning of the war. The chart shows for each commodity (1) the high reached in 1941 prior to December 1, (2) the low reached on the recent decline, and (3) the quotation on December 5. Each is expressed as a percentage of the August 1939 price.

It will be noted that among the 16 basic industrial materials the largest price increases were shown by two imported commodities, shellac and burlap. Shellac prices have continued upward to new high levels in the past week, standing on December 5 at 333 percent of the August 1939 level. Burlap prices have been put under ceiling restrictions substantially below the year's high.

The chart shows clearly the large advances that have been made by certain domestic commodities under Government buying and loan programs, notably cotton, print cloth, and cottonseed oil. In marked contrast are the small price advances made by certain critical industrial materials controlled by price restrictions, notably tin, copper, lead, and steel scrap.

Farm prices lower in November

Department of Agriculture data for individual farm products show that prices of many important farm products declined in November, which reduced the price index for all farm products to 135 on November 15 from 139 in the previous month. This compares, however, with an index of only 99 on November 15 last year. (See Chart 3.)

In contrast to the declining tendency for most farm prices in the past two months, it will be noted that prices of dairy products and poultry products continued a seasonal rise, and that prices of rice and apples made noticeable gains.

Cotton textile prices lifted

On Wednesday, and again on Friday, cotton prices rose enough to lift automatically, for the third time within ten days, the sliding-scale ceilings on certain standard cotton cloths and on certain yarns. The conclusion can be drawn that the flexible ceiling on cotton textiles effects little or no control over inflation, but merely maintains mill prices in line with prices for raw cotton.

Sliding-scale crop loans proposed

Among the developments last week which contributed toward raising prices of agricultural commodities was an announcement by Senator Bankhead that legislation was being prepared which would automatically revise the level of Government loans on basic commodities whenever parity prices for such products change as much as 3 percent. This would be a substitute for the present legal provision that the loan rates remain unchanged throughout the crop year.

If the proposed legislation is enacted it will mean that the loan rates on various commodities would probably be raised somewhat to bring them in line with present parity levels. Wheat would be among those most affected, since the present loan rate was set earlier in the year before parity prices made their marked increases of recent months. In the case of No. 2 hard winter wheat at Kansas City as of November 15, the loan level under the Bankhead proposal would be about \$1.19 per bushel as compared with the loan level of \$1.10 per bushel as of July 1.

Retail buying increasing

Our entry into war, with the threat of higher commodity prices and intensified shortages of various materials, seems likely to bring another expansion in consumer buying of various products, although the sobering effect of the reality of war may limit the buying of luxury items.

A greater than seasonal increase in retail buying was under way during November, according to data on department store sales. The seasonally-adjusted index of department store sales rose to 115 in November from 105 in October. It is still substantially below the August peak of 134.

As the usual sharp seasonal expansion in department store sales got under way in the week ended November 29, sales ran 15 percent above year-earlier levels as compared with a gain of 11 percent in the previous week. (See Chart 4.) While the sales gain over year-earlier levels has widened moderately since October, it is still running behind the rate of gain for the first 11 months of the year. Moreover, after allowance is made for the rise in prices since 1940, it appears that the actual physical volume of goods sold in department stores recently is little changed from a year ago.

Factory payrolls at new high

The increase in retail buying reflects a continued uptrend in consumer incomes. Thus, factory payrolls rose more than seasonally from mid-September to mid-October, and attained the highest level on record. Factory employment during the same period showed a very slight decrease, despite further substantial expansion in such industries as shipbuilding and aircraft. (See Chart 5, upper section.) Shipbuilding employment increased 10 percent during the month while aircraft employment was up nearly 7 percent. Nevertheless these and other gains did not quite offset a sharp seasonal employment decline in the canning and preserving industries, and certain employment dislocations caused by shortages of materials.

This last-mentioned factor reduced employment in such industries as those producing washing machines, refrigerators, and silk and rayon, and even caused slight employment decreases in some important defense industries. Thus the steel scrap shortage and a lack of steel at finishing mills was largely responsible for an employment decrease of 2,800 at blast furnaces, steel works and rolling mills, while

metals shortages cut employment by 1,000 in the brass, bronze and copper products industries, according to the Bureau of Labor Statistics.

Reference to Chart 5 will disclose that factory pay-rolls during the past year have expanded more rapidly than factory employment, owing to higher wage rates, increased working hours, and greater overtime payments. This trend has been reflected in a substantial rise in the average weekly earnings of factory workers, and by mid-October the gain over year-earlier levels amounted to nearly 22 percent.

Accentuated production rise in prospect

The initiation of an all-out war effort will tend to accentuate the rising trend of industrial production, since the output of war materials will doubtless be speeded by increased shifts, increased working hours, and a greater effort to expand the output of necessary basic materials.

In the week ended November 29, weekly business indexes moved up sharply, thus abruptly reversing the previous week's declines which had been due in part to the coal strike. Barron's index of business activity rose 3.8 points to 141.7, while the New York Times index advanced 3.6 points to 133.4.

The principal factor in the rise in the Times index was a substantial gain in freight carloadings, which pushed up the adjusted index of miscellaneous carloadings to the highest level on record and resulted in a wide gain in the index of "all other" loadings. Freight carloadings are declining less than seasonally, in line with earlier expectations. By the last week in November, carloadings were only 6 percent below the October peak, in contrast to a customary decline of around 13 percent.

Scrap shortage may hinder expansion in steel production

Steel operations last week rose slightly above the level prevailing just before the recent coal strike, but the production outlook continues to be clouded by the steel scrap shortage. The magazine Steel says this week that "conditions grow worse in regard to scrap, and steel production is being curtailed at some points as a result."

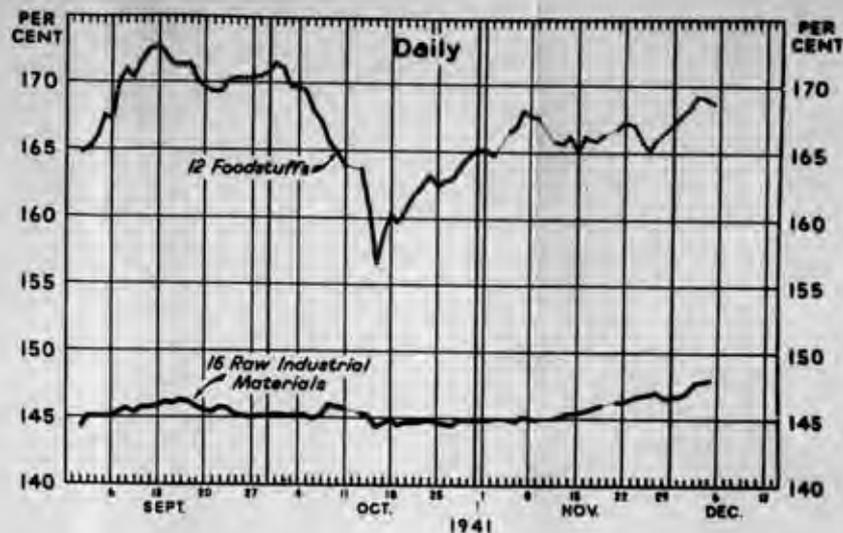
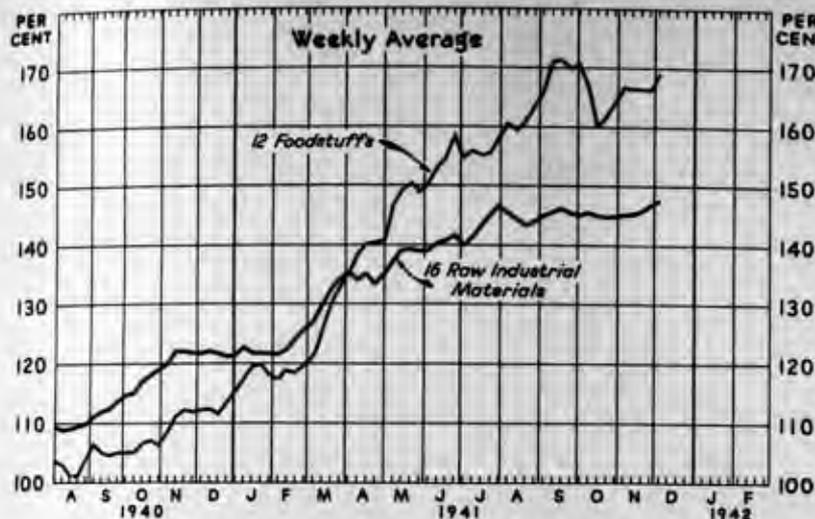
The Institute of Scrap Iron and Steel recently estimated that scrap consumption this year would total about 52 million tons, which is more than 10 million tons above the previous record high set in 1940. The Deputy Director of the OPM Materials Division stated last week that he favors a national campaign to collect iron and steel scrap and other waste materials, and indicated that the OPM was giving thought to the matter. After rising 1.7 points to 97.6 percent of capacity last week, steel operations during the current week are scheduled at 97.5 percent of capacity.

New orders index lower

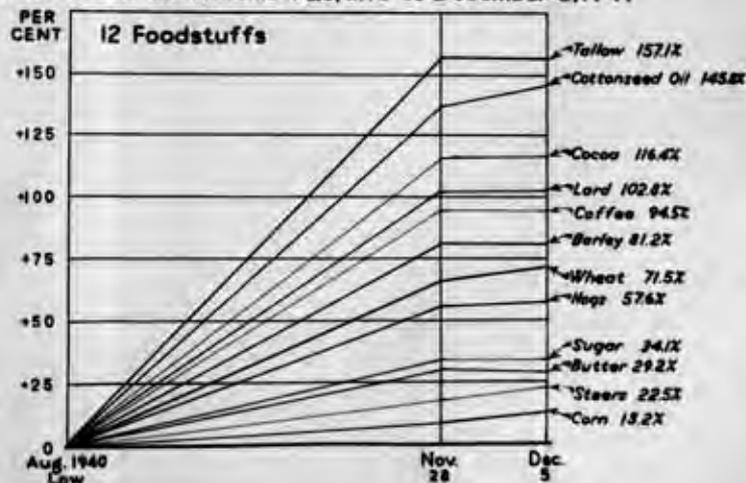
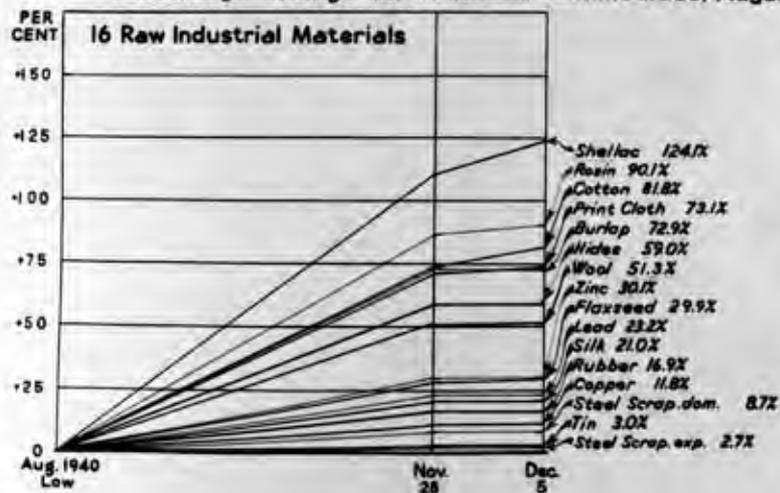
Due to a reaction in new textile orders from recent unusually high levels and a drop in new steel orders to the lowest level of the year, our new orders index showed a further substantial decline in the last week in November. (See Chart 6.) New orders for steel dropped to 70 percent of capacity from 99 percent in the previous week, although the decline may have been due in part to holiday influences. New orders for products other than steel and textiles showed a moderate rise.

MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100

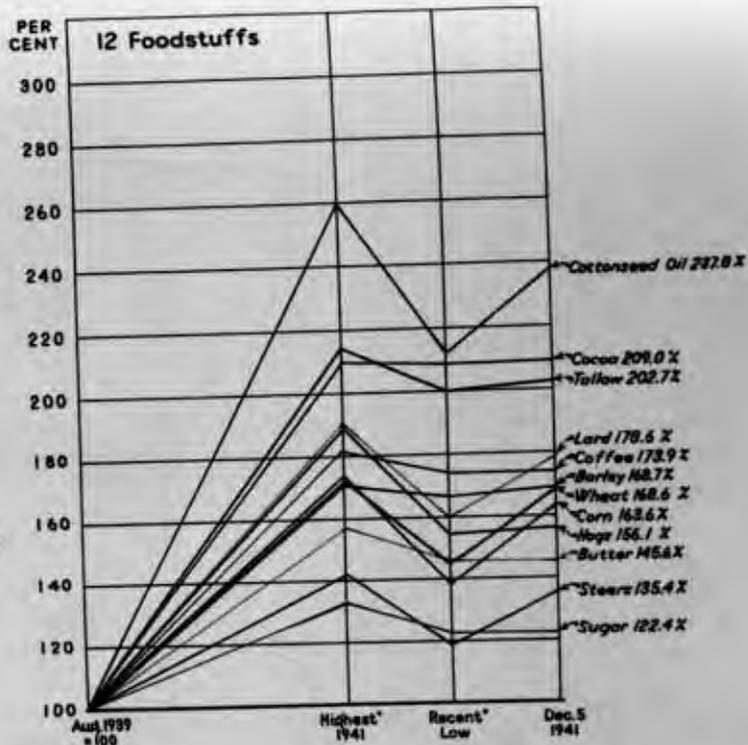
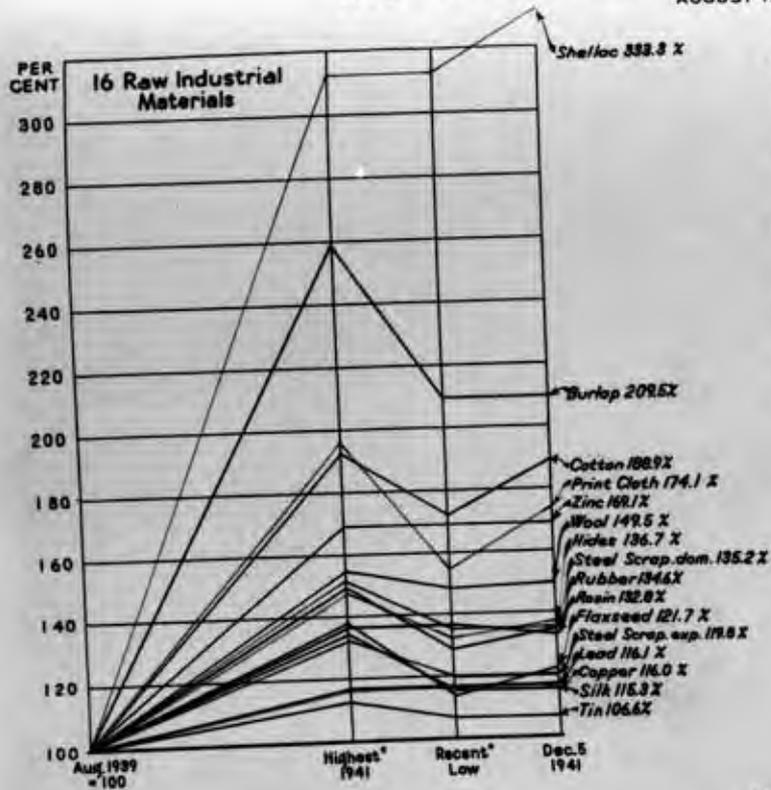


Percentage Change for Individual Commodities, August 1940 Low to November 28, and to December 5, 1941



MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100



*Prior to Dec. 1

Office of the Secretary of the Treasury
Bureau of Economic Warfare

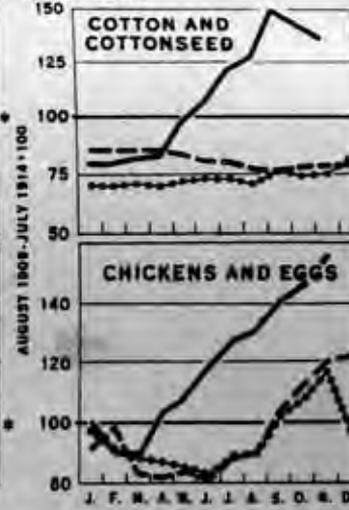
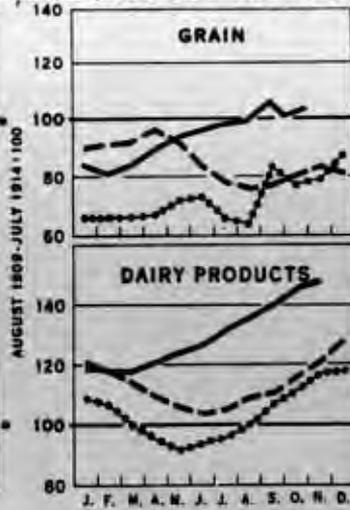
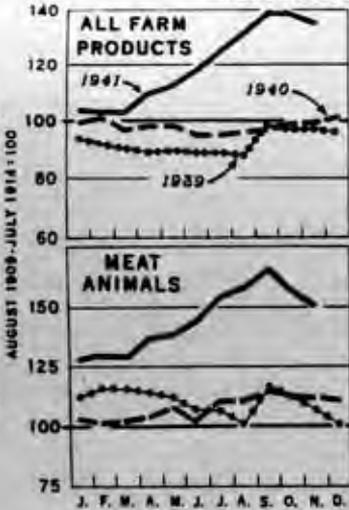
142

Chart 2

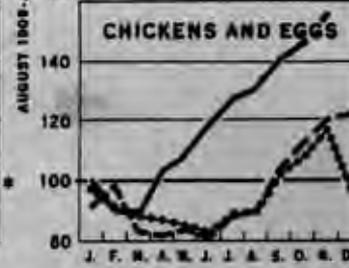
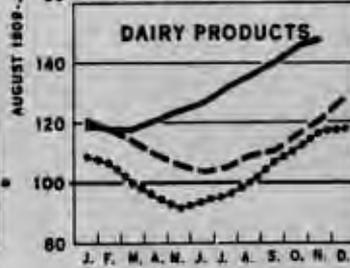
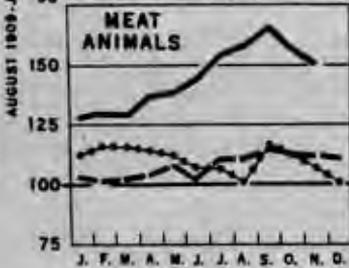
PRICES RECEIVED BY FARMERS: GRAPHIC SUMMARY FOR THE UNITED STATES

INDEX NUMBERS (AUGUST 1909-JULY 1914=100)

ALL PRODUCTS, GRAIN, AND COTTON

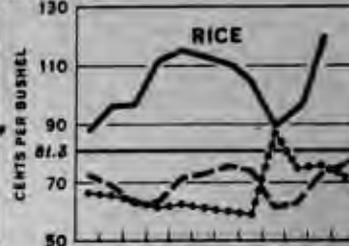
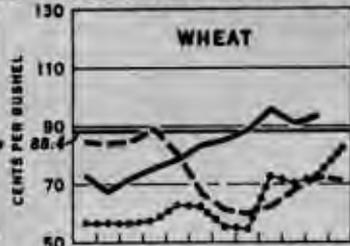
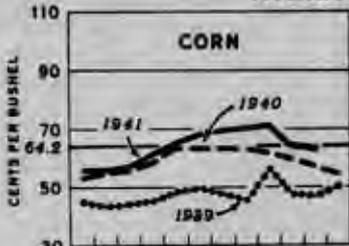


ANIMAL AND ANIMAL PRODUCTS

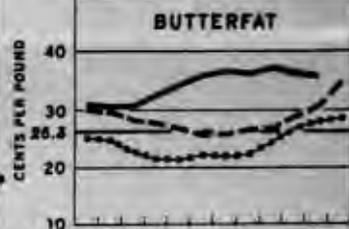
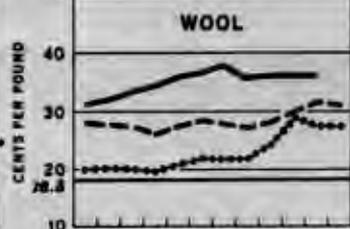
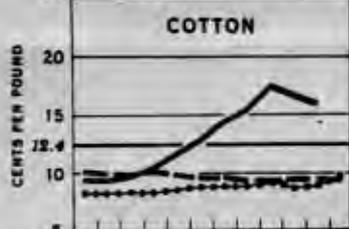


AVERAGE PRICES RECEIVED BY FARMERS

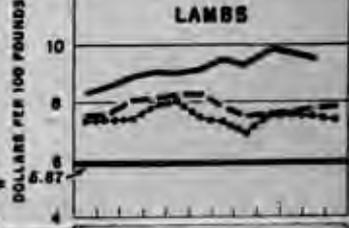
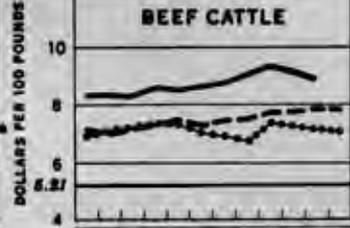
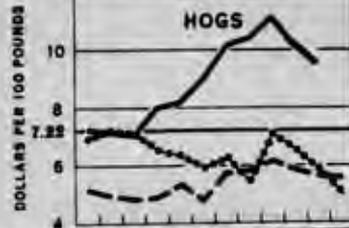
GRAINS



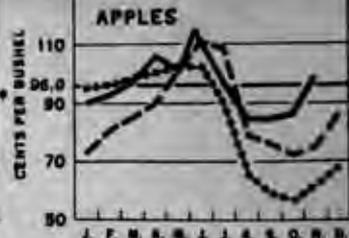
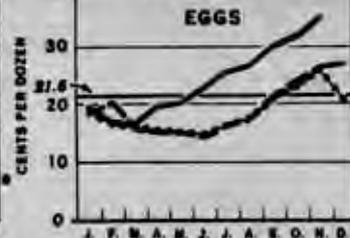
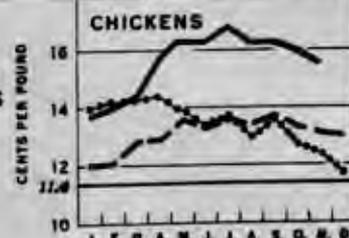
FIBERS AND FAT



MEAT ANIMALS



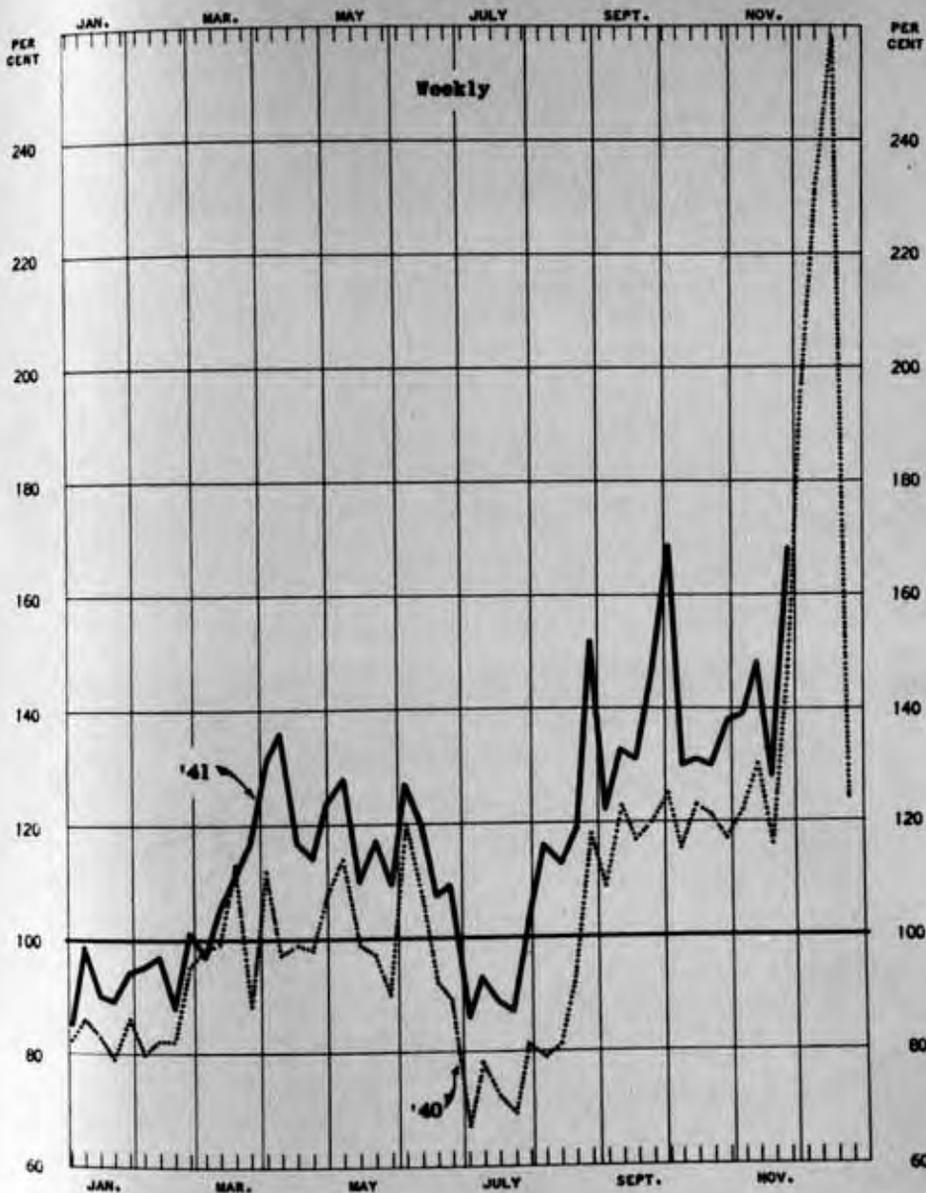
POULTRY PRODUCTS AND APPLES



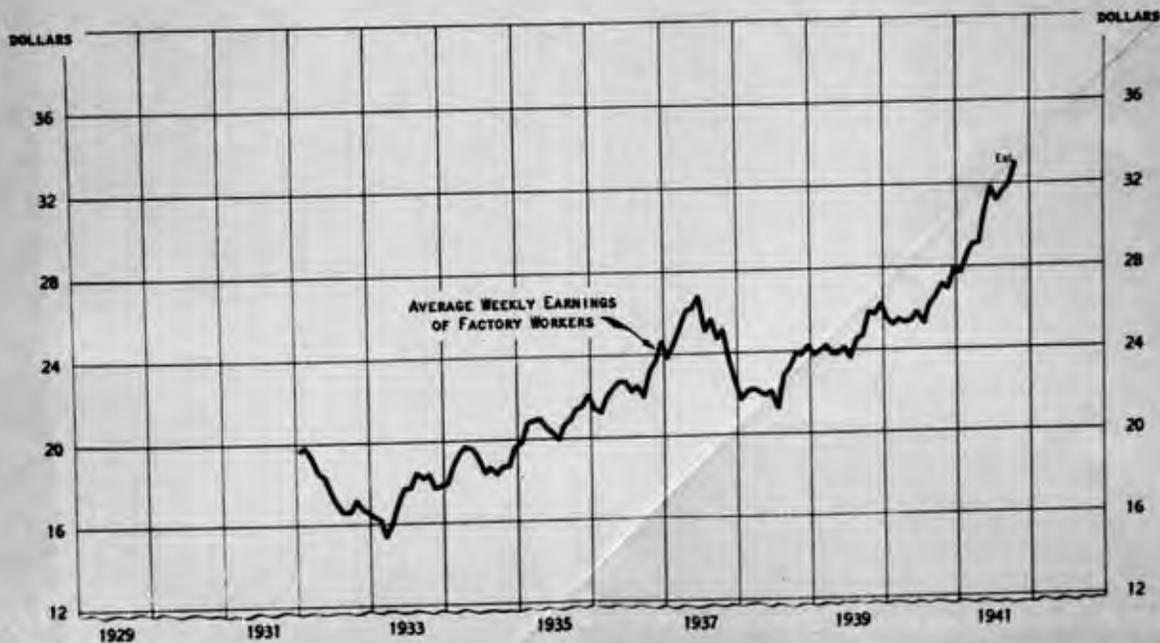
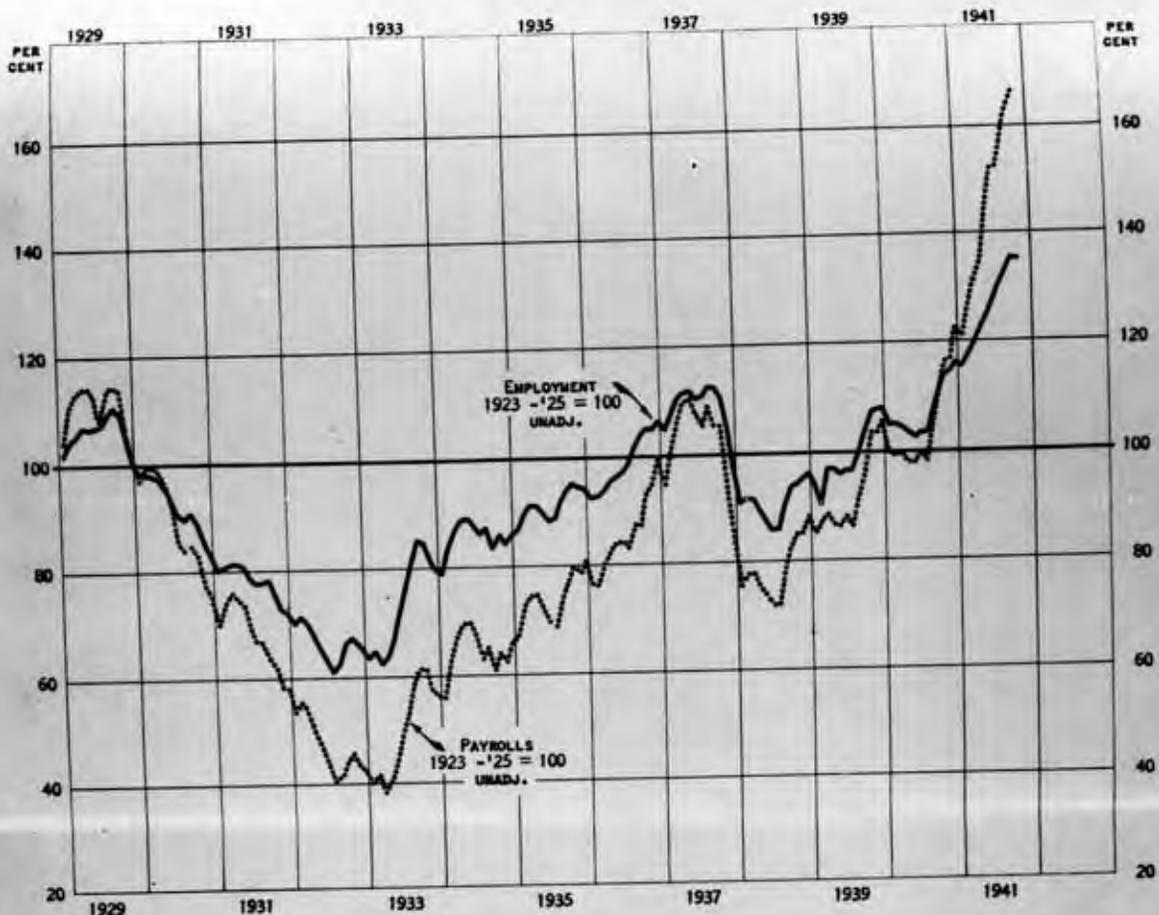
8-YEAR AVERAGE, AUGUST 1909-JULY 1914

DEPARTMENT STORE SALES

1935 - '39 = 100, UNADJUSTED

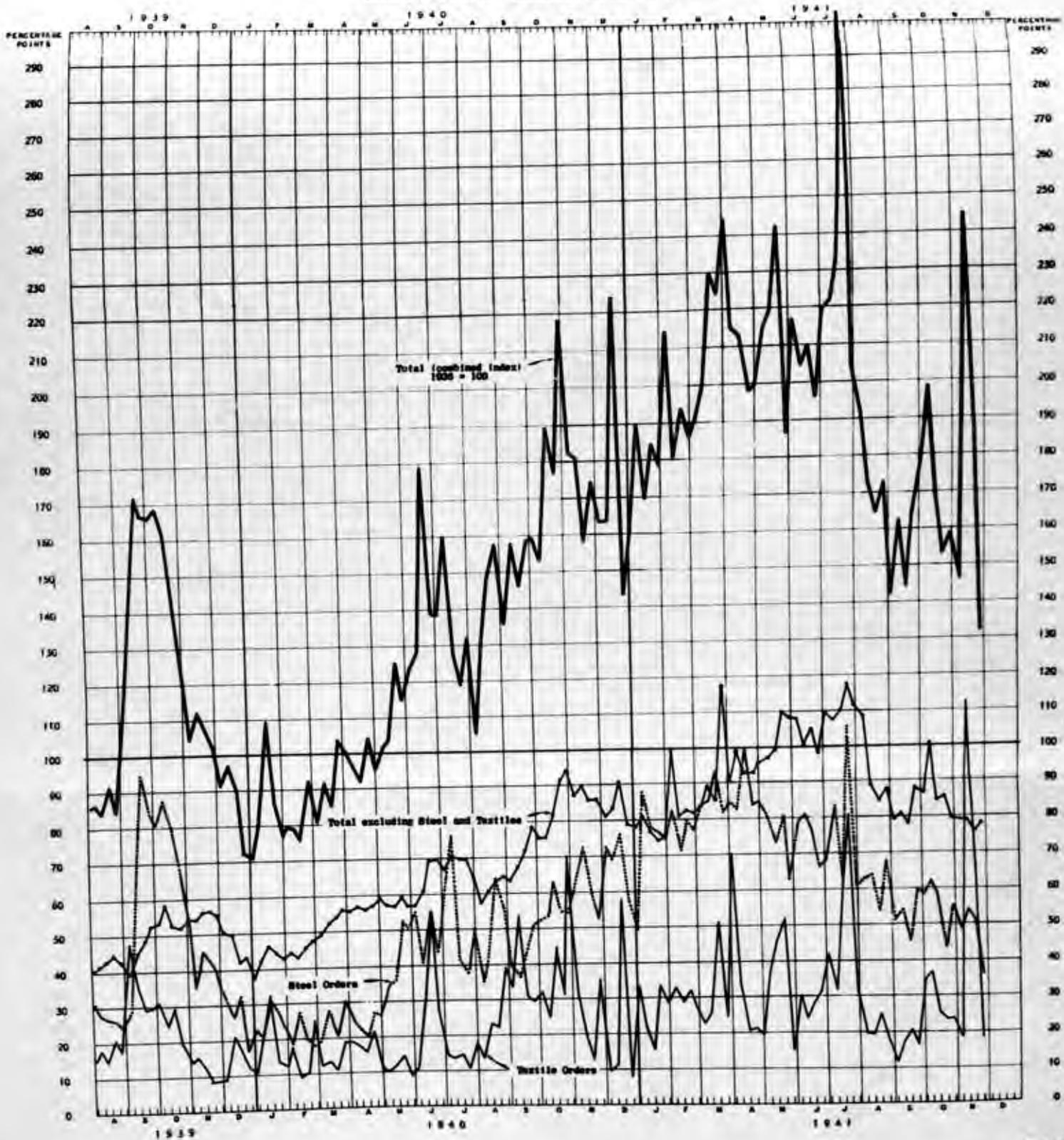


FACTORY EMPLOYMENT, PAYROLLS AND WAGES



SOURCE: B.L.S.

INDEXES OF NEW ORDERS
 Combined Index of New Orders and Selected Components





OFFICE OF THE ADMINISTRATIVE
ASSISTANT TO THE SECRETARY

TREASURY DEPARTMENT

WASHINGTON

December 8, 1941

Memorandum to Mr. Wilson,
Chief, Secret Service.

The Secretary approves the use of the Secretary's private entrance and elevator by the following individuals:

Under Secretary Bell
Assistant Secretary Gaston
Assistant Secretary Sullivan
General Counsel Foley
Mrs. Klotz
Mr. Fitzgerald
And: Any guests of the Secretary

The following persons are authorized to use the Secretary's private entrance, but not the elevator:

1. Ambassadors and high ranking officials from other Departments when they come to see Messrs. D. W. Bell, Gaston, Sullivan, Foley or Mrs. Klotz.
2. All persons allowed to use a Treasury car.
3. Chauffeurs who drive cars at the Secretary's entrance and the Secretary's messengers, which will include Dowling and those designated by him.

This Order supersedes all prior orders with respect to the use of the Secretary's private entrance and elevator.

Administrative Assistant
to the Secretary.

FOR DELETION

BY



The Secretary		Used Elevator
Mrs. Flota	Secretary's Office	" "
Mr. D. S. Bell	" "	" "
Mr. Sullivan	" "	" "
Mr. Gaston	" "	" "
Mr. Foley	" "	" "
Mr. Fitzgerald		Walked up.
Mr. Ward (Guest)	U.S. Coast Guard	Used Elevator
Adm. Wawache	General Counsel	Walked up (Used car)
Mr. Kades	Monetary Research	" " (" ")
Mr. Kamsarck	General Counsel	" " (" ")
Mr. Bernard	(Guest)	Used Elevator
Ambassador to Mexico	Dept. of State	" "
Mr. Sumner Welles (Guest)	?	Walked up (Used car)
Mr. Calodey	Foreign Funds	" " (" ")
Mr. Mann	(Russian Embassy)	Used Elevator
Mr. Cronyko (Guest)	Dept. of State	Walked up
Mr. Atcherson (Guest)	General Counsel	" " (Car)
Mr. Reeves	Foreign Funds Control	" " (Used Car)
Mr. Lawler		Used Elevator
The British Ambassador (Guest)	Dept. of State	" "
Mr. McReynolds (Guest)	White House	Walked up (Used car)
Mr. Slough	Tax Research	" " (" ")
Mr. Joseph O'Connell	General Counsel	" " (" ")
Mr. Bernard Bernstein	" "	" " (" ")
Mr. Huntington Cairns	" "	" " (" ")
Mr. V. N. Thompson	Secretary's Office	(Used Elevator)
Mr. Elmer L. Irey (Guest)	Internal Revenue	" "
Dr. White (Guest)	Secretary's Office	Walked up (Used car)
Mr. and Mrs. McHugh	" "	" " (" ")
Mr. Harold Graves	" "	" " (" ")
Mr. C. S. Bell	" "	Used Elevator
Dr. Viner (Guest)		" "
Adm. Nimity (Guest)	Navy Department	" "
Sir Fredrick Phillips (Guest)	British Embassy	" "
Dr. Hu Shih (Guest)	Chinese Ambassador	Walked up (Used car)
Mr. Broughton	Public Debt Divsn.	Used elevator
Mr. Stacy Maye (Guest)		" "
Mr. Frocope (Guest)	Finnish Minister	" "
Mr. Goldenwiser (Guest)	Federal Reserve System	" "
Mr. M. Eccles (Guest)	" " "	" "
Mr. Currie (Guest)	Dept. of State	" "
Dr. Stewart (Guest)		" "
Mr. Nelson Rockefeller (Guest)	Pan. Amer. Good Will	" "
Secretary Knox (Guest)	Navy Department	" "
Mr. Phillip Murray (Guest)	Pres. of C.I.O.	Walked up (Used car)
Mr. Schoeneman	Secretary's Office	" " (" ")
Mr. Ryan	Accts. & Deposits Divn.	" " (" ")
Mr. Klingsmith	c/o C.S. Bell	Used Elevator
Adm. Johnson (Guest)	U.S. Coast Guard	" "
Mr. Quark (Guest)	Natl. Bur. of Standards	Walked up (used car)
Mr. Baffington (Guest)	?	" " (" ")
Dr. Schwarz	Secretary's Office	" " (" ")
Mr. Lufford	General Counsel	

Mr. Eaker-Rock	Tax Research	Walked Up(Used car)
Mr. Klotz	Procurement Divan.	Used Elevator
Mr. Spingarn	General Counsel	Walked Up (Used car)
Mr. Stettinius(Guest)	O.P.M.	Used Elevator
Sept. Balfour (Guest)	British Government	Used Elevator
Mr. Edward Bernstein	Monetary Research	Walked Up(Used car)
Dr. Gulick (Guest)		Used elevator
Mr. Mrs. Delano	Compt. of Currency	Walked up
Dr. Viner(Guest)		Used Elevator
Mr. Harriman(Guest)	White House	Used elevator
Mr. Strauss(Guest)	Fed. Housing Admn.	" "
T. F. Soong(Guest)	Bank of China	" "
Mr. Tarleau	Gen. Counsel's Office	Walked up (used car)
Dr. McGill(Guest)		Used Elevator
Mr. Longstreet(Guest)	To see D.W. Bell	" "
Cong. Stratten(Guest)	U.S. Congressman	" "
Mr. J. Edgar Hoover(Guest)	F.B.I., Dept. Justice	" "
Mr. Sherbondy	General Counsel	Used car-Walked Up
Miss Forbush	Secretary's Office	Used Elevator(used car)
Col. Greenbourn(Guest)	U.S. Army	" "
Mr. McLeish(Guest)	Library of Congress	" "
Mr. Lubin (Guest)	White House	" "
Mrs. D. W. Bell		" "
Mrs. Foley		" "
Mrs. Gaston		" "
Mrs. Sullivan		" "
Secy. Wickard(Guest)	Dept. of Agriculture	" "
Mr. Hopkins(Guest)	White House	" "
Mr. Crometia(Guest)	To see Dr. White	" "
Mr. Blough	Tax Research Divn.	Walked up(used car)
Mr. Cartland	Treas. Labor force	Walked up(used car)
Mr. Manning	Foreign Funds Divsn.	" " (" ")
Mr. Martin	" " "	" " (" ")
Cong. Doughton(Guest)	U.S. Congressman	Used elevator
Miss Dimond	Treasury Library	Walked up
Mr. Shere	Tax Research	" " (used car)
Mr. Stopford(Guest)	British Embassy	" " (" ")
Mr. Reins	Division of Accounts	Used elevator(used car)
Dowling	Secretary's Messenger	Walked up (used car)
Miss Klein	Foreign Funds	" "
Mr. Bertell	Public Debt	Used elevator
Senator Byrd(Guest)	U.S. Senator	" " (used car)
Mr. Morris	Secretary's Office	" "
The Vice President(Guest)		" "
Mr. Sherwood(guest)	General Counsel	Walked up
Miss McGuire	Office of Secretary	Used elevator(used car)
Mr. Kuhn		" "
Mr. House(guest)		" "
Mrs. Isaac(guest)	To see Mrs. Klotz	" "
Dr. Paul (guest)		" "
Mr. Dearheart(guest)		" "
Mr. Carlock	Foreign Funds	Walked up (used car)
Mr. Cochran	Secretary's Office	" " (" ")
Mr. Horn	Foreign Funds	" " (" ")

December 8, 1941.

Dear Mr. Henderson:

I should have thanked you before this for your letter praising the cooperation which you have received from the Treasury Department in connection with your study of retail prices on motor vehicle tires and tubes.

I shall be glad to see that Mr. O'Connell and Mr. Cross, whom you particularly mention, know of your letter of commendation. I feel sure that they were glad to give you the assistance that you asked, and will be pleased to know that you considered their work so satisfactory.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Leon Henderson,
Administrator, Office of Price
Administration,
Washington, D. C.

GEF/dba

OFFICE OF PRICE ADMINISTRATION
WASHINGTON, D. C.

LEON HENDERSON
ADMINISTRATOR

NOV 19 1941

Refer to 5:12:12PM

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

My dear Mr. Secretary:

I greatly appreciate the cooperation which this Office has received from your Department with respect to the gathering of data on prevailing retail prices for motor vehicle tires and tubes.

The curtailment of tire production because of priority regulation over crude rubber, has made it imperative that this Office be prepared in the near future to take necessary action to stabilize retail prices of tires and tubes. The survey which is to be made on November 26, through the enlistment of the services of the deputy collectors, will furnish this Office with necessary price data which could not be collected at the present time by our own organization with its limited staff.

Our request for assistance was given prompt and courteous attention by Mr. J. J. O'Connell and Mr. A. H. Cross, who generously worked with members of my staff in organizing the field work to be done by the deputy collectors.

I feel sure that the results of the survey will be of great assistance to this Office in the discharge of its duties, and will serve our mutual desire to prevent inflationary price movements.

Sincerely yours,



Leon Henderson
Administrator

December 8, 1941

153

My dear Mr. Hoover:

This will acknowledge receipt of your letter of December 3rd concerning remarks of the Argentine Minister for Greece and Turkey at Geneva, and for your letter of December 4th enclosing a memorandum "Enforcement of Article Six of Franco-Brazilian Payment Agreement of June 18, 1940."

I have read both of these communications with interest.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Edgar Hoover,
Federal Bureau of Investigation,
Department of Justice,
Washington, D. C.

154

12/6/41

Photostatic copy to Mr. Gaston.

JOHN EDGAR HOOVER
DIRECTOR

155

**Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.**

December 3, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

As of possible interest to you, there is enclosed herewith a memorandum concerning remarks made by the Argentine Minister for Greece and Turkey who is located at Geneva, Switzerland, during April 1941, concerning the new order in Europe and the reactions of the Argentinians to the international changes.

This information has been received from a reliable, confidential source.

Sincerely yours,

J. E. Hoover

Enclosure

THE NEW ORDER IN EUROPE: ARGENTINIAN REACTIONS

APRIL 1941

"A few days ago the well-known sociologist, Professor Guillermo Ferraro, said to me: 'There is no doubt that the present war will be revolutionary in the full sense of the word. The only thing that can be foreseen, in my opinion, is that the right to "living space" and the application of the new theories, if they triumph, are going to affect the economic and political life of South America most profoundly'.

"When the Germans or Signor Mussolini speak of the Europe of tomorrow they seem to be convinced that the face of Europe is already marked in part with the political, economic and moral seal of the authoritarian and totalitarian system. They are confident that in most European states each day will bring more urgent pressure from the masses for a radical change in the present social structure. They cite Spain and Portugal as the first countries which have spontaneously and automatically adhered to the new order. The efforts of Marshal Petain and his immediate collaborators have given France an outlook very similar to the revolutionary plans of the Duce and the Fuehrer...Nearly all of Europe would seem, by natural gravitation, to be adapting itself to its fate, that is, to the principles and concepts of the New Order.

"Another with whom I spoke expressed himself as follows: 'Germany alone cannot organize Europe. The participation and collaboration of other nations, both large and small, is indispensable, since each has deep roots in the moral and psychological soil of our continent. Any alternative would bring the risk of all Europe rising against her'.

"Mussolini is more explicit, or rather less discreet, about the dominant place reserved to the Axis in watching over the peaceful development of solidarity, whether voluntary or imposed...Solidarity pre-supposes a voluntary discipline and discipline requires a control which Germany and Italy naturally exercise! It is claimed that each state will have to surrender part of its sovereignty to the European community. The chief task of the peace treaty at the end of the war will be to secure these sacrifices.

"In spite of Berlin's insistence that the Reich's aim will not be to exercise German domination in Europe, the role of Germany cannot but pre-occupy all continental countries, not excluding her ally. The danger is evident. German forces have acquired such supremacy that they can enslave the continent and command its destiny.

If England is defeated, German preponderance will be inevitable. And logically so, through their geographical situation in the heart of the continent; through the prestige of her history; through her military power, her moral unity, her large population, her racial vitality, her technical and industrial development, and her dynamic civilization and organizing power.

The center of gravity of Europe has shifted from London to Berlin... With a population of 80 million of staller race, language and culture, the German people today constitute the most powerful unit in Europe....

At the end of the war the immediate question will be the economic reconstruction of Europe. The ideas of the Axis powers are based on the belief that Europe must organize or perish. They hold that Europe, that is, continental Europe excluding the Soviet Union and Great Britain, which are considered as extra-European powers belonging to separate areas - this Europe is passing through one of the most serious economic crises in its history. Having lost its leading position since 1914, its exports diminish year by year in alarming fashion. Yet apart from iron and coal nearly all its raw materials - oil, rubber, metals, wool and cotton, etc., must be imported, thus destroying the whole continental balance of trade. There results from this disproportion a steady drain on capital, which demands the urgent revision of its economic system... Europe more than ever must live on her own resources. If not, she will become a region of no importance in relation to the development of other regions like America and the Far East..

*Europe will no longer be able to export in the same volume as before the war, and similarly will be obliged to reduce her imports.

*Tariff policy will have to be changed entirely. The Europeans states, will stage by stage, create a vast Customs Union, so that economically Europe will present the same appearance as the forty-eight United States in which the differences of climate, products, and agricultural and industrial possibilities are not greater than in Europe... While the Customs Union is being created, European countries under Axis direction will have to exchange their goods and products among themselves... Production will be rationalised according to the special capacities of each. It is not possible to create a new order without breaking up the old system, which often involved high production costs owing to small markets. The manufacture of motor cars, for example, will be limited to three or four types.

*Gold will cease to rule the economic policy of Europe, and will be replaced by a monetary standard - the mark and the lire. The currency of other European states will have a subsidiary value within their own territories. Gold will have a secondary importance, in covering the balance of payments between Europe and the United States, which will be reduced to

- 3 -

a minimum. Trade with South American countries will be on a barter basis.

"The German-Italian experience-they claim-has shown that gold is unnecessary as a backing for internal fiduciary circulation, and they maintain that paper money issued by a strong and disciplined state maintains its internal purchasing power even when completely unconnected with the gold reserve. Paper money, they say, is only a symbol and as such represents the sum of the power, the will and the vitality of a people...Gold-covered paper money will be succeeded by work-money, representing the potential production of a nation, that is to say, the sum of the energy and creative capacity of its industry, agriculture and commerce...

"Berlin is well aware that there is underground opposition in the occupied countries to these German war aims. In France, Belgium, Norway, Holland and even Roumanis, symptoms of deep political unrest are to be seen. But the German authorities view these without alarm and do not seem to attribute much importance to them. They can be traced chiefly to the fact that these countries have two governments - one internal and one external - so that in Belgium, Holland and Norway there is a profound division between those at home and those abroad. Some are for collaboration with Germany, others believe in loyally supporting their exiled governments. The question would seem to be, how to prove which group is the greater? The strength of the two sides varies in accordance with the current military situation. British successes strengthen the exiled governments; German victories reinforce the home governments. Victory is the barometer of these fluctuations among the conquered peoples. Only the force of arms can finally incline them to one side or the other.

"According to the impression of high personages who have come from Germany, anxiety over President Roosevelt's attitude is not hidden in Berlin. It is certain that every effort is being made by the Reich Government to prevent friction, and there is absolutely no desire to go to war with the United States. A belief is current in Berlin that some American quarters desire war and use all their influence to provoke it. It is highly revealing to read the German press. The dailies, unlike their Italian counterparts, avoid disrespectful epithets and anything that might be regarded as provocation. They pretend to ignore American attacks..The policy of the Wilhelmstrasse seems to be to avoid any act which might make relations more difficult between the two countries. They try to show that neither directly nor indirectly do they wish to interfere in American affairs.

"Germany", a high Reich official told me, 'abides strictly by the Monroe Doctrine, under which the Americans will not permit Europeans to intervene in questions concerning their continent. 'But, he added, 'if America is for the Americans, Europe should be for the Euro-

- 4 -

peans, who in their turn ask Americans to mind their own business. Such should be our respective attitudes toward each other's spheres, if a lasting peace between the Old and New Worlds is to be established..'

"The truth is', it is said in Berlin, 'that the United States expect and fear developments in the European situation contrary to their own interests. A united and self-sufficient Europe would destroy or considerably diminish the demand for American raw materials. The profits of American business men would vanish.'"

160

12/6/41

Photostatic copy to Mr. Gaston

JOHN EDGAR HOOVER
DIRECTOR

161

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

December 4, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

As of possible interest to you, there is enclosed herewith a memorandum entitled "Enforcement of Article Six of Franco-Brazilian Payment Agreement of June 18, 1940", dated June 6, 1941, which memorandum has been received from a reliable, confidential source.

This agreement of the French Government was confirmed by Jules Henry, Financial Adviser, French Embassy, Buenos Aires, Argentina, to M. Oswaldo Aranha, Minister for Foreign Affairs in Rio de Janeiro, Brazil.

Sincerely yours,

J. E. Hoover

Enclosure

ENFORCEMENT OF ARTICLE 6 OF FRANCO-BRAZILIAN PAYMENT
AGREEMENT OF JUNE 18th 1940

June 6, 1941

With a view to enforcement of Article 6 of the Agreement of June 18, 1940, the nominal value of the obligations of the Brazilian National Debt which will be the object of the total withdrawal provided for in that Article is fixed at the following figures:

3% gold Port de Pernambuco -	36,723,000 francs
4% " 1910	93,836,500 "
4% " 1911	57,735,000 "
5% " 1908-1909	24,253,000 "
5% " 1910	14,638,000 "
Funding 5% at 20 years	52,442,650 "
Funding 5% at 40 years	125,010,062.50
5% 1908-1909 Itapura	96,181,500 "

The restitution of funds not utilized which is provided for in Article 6 of the letter of June 18, 1940 will be made on the basis of the rates at which the French Government will have thought it advisable to redeem these obligations and the number of obligations remaining in circulation at the end of two years, taking into account the amounts in circulation referred to above.

The Brazilian Government will pay according to the conditions of the Decree of March 8, 1940, six months interest on each loan, sinking-fund payments being suspended.

With regard to the two funding loans at 20 and 40 years, the sums already paid for coupons Nos. 14 and 20 respectively will be restored to the Brazilian Government as well as the sums set aside for the sinking-fund on these loans and not yet utilized.

The obligations will therefore be restored by the French Government as follows:

5% gold 1909 Port de Pernambuco coupon	August 1938 attached
4% gold 1910 "	September 1938 attached
4% gold 1911 "	July 1938 attached
5% gold 1908-1909 "	September 1938 attached
5% gold 1910 "	June 1938 attached
Funding at 20 years "	October 1938 attached
Funding at 40 years "	October 1938 attached
5% 1908-1909 Itapura "	July 1938 attached

In subsequent correspondence on the same matter, as of December 6, 1940, the following modifications were made:

- 2 -

5% gold Port de Pernambuco 1909.....	38,723,000
5% gold Port de Pernambuco 1916.....	24,253,000
5% gold Port de Pernambuco 1922.....	14,638,000

instead of:

5% gold, etc.....	36,723,000
5% gold 1908-1909.....	24,253,000
5% gold 1910.....	14,638,000

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

164

DATE Dec. 8, 1941

TO

Secretary Morgenthau

FROM

Messrs. Foley and Pehle

As of the opening of business December 8, 1941, there were approximately 1450 pending applications in the Foreign Funds Control. This does not include more than 550 cases being held pending policy questions which have not been determined or are awaiting clearance with other Government agencies.

S. W. J. L.

To MR. COCHRAN

Date 12/8/41 Time 3:00

Mr. LIVESBY

of

Phone

Telephoned Please call him

Called to see you

Will call again

Wants to see you

Rush

Message

American Consul General at Shanghai was closed
at 1:00 P.M. today and sealed by Japanese
authorities. Employees not arrested.

ka

amp

(COPY:FD)

KB

PLAIN

166 *[Handwritten initials]*

Shanghai

Dated December 8, 1941

Rec'd. 11:44 a.m.

Secretary of State,
Washington.

December eighth.

I have received a formal communication dated today from the Japanese Consul General reading as follows:

"I have the honor to inform you that I have been instructed by His Imperial Japanese Majesty's Government to request you that the functions of the American Consulate General at Shanghai will be henceforth suspended and that the office of the American Consulate General be closed as from today. All the officers of the American Consulate General will be treated in accordance with international law and on the principle of reciprocity". Consulate General was closed up at one p. m. and sealed by the Japanese authorities. Chilean colleague willing to look after American interests but desires formal authorization all officers, Judge of the United States Court for China and the District Attorney required to live in Metrople Hotel.

(COPY:FD)

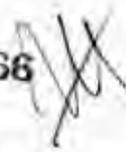
KD

PLAIN

Shanghai

Dated December 8, 1941

Rec'd. 11:44 a.m.

166 

Secretary of State,
Washington.

December eighth.

I have received a formal communication dated today from the Japanese Consul General reading as follows:

"I have the honor to inform you that I have been instructed by His Imperial Japanese Majesty's Government to request you that the functions of the American Consulate General at Shanghai will be henceforth suspended and that the office of the American Consulate General be closed as from today. All the officers of the American Consulate General will be treated in accordance with international law and on the principle of reciprocity". Consulate General was closed up at one p. m. and sealed by the Japanese authorities. Chilean colleague willing to look after American interests but desires formal authorization all officers. Judge of the United States Court for China and the District Attorney required to live in Metrople Hotel.

(COPY:FD)

KD

PLAIN

166 *XX*

Shanghai

Dated December 8, 1941

Rec'd. 11:44 a.m.

Secretary of State,
Washington.

December eighth.

I have received a formal communication dated today from the Japanese Consul General reading as follows:

"I have the honor to inform you that I have been instructed by His Imperial Japanese Majesty's Government to request you that the functions of the American Consulate General at Shanghai will be henceforth suspended and that the office of the American Consulate General be closed as from today. All the officers of the American Consulate General will be treated in accordance with international law and on the principle of reciprocity". Consulate General was closed up at one p. m. and sealed by the Japanese authorities. Chilean colleague willing to look after American interests but desires formal authorization all officers. Judge of the United States Court for China and the District Attorney required to live in Metrople Hotel.

-2- December eighth, from Shanghai.

Metrople Hotel. The Japanese Consulate General states this is a temporary measure for protection of officers. Other members of staff permitted to continue to reside at their homes. Mr. Lockhart safe and well and will remain in hospital. Other members of staff safe and well.

STANTON.

HPD

DEPARTMENT OF STATE

Washington

In reply refer to
FD

December 8, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 472, dated December 4, 1941, from the American Embassy, Chungking, China, concerning Mr. A. Manuel Fox's invitation to become an adviser on fiscal matters to the Chinese Government.

Enclosure:

From Embassy, Chungking,
No. 472, December 4, 1941.

Copy:jpt
12-8-41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China,

DATE: December 4, 1941, 4 p.m.

NO.: 472.

This morning I was informed by Mr. A. Manuel Fox, through an officer of my staff, that he had been formally invited to become an adviser on fiscal matters to the Government of China. He had not mentioned the matter to me at any time, although I had heard rumors that he had been approached to accept such an appointment. In order that his independence as the American member of the China Stabilization Board might be fully maintained, had I been asked my opinion concerning the matter I would have advised that Fox should not accept such an appointment.

The Embassy at Chungking has information to the effect that the Government of China is either contemplating making, or is making, a request for a substantial loan from the United States.

GAUSS

Copy:jpt
12-8-41

C
O
M
M

170

TELEGRAM SENT

DJ

GRAY

December 8, 1941

4 p.m.

AMERICAN CONSUL,

HONG KONG (CHINA)

463

FOR FOX FROM TREASURY.

QUOTE. With reference to the four questions raised in your 491, November 14, it is thought here that the Stabilization Board is in the best position to say whether it wants to allow dollars to be used for these and other imports into Shanghai, considering the needs of China and the circumstances of the transaction.

In those cases, such as your questions number 1, 3 and 4, where specific licenses from the United States Treasury will be required, we are prepared ordinarily to issue the necessary specific licenses if you so recommend.

With reference to your question number 2, regarding imports from Indochina, if the payments are from a blocked account into another blocked account, specific licenses will be necessary. However, for the time being we are prepared to issue these licenses on your recommendation. UNQUOTE

HULL
(FL)

FD:FL:EMCB FE

Copy:bj:12-9-41

DEPARTMENT OF STATE

Washington

In reply refer to
FD

December 8, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of telegram No. 130, dated December 6, 1941, and a copy of telegram No. 121, dated November 29, 1941, to the American Consul, Tientsin, China, also copies of telegram No. 133, dated November 3, 1941, from the American Consulate General, Tientsin, China, concerning release of funds to Mrs. Gordon Burke, Eleven Hampshire Road, Great Neck, New York.

Enclosures:

1. To Consul, Tientsin,
No. 130, December 6, 1941.
2. To Consul, Tientsin,
No. 121, November 29, 1941.
3. From Consulate General,
Tientsin, No. 133,
November 3, 1941.

Copy:jpt
12-8-41

TELEGRAM SENT

PLAIN

BF

December 6, 1941

AMERICAN CONSUL,
TIENTSIN. (CHINA)

130. sixth.

From Treasury.

QUOTE. Reference your 133, November 3. National City Bank of New York has advised that the remittance referred to in your cable under reply will have their prompt attention. They advise that they were not aware that Mr. Gordon Burke was an employee of the United States government and have confirmed that they will instruct their office in Tientsin to effect future remittances promptly. UNQUOTE.

HULL
(FL)

FD:FL:EMcB FE

Copy:jpt
12-8-41

TELEGRAM SENT

CJ

PLAIN

November 29, 1941

AMERICAN CONSUL,

TIENTSIN (CHINA) VIA N.R.

121, twenty-ninth

Your 133, third.

Burke's allotment to Mrs. Burke commenced
with October salary.

HULL
(DWA)

123 B 911/436

DA:LLW: SJ

FA

FE

Copy: jpt
12-8-41

PLAIN

Tientsin via N.R.

Dated November 3, 1941

Rec'd 12:11 p.m. 6th

CJ

Secretary of State,

Washington.

133, Third.

My 112 September 29.

Mrs. Gordon Burke Eleven Hampshire Road,
Great Neck, New York reports unable obtain from
National City Bank, New York telegraphic remittances
of two hundred, hundred fifty and two hundred fifty
dollars for living expenses made by Burke through banks
Tientsin Branch on September 22, 29 and October 20, and
representing proceeds of checks on his right bank
account consisting solely of salary deposits.

Please render any possible assistance in effecting
release of funds, and telegraph whether Burke's allotment
of pay form dated July 28 has been received and whether
allotment to Mrs. Burke commenced with October salary.

CALDWELL

CWB

Copy:jpt
12-8-41

DEPARTMENT OF STATE

Washington

In reply refer to
7D

December 8, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 1931, dated December 7, 1941, from the American Embassy, Rio de Janeiro, Brazil, concerning Japanese funds in Brazil.

Enclosure:

From Embassy, Rio de Janeiro,
No. 1931, December 7, 1941.

Copy: jpt
12-8-41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: December 7, 1941, 11 p.m.

NO.: 1931

The Rio branch of the Yokohama Specie Bank has deposits with the Bank of Brazil approximating 34,000 contos (about \$1,700,000). Accounts with commercial banks are maintained principally in the State of Sao Paulo by Japanese firms but are relatively small in amount. The Minister of Finance and the Director of Exchange will discuss this matter tomorrow, December 8, which will be a bank holiday here. I have expressed hope that these funds will be blocked by the Brazilian Government.

CAFFERY

COPY

177

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
79

December 8, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 1932, dated December 7, 1941, from the American Embassy, Rio de Janeiro, Brazil, transmitting suggestions of the Brazilian Director of Exchange as to precautionary measures to protect exchange rates in the Americas.

Enclosure:

From Embassy, Rio de Janeiro,
No. 1932, December 7, 1941.

RECORDED
12/8/41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: December 7, 1941, midnight

NO.: 1932

All banks in Brazil will be closed Monday. Heavy sales of dollar futures on Tuesday, December 9, are anticipated by the Director of Exchange. The Director expects that there will be a very nervous market in New York and that this will affect markets in the other Americas unless precautionary measures are adopted. He makes the suggestion that the central banks in the Americas be requested by the United States Government to cooperate in maintaining cross rates. He assures me of his assistance in this regard.

GAFFERY

December 8, 1931

Mr. Liversay

Mr. Dietrich

Will you please send the following cable to Ambassador Gaffney, Rio de Janeiro, from the Secretary of the Treasury:

"Reference your number 1931, December 7, midnight:

Thank the Exchange Director for his information. We will of course continue to give the exchange position our continuous study but we do not feel that the circumstances require taking action along the lines suggested by the Exchange Director. We assume that should the milreis appreciate to any significant amount the Central Bank would acquire the dollars since the dollars so required are available for conversion into gold."

FD-202:12-8-31

TREASURY DEPARTMENT

180

INTER-OFFICE COMMUNICATION

DATE December 8, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

With reference to the attached cablegram No. 168 from Bangkok, Mr. Livesey telephoned me today. He said that the "appropriate lending agency" referred to therein is the Export-Import Bank. Furthermore, Secretary of State Hull gave instructions today that this whole matter is to be held in suspense. Consequently, there is nothing for the Treasury to do in the premises.



PARAPHRASE OF TELEGRAM SENT

TO: American Legation, Bangkok, Thailand
DATE: December 6, 1941 6 p.m.
NO.: 168 RUSH

Reference is made to the Legation's telegram no. 549, 2 p.m., dated the 4th of December.

You are authorized to assure the Thai authorities that the extension to Thailand of a credit for its current needs is fully agreed to in principle, and that - no delay is anticipated by the Department in working out details with the appropriate lending agency.

HULL
(FL)

TREASURY DEPARTMENT

182

INTER-OFFICE COMMUNICATION

DATE December 8, 1941

to Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£35,000
Purchased from commercial concerns	£ 1,000

Open market sterling was first quoted at 4.03-1/2. Around noontime, the rate moved to 4.04, and the final quotation was 4.03-3/4. There were no reported transactions.

The Canadian dollar closed unchanged at a discount of 11-1/2%.

With most South American centers closed on holiday, no quotations for the principal South American currencies were available in the New York market, except for a nominal rate of .2370 for the Argentine free peso.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped \$415,000 in gold to the Federal for its account, for sale to the New York Assay Office.

In London, spot and forward silver were again fixed at 23-1/2d. equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Canby and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

The Federal Reserve Bank's report of December 3, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled \$60,986,000, an increase of \$803,000 since November 26. Also reported were selected items from the statement of the Yokohama Specie Bank's New York Agency; these showed no appreciable change.

BRITISH EMBASSY
WASHINGTON, D.C.

December 8th, 1941.

Personal and Secret.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

BRITISH MOST SECRET

184

(U.S. SECRET)

OPTEL No. 24

Information received up to 7 a.m. 7th December, 1941.

(I) NAVAL

Air reconnaissance reported at 3.15 a.m. 6th two Japanese convoys of 25 and 10 ships respectively, escorted by Cruisers and Destroyers, off POINT CAMBO (COCHIN CHINA) course 270 degs. West. Contact has since been lost and no further news is yet available. The armed boarding vessel mentioned in yesterday's summary was sunk by torpedo aircraft. She had on board 300 British wounded and 100 prisoners of war. 201 persons were rescued. A small British merchant vessel was sunk off CROMER last night, probably by mine.

(II) MILITARY

LIBYA. 6th. Pressure by our mobile columns was maintained on the whole front BARDIA - EL ADEM and also on the enemy lines of communication in rear. Appreciable losses were inflicted. Latest reports indicate that the enemy has concentrated his forces South of EL ADEM and is moving South East towards EL GOBI which is held by our troops.

RUSSIA. German pressure on MOSCOW is continuing.

(III) AIR OPERATIONS

6th. Spitfires seriously damaged storage cisterns and buildings at two Alcohol Distilleries in the CHERBOURG Peninsula. Similar targets in the DUNKIRK area were also attacked. In operations off the Norwegian Coast, a Hudson claimed hits on a 7,500 ton merchant vessel and Beauforts probable hits on a 4,000 ton merchant vessel and a 5,000 ton tanker.

LIBYA. Nothing further to my OPTEL No. 23.

CENTRAL MEDITERRANEAN. 5th/6th. 20 Wellingtons attacked NAPIES for five hours. Over 25-1/2 tons of bombs were dropped, two 4,000 pounders starting a large fire in the torpedo factory and other bombs falling on the arsenal, air frame works and the railway centre. One of our aircraft is missing.

(IV) G.A.F.

6th. A German bomber was destroyed by our fighters South of PLYMOUTH.

MAITA. 5th/6th. About 20 bombers approached the Island during a period of nine hours. Only 8 crossed the coast causing some damage.

OPTEL No. 24

(V) AIRCRAFT CASUALTIES in operations over and from the British Isles - German I.

(VI) The transfer from the Baltic States to FINLAND of broad gauge locomotives and rolling stock, including tank wagons, will help to relieve the transport situation and assist German economic exploitation. It confirms previous reports that the whole railway system in the Baltic States has been or will shortly be converted to standard gauge and also the opinion that GERMANY intends to convert the gauge of all railways in occupied RUSSIA.

(VII) Both empty and full oil trains to and from ITALY have regular military escorts on the Roumanian - Hungarian section of the route which indicates the degree of unrest in HUNGARY and ROUMANIA.

7 December, 1941

OPTEL No. 25

Report time 1740 G.M.T. today from C. in C. CHINA that Japanese were attempting to land from 5 ships at KOTA BHARU (on East Coast of MALAYA immediately south of SIAM MALAYA frontier.)

BRITISH EMBASSY
WASHINGTON, D.C.

December 8th, 1941.

Personal and Secret.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

BRITISH MOST SECRET

(U.S. SECRET)

CFTEL No. 21

Information received up to 7 a.m., 5th December, 1941.

(I) NAVAL

3rd/4th. Motor torpedo boats and motor gun boats severely damaged a trawler in an attack on several enemy vessels off CAP GRIS NEZ; our light craft sustained some damage and a few casualties.

A Polish submarine attacked an escorted convoy of three ships on 21st November off NAVARINO and considers 1 sunk.

(II) MILITARY

LIBYA. On morning of 3rd, enemy column of tanks and mechanical transport advanced East from GAMBUT towards MENASTIR and SIDI AZEIZ and were successfully engaged by one mobile column.

Morning 4th. West of MENASTIR 40 Germans were killed, 4 guns captured and a large number of mechanical transport vehicles destroyed.

Pressure on enemy centres of resistance in frontier area continues.

(III) AIR OPERATIONS

4th. A 2500 ton merchant vessel was attacked by a Raider off Southern NORWAY and left on fire and sinking.

4th/5th. All operations cancelled.

LIBYA. 2nd. Our fighters destroyed 1 enemy aircraft on ground at BARCE, probably destroyed 20 and damaged a further 6.

3rd. Though operations were restricted by bad weather, our bombers successfully attacked mechanical transport N.E. of SIDI REZEGH scoring many hits.

4th. Petrol and oil lorries were (7set) on fire in SIRTE area and 3 enemy aircraft were damaged on DAMEY aerodrome. Report from military source states during fighter sweep in EL ADEM - SIDI REZEGH area we destroyed 13 enemy aircraft, probably destroyed 7 and damaged 11. 3 of our fighters are missing.

CENTRAL MEDITERRANEAN. 4th. Blenheims from MALTA attacked railway sidings at ST. GIOVANNI near REGGIO. A train of 24 petrol wagons was completely burnt out and 2 other fires were started in railway centre. 1 Blenheim is missing.

(IV) G.A.F.

Nothing to report.

(V) The Italians appear to be disputing with Germans over ITALY's share in Roumanian oil. The Italians complain that their recent agreed quota cannot be delivered (Gas) Germans are refusing tank car facilities. Meanwhile the sea route via DARDANELLES has proved too costly to be workable.

ITALY's oil stocks are believed to be virtually exhausted and minimum import requirements to maintain her war effort are estimated at 100,000 tons a month. Deliveries from ROUMANIA have dropped from 110,000 tons in September to below 80,000 tons in October and indications are that they will fall even lower.

(VI) The Germans are making more and more use of producer gas. They have announced that in German-controlled Europe, 150 thousand lorries have already been fitted with generators and that plans are in hand for converting further considerable numbers. More agricultural tractors and even canal barges are also being fitted with generators. In ROUMANIA, Methane gas is being developed as a substitute for oil.

(VII) RUSSIA

There is reason to believe heavy Russian attacks have been made in DONETZ Basin. In ROSTOV area the Russians have passed retreating German force to River MIUS North of TAGANROG.

OPTEL NO. 22.

Begins:- (Information received up to 0700 6th December).

(1)

NAVAL.

1 of H.M. Armed Boarding Vessels has been damaged or sunk between Alexandria and Tobruk. Several survivors have been rescued. 33 survivors from a medium sized British Merchant Vessel were landed at Madeira on 4th. The ship was in a Southbound Atlantic convoy and was torpedoed on 30th November South South East of Azores. 17 of crew are missing.

(ii)

MILITARY.Libya.

4th. On morning of 4th enemy attacked El Duda from West and South East and from area of Bir El Hamed and were repulsed with heavy casualties. This attack was renewed in the afternoon by enemy infantry supported by a heavy bombardment and enemy succeeded in gaining a footing. Counter attack, supported by "I" tanks, retook some of the ground and a night operation, staged to recover 15 of our (? disabled) tanks, restored the whole position.

Same afternoon one of our armoured brigades and an Indian brigade in an attack on El Gobi destroyed 15 tanks of Ariete Division and 150 H.T.: 400 Italian prisoners, 2 medium batteries and 5 anti tank guns were captured. 55000 gallons of enemy fuel was destroyed and 55 supply lorries and much ammunition taken.

An enemy column of 30 tanks and 300 H.T. probably of 15th German Armoured Division, moving Eastwards along Trigh-Capuzzo was engaged by 1 of our mobile columns.

Further report of New Zealand action West of Menastir gives 100 Germans killed, 100 prisoners, mostly Italian, taken and 2 tanks knocked out. Our casualties were 9 wounded.

Total prisoners in Tobruk are now 53 officers and about 2,500 other ranks, approximately 40 percent Germans.

Indian troops in their recent operations in Sidi Omar area captured 59 guns of all types.

Russia.

Moscow Sector. German forces have made a slight local advance near Klin.

Central Sector. Between Tula and Kursk the Germans have made some progress towards Yelets.

(iii)

AIR OPERATIONS.

At dusk on 4th Hudsons hit and probably destroyed a 2,500 ton M/V off Norway.

5th. Hurricane Bombers and Fighters damaged several coastal vessels off Northwest France. One M.E. 109 was destroyed. 4 Hurricanes and 2 Spitfires were lost during day. Off Dutch Coast Beaufighters damaged a small ship and a Hudson probably sank a trawler.

5th/6th. No bombing operations.

Libya.

3rd/4th and 4th/5th. Wellingtons dropped a total of 75 tons of bombs on enemy concentrations El Adem area and started large fires.

4th. 11 Blenheims and 2 squadrons of Marylands attacked transports East of Sidi Rezegh. Large fires were started and explosion caused among about 700 M.T. on Trigh-Capuzzo South of Gambut.

Acting on information from ground sources, 2 S.A.A.F. Tomahawk squadrons surprised, over El Adem, a formation of dive bombers escorted by Italian Fighters. In ensuing fight, 6 Junker 87's were destroyed, 1 and 1 Fighter probably destroyed and 5 Junker 87's damaged. No casualties to Tomahawks but 2 collided when returning, both pilots saved.

4 Tomahawk and Hurricane Squadrons intercepted a formation of Junker 87's escorted by German and Italian Fighters, about 70 all told, which were attacking our ground forces in Sidi Rezegh area. The dive bombers were forced to jettison their bombs; one Junker 87 and 8 Fighters were destroyed, one Junker 87 and 5 Fighters probably destroyed and 6 Fighters damaged. Our casualties one Hurricane and two Tomahawks, two pilots safe.

(iv)

S.A.F.

Nothing to report.

(v)

Aircraft casualties in operations over and from British Isles.

German - one, British - six.

(vi)

Since Surian campaign the Germans have permitted an expansion of French Air Force, the first line strength of which has increased from about 850 aircraft on 1st October to nearly 1,000 on 1st December.

(iii)

AIR OPERATIONS.

At dusk on 4th Hudsons hit and probably destroyed a 2,500 ton M/V off Norway.

5th. Hurricane Bombers and Fighters damaged several coastal vessels off Northwest France. One M.S. 109 was destroyed. 4 Hurricanes and 2 Spitfires were lost during day. Off Dutch Coast Beaufighters damaged a small ship and a Hudson probably sank a trawler.

5th/6th. No bombing operations.

Libya.

3rd/4th and 4th/5th. Wellingtons dropped a total of 75 tons of bombs on enemy concentrations El Adem area and started large fires.

4th. 11 Blenheims and 2 squadrons of Marylands attacked transports East of Sidi Rezegh. Large fires were started and explosion caused among about 700 M.T. on Trigh-Capuzzo South of Gambut.

Acting on information from ground sources, 2 S.A.A.F. Tomahawk squadrons surprised, over El Adem, a formation of dive bombers escorted by Italian Fighters. In ensuing fight, 6 Junker 87's were destroyed, 1 and 1 Fighter probably destroyed and 5 Junker 87's damaged. No casualties to Tomahawks but 2 collided when returning, both pilots saved.

4 Tomahawk and Hurricane Squadrons intercepted a formation of Junker 87's escorted by German and Italian Fighters, about 70 all told, which were attacking our ground forces in Sidi Rezegh area. The dive bombers were forced to jettison their bombs; one Junker 87 and 8 Fighters were destroyed, one Junker 87 and 5 Fighters probably destroyed and 6 Fighters damaged. Our casualties one Hurricane and two Tomahawks, two pilots safe.

(iv)

G.A.F.

Nothing to report.

(v)

Aircraft casualties in operations over and from British Isles.

German - one, British - six.

(vi)

Since Surian campaign the Germans have permitted an expansion of French Air Force, the first line strength of which has increased from about 850 aircraft on 1st October to nearly 1,000 on 1st December.

BRITISH MOST SECRET
(U.S. SECRET).

OPTEL NO.23.

LIBYA.

5th. Our mobile columns operated throughout the day harassing the enemy with great success especially on Trigh Capuzzo and in area Sidi Regegh El Adem where he is concentrated. One of them returned with 100 prisoners having destroyed 60 enemy M.T. and a forward supply depot. In the evening, an enemy counter attack North of El Gobi was repulsed.

TOBRUK.

400 Infantry and 150 M.T. were engaged South of El Duda by our artillery, machine guns and aircraft. Heavy casualties were inflicted and columns scattered in confusion.

5 Dive bombers were shot down by our ground troops.

6th Battle reported in progress at 1100 between our armoured force and 15th German Armoured Division 12 miles North of El Gobi.

AIR

5th. Reconnaissance reported 55 enemy aircraft at Gazala aerodrome, 50, mostly fighters, at Martuba, and 70 at Derna. 1000 dispersed M.T. 20 miles West of El Adem and over 1000 M.T. South of El Adem.

Hurricane Bombers made two effective attacks on M.T. and troops on Trigh Capuzzo. Severe dust storm prevented medium bomber operations.

19 Tomahawks intercepted 35 dive bombers escorted by 30 mixed fighters about to attack our troops near El Adem. Majority jettisoned their bombs. Tomahawks destroyed 17 dive bombers and 3 fighters, probably destroyed 3 dive bombers and 3 fighters and damaged 1 dive bomber and 4 fighters. 4 Tomahawks missing. In further air fight, one German fighter was destroyed and one Italian and 3 German fighters damaged. Two Hurricanes missing.

5th/6th. Weather prevented heavy bomber operations.

TREASURY DEPARTMENT

192

INTER OFFICE COMMUNICATION

DATE December 8, 1941

to Secretary Morgenthau
 from Mr. Kassarck
 Subject: Japanese Military Forces

Our Military Intelligence is of the opinion that the major objective of the Japanese in the attacks upon the United States, Malaya, and the Australian islands is to aid Germany. The Japanese have decided that their fate is bound up with a German victory and that they must do everything in their power to help. Unquestionably, the Germans wanted Japan to attack Siberia. However, the Japanese must have concluded that such an attack at the present time would be too dangerous for them, in view of the large Soviet Far Eastern forces with their previous record of beating off the Japanese border violations.

The Japanese, it is believed, hope that they can withstand the United States until Germany is victorious. The Japanese raids had for their purpose to cripple our fleet, if possible. In any case, the raids were to persuade us to divert our naval forces from the Atlantic, to keep more of our arms production in the United States, and to interfere with our aid to the Allies.

Our Military Intelligence estimates that the British are in strong enough force around Singapore to be able to withstand the Japanese.

Japanese Navy

According to the latest tabulation (October 10, 1941) of the U.S. Navy Department, the comparative total strength of the Japanese and American Navies, on the outbreak of the war, was as follows:

	<u>Japan</u>	<u>U. S.</u>
Battleships	10	17
Aircraft carriers	8	6
Cruisers	46	37
Destroyers	125	171
Submarines	71	112

Japanese Army

According to the latest information, the Japanese Army on the eve of the attack was disposed approximately as follows:

Division of Monetary
Research

- 2 -

North against Russia

Manchuria	26 divisions, 7 tank regiments
Sakhalin	2 divisions
Korea	<u>1 division</u>
Total	29 divisions, 7 tank regiments (750,000 men, 1,400 tanks)

Center against China

North China	9 divisions, 12 mixed brigades, 2 tank regiments
Central China	6 divisions, 7 mixed brigades, 1 tank regiment
Swatow	<u>1 mixed brigade</u>
Total	15 divisions, 20 mixed brigades, 3 tank regiments (650,000 men, 600 tanks)

South against Malaya and Singapore

Indo-China	4 divisions, 1 tank regiment
Reserves, Canton	3 divisions, 1 tank regiment
Reserves, Hainan	<u>1 division</u>
Total	8 divisions, 2 tank regiments (200,000 men, 400 tanks)

General Reserve

Japan	7 divisions, 1 tank regiment
Formosa	<u>3 divisions</u>
Total	10 divisions, 1 tank regiment (250,000 men, 200 tanks)

<u>Grand Total, All Forces</u>	62 divisions, 20 mixed brigades, 13 tank regiments (1,850,000 men, around 2,600 tanks)
--------------------------------	---

(Source: British Military Intelligence, U.K. Embassy Report)

Division of Monetary
Research

- 3 -

(According to these figures, Russia and China together are directly immobilizing 75 percent of the Japanese Army. The Japanese force immediately available for striking south amounts to only a little more than 10 percent of the whole army. If the whole General Reserve is also committed to the southward move, the total force will amount to 450,000 men, with 600 tanks, or about 25 percent of the total army.)

Japanese Air Force

The Japanese air forces constitute integral parts of the army and navy. There is little reliable information on Japanese air power. Our Military Intelligence sums up its conclusions on the Japanese air forces as being "small and very poor". According to the best available estimates, Japan has a first-line air strength of 1,800 planes, while its total air strength is around 3,700 planes.

The composition of the Air Force is believed to be as follows:

<u>Army Air Force</u>	<u>Planes</u>	
35 Fighter squadrons	350	
15 Bomber squadrons	150	
36 Observation squadrons	<u>300</u>	
Total First-Line Planes		800
Second-line planes		<u>900</u>
Total Army Air Force		1,700
<u>Naval Air Force</u>		
Flying boats	600	
Carrier-based planes	<u>400</u>	
Total First-Line planes		1,000
Second-Line planes		<u>1,000</u>
Total Naval Air Force		<u>2,000</u>
Grand Total		3,700

- 4 -

The British estimated that the Japanese had 250 army airplanes in Indo-China on December 2. These consisted of 88 fighters (at least one squadron and probably two of the latest type, or 10-20 planes), 83 heavy bombers, 70 light bombers, and 9 reconnaissance planes.

RESTRICTED

G-2/2657-220; No. 563 M.I.D., W.D. 11:00 A.M., December 8, 1941

SITUATION REPORTI. Far Eastern Theater.

On the morning of December 7, Japanese bombers attacked the island of Oahu, centering their efforts on Pearl Harbor, and Hickam, Wheeler and Ewa Fields. Damage was extensive. Guam was also attacked, and Wake Island was captured by the Japanese. On the 8th in the Philippines, Davao was attacked by air; also Camp John Hay and Camp Ord. Midway was bombed, and Guam was again attacked.

Meanwhile the Japanese bombed Singapore, and attempted landings on the Malayan coast in the vicinity of Kota Bharu. Hongkong was also bombed.

The Japanese have started an invasion of Thailand, and indications are that the Thais will capitulate.

II. Eastern Theater.

Ground: The German drives to the east, north and south of Moscow are still under way. The drive east of Dmitrov is believed to be stopped. East of Tula, the Germans are still making progress in the direction of the Ryazsk - Moscow railway.

Strong Russian pressure continues against the Muis river line north of Taganrog.

III. Western Theater.

Air: The R.A.F. made a heavy raid last night on the railway town of Aachen in western Germany, and the occupied ports of Ostend, Calais, Boulogne, Dunkirk and Brest.

IV. Middle Eastern Theater.

Ground: Lybia. There has been considerable action in the area between El Adem and Bir el Gobi. British mobile columns are engaged in mopping up and harassing operations between Tobruk and the frontier.

Air: The fierce battle raging south of Tobruk was preceded by heavy R.A.F. activity against Axis ground forces.

RESTRICTED

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 9, 1941.
12/8/41

Press Service
No. 28-83

The Secretary of the Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be dated December 10, 1941, and to mature March 11, 1942, which were offered on December 5, were opened at the Federal Reserve Banks on December 8.

The details of this issue are as follows:

Total applied for - \$403,171,000
Total accepted - 150,027,000

Range of accepted bids:

High	-	100.			
Low	-	99.917	Equivalent rate	approximately	0.328 percent
Average					
Price	-	99.926	"	"	" 0.293 "

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

-oOo-

December 9, 1941

9:30 am

Present:

Mr. Buffington
Mr. Foley
Mr. Blough
Mr. Morris
Mr. Bell
Mr. Thompson
Mr. Gaston
Mr. Kuhn
Mr. Barnard
Mr. Sullivan
Mr. Haas
Mr. Schwarz
Mr. White
Mr. Graves
Mrs. Klotz

HM, Jr: Herbert, you got anything?

Mr. Gaston: No, I think not. I told you over the phone about those two meetings. They were going to send out that thing for you to sign last night.

HM, Jr: I will turn J. Edgar Hoover's letters back to you. They are mostly Foreign Funds matters anyway.

Mr. Gaston: They are not of much importance.

HM, Jr: I have read them now for three weeks. Anything else?

Mr. Gaston: On the censorship matter there seem to have been half a dozen people acting as Censor Sunday

-2-

afternoon. Navy was stopping wire and telephone service; F.B.I. was doing the same; Federal Communications was doing the same.

HM, Jr: Well, anyway ...

(On the phone the Secretary asked Mrs. Spangler if she had invited Mr. Cochran to the meeting.)

Mr. Bell: Cochran has an appointment at 9:30 at the State Department.

Mr. Gaston: The only other thing is they are making pretty heavy drafts on our Enforcement people and Customs guards on the matter of freezing Japanese establishments. I imagine, however, that the situation will be relieved pretty quickly as they round up Japanese nationals and we can work out a definite system.

HM, Jr: We have the same thing here. We can't get the people, so I finally convinced General Marshall he should have some people and as a result we have them here this morning.

Mr. Gaston: I think it is important that we keep our full force of guards on the piers on the coast points; that we don't take them away long.

HM, Jr: Along that line, find out, Dan, from the Chief how many extra police they have asked for. I think it is 200 or 300 and if they are having any trouble I would like to talk to the Commissioners.

Mr. Thompson: There is an authorization for an additional 100. Congress enacted that authority.

HM, Jr: Has that gone through?

Mr. Thompson: Yes, they are trying to recruit them now.

-3-

HM, Jr: Read the editorial in the Washington Post.

Mr. Thompson: They are having difficulty in getting recruits, but the basic authorization has gone through for additional ones.

Mr. Gaston: The Chief told me the Civil Service list for building guards is exhausted. We have 40 of the Metropolitan Police now which they are letting us have, but unwillingly.

HM, Jr: I took another inspection of the White House guard last night. It's better but it's not right.

Mr. Gaston: I told the Chief that I imagined you would.

HM, Jr: You did? Each gun had a red tag on it. I asked what that was for. I mean, you hold up a gun and here is a big red tag flashing in your eyes.

Mr. Sullivan: A fellow stopped me at the corner, a plain clothes fellow. Could not have been Secret Service. If anybody had a jag on, that was the fellow.

Mr. Bell: I don't think so. Isn't that the fellow who got in the shooting scrape and he's still shaky? I saw him out front and he looked like he was drunk, but the boys told me no.

HM, Jr: Herbert, you had better look into it. If two people in the Treasury think he's drunk, he had better be given a desk job.

Mr. Gaston: Yes; surely.

Mr. Foley: Either a desk or a bottle!

We sent out a telegram yesterday morning to all

-4-

Federal Reserve Banks asking for a report on the number of institutions, Japanese institutions, they had men in and the number of people they were using. By 5 o'clock last night we had replies from 8 of the banks and they have people in 228 Japanese concerns and they are using 331 people. That's a collection of Treasury, local police and other people they have requisitioned for that purpose. Most of the work is either on the West Coast or in New York.

Mr. Gaston: Ed, there's 285 in the California area alone.

Mr. Foley: Not according to that report. Not Foreign Funds.

Mr. Gaston: This is Elmer Irey's report.

HM, Jr: Well, get together. Get together on your statistics.

Mr. Foley: The boys think it would be a good idea if something like this on Japanese concerns where they have people.... (Mr. Foley handed the Secretary a document to sign and discussed it in an inaudible tone. The Secretary signed it. It was a telegram to the President of the Federal Reserve Bank of San Francisco, copy attached.)

HM, Jr: At a quarter of ten last night a man came from the Department of Justice with the censorship bill and I signed it. I have asked them for a photostatic copy for my files. What's his name, Smith?

Mr. Foley: Sam Smith.

Mr. Sullivan: Last summer, when they were amending the amortization provisions, the Defense Commission, the Army and Navy were all in accord that the provisions would not, could not be administratively handled as long as the

-5-

non-reimbursement certificate were required and they were reluctant to ask Congress at that particular time. Just as I left the office to come in here, this morning, Eddie Greenbaum called me and said they were going to go up there and wanted to know what our position would be. I have not had time to talk to the boys in regard to the present situation, but I think we ought to do that and then talk with you and then call Eddie back.

This Legislative Committee of the Legion met yesterday and are meeting again today and they had quite a gang there -- the National Manufacturers Association; the President of Eastman Kodak Company, and I guess the General Counsel of Western Electric, and they had prepared a resolution which they will pass today which I think I can stop if you want me to go up and take a crack at it. Talks about the necessity of corporations setting up reserves to handle post-war depression periods, broadening the tax, backs sales tax, etc., just the kind of thing you would expect the National Manufacturers to turn out. I don't know whether anybody would have any influence in this situation, but if you want me to take a crack at it, I will.

HM, Jr: Well, try it.

Mr. Morris: Nothing.

Mr. Buffington: Nothing.

HM, Jr: Harold and I had a talk this morning which affects you (Mr. Buffington). We are thinking of calling in all of his Administrators ...

Mr. Graves: ... and Chairmen; both of them.

HM, Jr: with a new program and the idea would be we would have it in Chiago. I have agreed

-6-

to go out there, preferably Monday as far as I am concerned. But you might be thinking, too, to see -- well, I mean, Buffington, where you can tie in with Graves' organization to get the benefit. You see? Supposedly have an organization in each State. You might get together, because they might also very well get in on this thing of publicizing the tax thing. Talk to him anyway.

Mr. Buffington: I will, Sir.

Mr. Kuhn: I would like to see you this morning if you have a few minutes.

HM, Jr: You want to tell them outside?

Mr. Blough: Carl Shoup is here today.

HM, Jr: Well, I would like to talk with Sullivan and Blough. You (Sullivan) going to be here this morning or are you going up on the Hill?

Mr. Sullivan: I was going up on that Legion thing.

HM, Jr: When will you be back?

Mr. Sullivan: I should think by 11:30 or 12.

HM, Jr: What Roy can do, get together the various memos you have been writing me recently -- anything in the last week or so -- on the tax thing and then if you come in at 11 o'clock I could read it and ask you questions.

Mr. Blough: There has been very little since you took the last big batch of stuff to the Farm.

HM, Jr: Well, I did not read it.

Mr. Blough: Oh! All right.

HM, Jr: Go back for two weeks.

Mr. Blough: All right. Fine!

HM, Jr: Then this afternoon we will sit down.

Mr. Sullivan: Fine!

HM, Jr: Let's say 3:15, John, this afternoon.

Mr. Sullivan: First rate!

HM, Jr: Always subject to change on both parties. But you come in, Roy, and pick up everything you have written. Go back to the 1st of November.

Mr. Blough: I think I know what you want, Mr. Secretary. Did you say 11?

HM, Jr: Yes.

George?

Mr. Haas: I have nothing.

HM, Jr: Harold?

Mr. Graves: Mr. Slocum, General Manager of the Philadelphia Bulletin, is in Washington tomorrow and sent word to me he would like a minute with you.

HM, Jr: He's what? General Manager?

Mr. Graves: He's General Manager.

HM, Jr: Why don't you ask in the morning? I can do it, but I don't like to book myself up.

Mr. Graves: All right.

This is the telegram we sent out last night to all State Administrators and Chairmen.

-8-

HM, Jr.: Do you need this back?

Mr. Graves: No; not if you want it.

HM, Jr.: Good telegram.

Mr. Graves: I have nothing more.

Mr. Schwarz: I have nothing.

Dr. White: There are several related matters we could clear up in 15 minutes sometime this afternoon. We have received a reply from Sir Frederick Phillips to your question, and there is the question of Canadian Lend-Lease, and Canadian gold and South African gold. Could all be cleared up in one session.

HM, Jr.: You put yourself down on the waiting list outside and we will see how we get along.

Dan?

Mr. Bell: Marriner Eccles called up last night and said he had seen in the paper there would be created an office of Alien Property Custodian and the suggestion had been made that Leo Crowley might be the head of it. He said he would like to put in a word for Treasury taking over that function as being tied in so closely with Foreign Funds and he wanted you to know the Federal Reserve Banks stood ready to help in the present emergency and suggested if you were short of Examiners they might even lend you Federal Reserve Examiners.

Mr. Foley: I think that's ^ahelpful suggestion, because Preston Delano's people are all over the place. I don't think they are examining any banks.

Mr. Bell: That's right. We have suspended all bank examination.

-9-

HM, Jr: Bell, why don't you and Foley get together after this meeting?

Mr. Bell: I have told Delano of this offer and told him he might also want to contact Crowley and borrow some of his Examiners.

HM, Jr: I think you and Foley ought to get together right after this meeting.

Mr. Bell: The other thing, just for the record, the American Bankers Association have adopted your suggestion of putting the Minute Man on the commercial checks and that will go forward.

HM, Jr: When you meet, have Dave sit with you and watch this for me.

Mr. Bell: That's all I have. -

HM, Jr: I would make use of some of these other fellows.

Mr. Thompson: Commissioner Helvering is appearing before the Senate Appropriations Committee this morning on the automobile tax deficiency estimate. I don't know just what they are going to do on that. He has not heard from the Post Office Department as to just what they can do.

oOo-oOo

ADDRESS REPLY TO
"THE ATTORNEY GENERAL,"
AND REFER TO
DETAILS AND NUMBER

DEPARTMENT OF JUSTICE
WASHINGTON, D. C.

207

December 9, 1941

Dear
The Honorable,

The Secretary of the Treasury

My dear Mr. Secretary:

Unfortunately I am unable to send you a photostat of the censorship bill with the initials on the margin as you requested last night. However, I am enclosing herewith a copy of the bill with the initials copied on the margin, the original of which has been sent to the White House.

Respectfully,

Lawrence M. C. Smith
Lawrence M. C. Smith
Chief, Special Defense Unit

Enclosure

RECEIVED DEPARTMENT OF JUSTICE

10 11 DEC 10 AM 8 44

RECEIVED DEPARTMENT OF JUSTICE
DEC 10

December 9, 1941

The Honorable,

The Secretary of the Treasury

My dear Mr. Secretary:

Unfortunately I am unable to send you a photostat of the censorship bill with the initials on the margin as you requested last night. However, I am enclosing herewith a copy of the bill with the initials copied on the margin, the original of which has been sent to the White House.

Respectfully,

Lawrence M. G. Smith
Chief, Special Defense Unit

Enclosure

LMCS/LB

DRAFT OF PROPOSED CENSORSHIP BILLDRAFT OF SECTION IMAKING CENSORSHIP APPLICABLE ONLY IN TIME OF WAR IN WHICH THE UNITED STATES IS ENGAGED.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during a war in which the United States is engaged the President, when he deems it necessary in the interest of national defense or to prevent the transmission of information detrimental to the national interest, may, under such rules and regulations as he may prescribe, establish and maintain a censorship and cause to be censored all communications by mail, cable, radio, wire, telephone, telegraph, teletype, visual means, sound, homing pigeons or any other means whatever, between the United States, its territories and possessions, and any foreign country; between the United States and its territories or possessions; between the United States, its territories and possessions, and any vessel or aircraft regardless of location of such vessel or aircraft; and between such territories and possessions and other such territories and possessions: Provided, That such censorship shall be applicable to foreign communications touching at any point in the United States, its territories and possessions, regardless of origin or destination: Provided further, That in order to carry out the purposes of this act the President may inspect, supervise or control, in whole or in part, any instrumentality, facility or service used in or available for making, transmitting, or receiving any such communications: Provided further, That as used in this Act the term "territories and possessions" shall include the Philippine Islands.

SEC. 2. The President is authorized:

(a) To appoint, fix the compensation, and prescribe the duties of such officers and employees as may be necessary for the administration of this act, without regard to Civil Service laws and the Classification Act of 1923, as amended.

(b) To issue from time to time such orders, make such rules and regulations, and prescribe such measures and conditions, all with the force of law, as shall be necessary to effectuate the purpose of this act.

(c) To provide such office space, services, facilities, supplies and equipment, including motor-propelled vehicles and maintenance and exchange thereof, as may be necessary for the administration of this act, without regard to Section 3709 of the Revised Statutes of the United States.

(d) To purchase such printing, binding and blank book work from public, commercial, or private printing establishments or binderies upon orders placed by the Public Printer who is hereby authorized to exercise, for the purpose of this act, the discretion vested in the Joint Committee on Printing by section 12 of the act approved January 12, 1895, as amended by the act approved July 8, 1935, 45 Stat. 475.

(e) To exercise any power, authority, or duty conferred on him by this Act through such department, agency, or officer as he shall direct; to direct any employee, officer, agency or department to perform any function or service deemed by the President to be necessary for the administration of this Act; to temporarily transfer any officer, employee, office, section, bureau, division, or unit from one agency or department to another agency or department when the President deems such transfer necessary for the administration of this Act: Provided, That when hereunder the President exercises any power, authority, or duty through any officer, agency, or department, or when hereunder he directs any employee, officer, agency, or department to perform any function or service, he may, from any appropriation made in section 4 of this Act or from any appropriation made under the authorization thereof, allocate to the appropriation from which such officer or employee is paid or to the appropriations for such agency or department such funds as he deems sufficient to reimburse the agency or department involved for the additional work, services, and functions imposed upon it or its officers or employees: Provided further, That when hereunder the President exercises his authority to transfer, he may also transfer so much of the appropriations available for the payment or expenses of the officer, employee, office, bureau, division, section, or unit involved as he deems necessary.

SEC. 3. The Secretary of War, the Secretary of the Navy, and the Secretary of the Treasury are authorized, when so directed by the President, to detail from the Army, Navy, and Marine Corps, and the Coast Guard, respectively, or any reserve component thereof, such officers and enlisted men on active duty as may be necessary to effectuate the provisions of this act: Provided, That any officer or enlisted man so detailed shall not be prejudiced in regard to pay, allowances, promotion, advancement, appointment, or other rights, benefits, privileges, and gratuities, now or hereafter provided by the laws relating to the regular Army, Navy, Marine Corps, or Coast Guard, respectively, or any reserve component thereof:

Provided further, That personnel so detailed and employees authorized by section 5 of this Act, ordered to perform travel in connection with their official duties relating to censorship, shall receive the transportation and subsistence allowance specified by the Standardized Travel Regulations, as now and hereafter amended, for the civilian employees of the Government.

SEC. 4. There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act. All unobligated balances of moneys heretofore appropriated for national defense purposes shall also be available, and are hereby appropriated, to the President to carry out the provisions and accomplish the purposes of this Act in addition to the purposes for which they are now available and appropriated.

SEC. 5. Whoever shall wilfully violate any of the provisions of this act or of any license, rule, or regulation issued thereunder; and whoever shall wilfully violate, neglect, or refuse to comply with any order of the President issued in compliance with the provisions of this act; and whoever shall wilfully evade, attempt to evade, or conspire to evade the provisions of this act, or of any rule or regulation issued thereunder; and whoever shall use, attempt to use, or conspire to use any code or other device to conceal the intended meaning of any communication for the purpose of evading the provisions of this act, or of any rule or regulation issued thereunder, shall be guilty of a felony and upon conviction shall be fined not more than \$10,000, or if a natural person, imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation shall be punished by a like fine, imprisonment, or both, and any property, funds, securities, papers, or other articles or documents, or any vessel, together with her tackle, apparel, furniture, and equipment, concerned in such violation shall be forfeited to the United States.

SEC. 6. The Authority conferred by this act shall be in addition to and not in substitution for any other existing governmental authority and control over communications and means of communication.

TREASURY DEPARTMENT
Office of the Secretary
Secret Service Division

MEMORANDUM

December 9, 1941

To: Mr. Thompson
From: Mr. Murphy, Secret Service

In compliance with your telephonic request of this morning I was informed by Assistant Superintendent Callahan of the Metropolitan Police Department that there are 1622 officers now engaged in the city of Washington, there being 18 vacancies from deaths, retirements, resignations, etc.

Recently Congress passed legislation authorizing an increase of 100 in the Metropolitan Police Force and Assistant Superintendent Callahan thinks they will be able to appoint about 75 of the 100 authorized by January 1, 1942.

AM
J.M.

216

12/9/41

Bell reported at Group Meeting that ABA had adopted HM Jr's suggestion that Minute Man be placed on all commercial checks.

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

November 10, 1941

file

TO MRS. KLOTZ:

The Secretary raised the question this morning as to what steps I had taken to see that the Minute Man is placed on bank checks.

Frankly, I had not done anything about the matter until today. I have taken it up with Mr. Needham, General Counsel of the American Bankers Association here in Washington, who says he will be glad to discuss it with their Defense Bond Program Committee. He felt that, without committing the organization, something could be done along that line.

sub

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

October 20, 1941

MEMORANDUM FOR MISS CHAUNCEY:

I talked to the Secretary today about the Minute Man on Treasury checks. He has approved the form which will place the Minute Man in the center on the back of the check just below where the man endorses. I am making arrangements to have this put on the checks issued by the Treasury and will consult the War and Navy Departments with respect to putting it on the checks issued by those two Departments.

D.W.B.

10/8/41

219

Bell reported to HM Jr he did not think it was good idea to take Treasury seal off checks. HM Jr said he should try to figure out some way of taking care of putting the minute man on checks.

FOLLOW UP 10/28/41

October 7, 1941

TO: Mr. Dan Bell
FROM: The Secretary

I would like to see the Treasury Minute Man insignia on every Treasury check, in the place of the Treasury seal, with a slogan "Buy Defense Bonds" or something of that nature. I also would like to take up with all the banks in the country that they put our Minute Man with "Buy Defense Bonds" on all of their checks. If you think well of this, please start it.

2 1/4% TREASURY BONDS OF 1954-1956

221

WASHINGTON, D. C.

Treasurer of the United States



INTEREST DUE THIS DAY
ON THE AMOUNT OF

PAY

TO THE
ORDER OF

REGISTERED BONDS
IN THE NAME OF
THE PAYEE HEREOF

SECRETARY OF THE TREASURY

17-151

BY

December 9, 1941
11:40 a.m.

HMJr: Hello.

Operator: Mr. Stone in Mr. Hull's office.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Mr. Stone: Mr. Stone, Mr. Secretary. Do you want to speak with Secretary Hull?

HMJr: No, I don't want to bother him.

S: I can put him on if you like, sir.

HMJr: No, it's not important enough. Have you got a pencil?

S: Yes, sir. Right here.

HMJr: Cable 1358.

S: Right.

HMJr: Dated December second.

S: December second.

HMJr: Buenos Aires.

S: Right, sir.

HMJr: Whoever sent it seemed to think it was important. It announces that this Uruguayan will arrive here on the seventh, to consult the Treasury. I get it this morning.

S: I can't understand that, Mr. Secretary.

HMJr: Well, it happens again and again.

S: I know it does, sir. The Secretary looked into it the last time you wrote him about it.

- 2 -

HMJr: I know. Well, here it is again. December second - we receive it this morning. There's something wrong somewhere.

S: Well, the normal procedure is, every one that should possibly affect you at all is to go up to the Economic Adviser's office; and they make a paraphrase immediately it comes in. Now, if the code room by some slip-up does not send that to.....

HMJr: This is the third time it's happened, now.

S: I know it, Mr. Secretary. If the code room makes some slip-up and does not send it to the Economic Adviser's office, then somebody doesn't click on the other end who does get it, and I'll.....

HMJr: Now, Mr. Stone, look into it and write me a little letter on it, will you?

S: Sure thing, Mr. Secretary, I'll be delighted. That's 1358, December second.

HMJr: Thirteen fifty-eight.

S: Thirteen fifty-eight.

HMJr: December second, out of Buenos Aires, and I get it this morning. It left there December second.

S: I'll look into it, Mr. Secretary, and we'll talk to.....

HMJr: Well, how can I get ready to receive this Uruguayan when he's supposedly here two days before I get the cable.

S: I understand, of course.

HMJr: I think it's terrible.

S: I agree with you, Mr. Secretary. I'll do my best and drop you a little.....

HMJr: I'd like a little note on it.

S: Yes, sir.

- 2 -

HMJr: I know. Well, here it is again. December second - we receive it this morning. There's something wrong somewhere.

S: Well, the normal procedure is, every one that should possibly affect you at all is to go up to the Economic Adviser's office; and they make a paraphrase immediately it comes in. Now, if the code room by some slip-up does not send that to.....

HMJr: This is the third time it's happened, now.

S: I know it, Mr. Secretary. If the code room makes some slip-up and does not send it to the Economic Adviser's office, then somebody doesn't click on the other end who does get it, and I'll.....

HMJr: Now, Mr. Stone, look into it and write me a little letter on it, will you?

S: Sure thing, Mr. Secretary, I'll be delighted. That's 1358, December second.

HMJr: Thirteen fifty-eight.

S: Thirteen fifty-eight.

HMJr: December second, out of Buenos Aires, and I get it this morning. It left there December second.

S: I'll look into it, Mr. Secretary, and we'll talk to.....

HMJr: Well, how can I get ready to receive this Uruguayan when he's supposedly here two days before I get the cable.

S: I understand, of course.

HMJr: I think it's terrible.

S: I agree with you, Mr. Secretary. I'll do my best and drop you a little.....

HMJr: I'd like a little note on it.

S: Yes, sir.



THE SECRETARY OF STATE
WASHINGTON

December 9, 1941

Dear Henry:

I am very sorry to learn of another delayed transmission of an important telegram to you and I believe that I have taken steps to prevent a recurrence.

In this connection I enclose for your information a copy of a memorandum regarding the attendant circumstances, prepared by Mr. Stone of my office, who has looked into the matter.

With kind regards,

Sincerely yours,

Enclosure:
Copy of memorandum.



The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

RECEIVED
DEC 11 1941
U.S. DEPT. OF STATE

DEPARTMENT OF STATE
THE SECRETARY

December 9, 1941

MEMORANDUM FOR THE SECRETARY

I have looked into the question of the failure of the Department to provide Secretary Morgenthau with a copy or paraphrase of telegram No. 1368 dated December 2, from Buenos Aires, until a week after its arrival at this Department. I find that the division which would have transmitted the information immediately upon its receipt never received a copy of the telegram from the distributing office and that the division which eventually forwarded it and which also should have been delivered a copy of the message as soon as it was received, did not receive it until Saturday afternoon, December 8. The appropriate steps have been taken in order to avoid a repetition of this unfortunate delay.

John F. Stone

B:JFB:AR

December 9, 1941.

File Dec. 9 - State of Conf. -

MEMORANDUM FOR THE SECRETARY'S FILES

Dr. Soong called on the Secretary at Dr. Soong's request at 12:30 p.m., December 9, 1941. Mrs. Klotz and Mr. White were present.

Dr. Soong stated that the Ambassador was sick and therefore he, Dr. Soong, was taking up the matter through Secretary Morgenthau in accordance with his understanding that when he wanted to see the President he should do so through Secretary Morgenthau.

Dr. Soong reported a message had been received from Chiang-Kai-Shek asking him to get the President's advice with respect to the following:

China is ready to declare war on Japan at once (China has never declared war on Japan) but is delaying doing so in the hope of getting Russia to join her in the declaration of war against Japan. China hoped Russia would do so on the grounds that both countries had armies on the Asiatic Continent who were in a position to fight Japanese armies. China, however, had not yet received a reply from the Russian Government. If Russia answers in the negative, China is prepared to declare war at once.

The specific question which Chiang-Kai-Shek wished to put to the President was whether China should declare war at once or postpone doing so a little longer in the hope of receiving a favorable Russian reply.

The Secretary called the White House and told Miss Tully that Dr. Soong was there and wished to see the President on a matter relating to China and Russia and that, in his opinion, the matter was of sufficient importance to warrant the interview.

Miss Tully reported that the President was late in his appointments but would probably see Dr. Soong before lunch. Secretary Morgenthau repeated that to Dr. Soong and said he would let him know the moment he heard.

The Secretary asked Dr. Soong whether he had any information other than that which appeared in the press. Dr. Soong replied that he had no news except possibly for Hong Kong, where severe bombing was reported as taking place. He added that all the Stabilization Board who were in Hong Kong had gone to Chungking.

December 9, 1941

HM Jr called the President at 12:00 noon today. He spoke to Miss Tully, and the following conversation took place:

HM Jr: T. V. Soong is here and he says that his Ambassador is ill and that he has a message from Chiang Kai-shek about their getting into the war and also about the Russians. My recommendation to the President is that he see Soong as soon as possible.

Miss Tulley said that the President was late, that he still had to see the Secretaries of War and Navy, but that between now and lunch, she would get in to see the President. She said that the President saw Litvinov yesterday and, therefore, he would know all about it.

December 9, 1941
12:52 p.m.

HMJr: Norman?

Norman
Thompson: Yes, sir.

HMJr: I've talked this over with Harry White and with Kamarck, and I want Kamarck attached directly to my office.

T: Yes, sir.

HMJr: And that's agreeable to White and to Kamarck.

T: I see.

HMJr: He's sitting here. We don't reduce his salary because he's attached to me.

T: Oh, no. No, indeed.

HMJr: But just - I don't know what's necessary.

T: Well, I'll prepare a letter to that effect.

HMJr: And with the understanding that if he hasn't got enough to do for me, he's going to go to White and ask him.

T: Fine.

HMJr: He could get something that he could be working at a couple of hours a day, whenever he had a chance.

T: Yes.

HMJr: A long-time study.

T: Yes, I see.

HMJr: But on account of the confidential nature of all of this and we're at war, he's handling military intelligence for me.

T: Yes.

- 2 -

HMJr: I want him attached directly to me.
T: Yes. All right, sir, I'll take care of it.

December 9, 1941

At 12:55 p.m. today Bell told me that the twesand two and one-halves were selling below par. I told him that before the market closed he had to bring them back to par, and that this was an order.

December 9, 1941
1:10 p.m.

HMJr: Dan.

Daniel
Bell: Yes.

HMJr: When I told you to bring the bonds up to par before the market closes, were we talking about the long bonds, the two and a half's, or the two's?

B: We're talking about the - well, I take it we're talking about all of them. There are just two of them quoted at ninety-nine, thirty-one - the new two's and the new two and a half's. That's a bid price and there are transactions at par.

HMJr: Oh, both the two and the two and a half's.

B: Yeah.

HMJr: Well, then, I'm saying both the two's and the two and a half's.

B: The new two's and the new two and a half's.

HMJr: Yeah. Well, then I'm saying I want both issues brought up to par.

B: Yeah. That's what we're working on.

HMJr: Yeah, but I just wanted to make sure.

B: Yeah, that's what we're working on.

HMJr: All right.

B: If we can do it.

HMJr: Well, we've got to do it.

B: Well, Bob - I just talked to Rouse and he said, "All right, we'll go right to work and see what we can do and I'll call you back in a few minutes."

HMJr: Well, if I'm at lunch.....

B: And I'm trying to get Eccles at the same time.

HMJr: Well, if you want to send a note down to me at lunch and want me to come up, I will.

B: All right. Thanks.

December 9, 1941
2:13 p.m.

HMJr: Hello.

Under Secy.

Patterson: Hello, Henry.

HMJr: Henry talking.

P: Yes, Henry.

HMJr: I don't know whether you feel free to tell me, but if you did I would like to know what all this stuff on the news ticker is about enemy planes over New York and New England.

P: I don't know a thing about it. I just came in from lunch. News tickers about enemy.....

HMJr: Well, there's been an air raid warning in New York and the United Press and AP Ticker Service have been full of the fact that there are planes off New York. Hello.

P: Yeah. I - that's news to me, Henry.

HMJr: Well, would you.....

P: I'll see what there is and let you know.

HMJr: Would you do that?

P: Yes, sir.

HMJr: I really would like to know.

P: Yes, sir. Yes, I'll try to find out and call you back.

HMJr: Thank you.

P: Right away.

December 9, 1941
2:18 p.m.

HMJr: Hello.

Operator: Here you are, sir.

HMJr: Hello.

Under Secy.

Patterson: Hello. Henry?

HMJr: Yes, Bob.

P: This is Bob. General Miles tells me there's nothing at all to that rumor.

HMJr: Nothing at all.

P: He said they've been trying to kill it.....

HMJr: I see.

P:for half an hour.

HMJr: I see. Thank you very much.

P: (Laughs) You don't know what to believe these days, do you?

HMJr: Well, I mean - I don't know what the truth was about that San Francisco stuff, but.....

P: I don't either.

HMJr:it had everybody up in the air on that.

P: Yeah. Well, we'll have a series of these alarms, probably.

HMJr: Well.....

P: I hope they're only false ones.

HMJr: I - the one in the Atlantic seems fairly wild just now.

P: No, that seems unusually fantastic.

HMJr: Yes.
P: Right. Nothing to it.
HMJr: Thank you, Bob.
P: Good-bye.

December 9, 1941
2:44 p.m.

HMJr: Will Mr. Hull be back this afternoon?

Mr. Stone: Yes, sir. I told your operator he's expected back about twenty minutes past three.

HMJr: Well, now.....

S: He'll call you then.

HMJr: Have you got a pencil?

S: Yes, sir.

HMJr: Let me - I want - I'll give you the message, because I don't want to wait that long.

S: All right, sir.

HMJr: Several weeks ago - I can't remember - the President asked me to look after Mr. T. V. Soong.

S: Yes, sir.

HMJr: Now, this morning Mr. Soong came in. He had to see me - on a split second.

S: Yes, sir.

HMJr: And he has this very important message from Chiang Kai-shek about China, Japan, and Russia.

S: Yes, sir.

HMJr: So I called up the President's secretary and asked whether he wanted to see him; because I was told whenever he wanted to see the President to communicate with the President.

S: I understand.

HMJr: And I was to look after him. Well, today the President said no, and he doesn't want to see him. He wants him to see Mr. Hull.

S: Yes.

HMJr: Well, that's all right with me; and as far as I'm concerned, it's just an extra job, see?

S: Yes.

HMJr: So.....

S: You know in your own mind there's no need of the Secretary - of his coming over here.

HMJr: What's that?

S: In your own mind, there's no need of him coming over here?

HMJr: No, I think that Mr. Hull should see him, and I think he should see him this afternoon.

S: Oh, I see. All right, sir.

HMJr: Because I think he's got this very important message; and inasmuch as the President says he can't see him on account of his speech.....

S: Right, of course.

HMJr:why I think that Mr. Hull should see him and.....

S: Oh, I understand.

HMJr: But I'm sort of in between. One day the President says I should look after him, and the next day he feels differently, if you see what I mean.

S: Of course, sir.

HMJr: So - I mean, I wish you'd repeat that to Mr. Hull, but would you take T. V. Soong off my hands and see that he sees Mr. Hull this afternoon.

S: All right, sir; and unless you get some word, I'm sure it could be worked out.

- 3 -

HMJr: Well, if you don't mind, call me back one way or the other and let - and give the message to Mrs. Klotz, will you?

S: Sure thing.

HMJr: One way or the other.

S: I'll do it, sir.

HMJr: Thank you.

S: One thing, it's a little difficult here when he comes in without the Ambassador.

HMJr: Well, the Ambassador is sick, he tells me.

S: Well, that's all right, then.

HMJr: The Ambassador is sick.

S: Well, that's all right. That's fine.

HMJr: Yeah.

S: Thank you, sir.

HMJr: All right.

December 9, 1941
2:48 p.m.

HMJr:is not going to make any appointments.

T. V.
Soong: Right.

HMJr: So therefore he asked me to arrange for you to see Mr. Hull.....

S: Yes.

HMJr:which I've done. But Mr. Hull's been out for lunch for two hours.....

S: Yes.

HMJr:but I got hold of his secretary and he promises me that he will arrange for you to see Mr. Hull this afternoon.

S: Thank you very much, Mr. Secretary.

HMJr: I'm sorry. I'd have got word earlier, but Mr. Hull's been out since one o'clock.

S: Yes, I understand how busy you all are now.

HMJr: Yeah.

S: Thank you very much.

HMJr: You're welcome.

S: Good-bye.

December 9, 1941
3:13 p.m.

HMJr: Hello.

Operator: Mr. Sproul.

HMJr: Hello.

Allan
Sproul: Hello, Mr. Secretary.

HMJr: Allan, did you have too much trouble today?

S: Well, we had more than yesterday, but not a great deal. We bought a total of twenty-three million today.

HMJr: Well, that's not bad.

S: Eighteen six in the two and a half's and the rest in the new two's. It was small selling mostly and coming from all around the country, but it wasn't bad, and dried up in the last hour or so so that we've been resting easily.

HMJr: That's fine. Tell me, what did it close at? How did they close?

S: They closed at par, par two - par one to two.

HMJr: Well, isn't that much better than having them close under par?

S: I think it is for days like yesterday and today, with the air alerts and air raid alarms and so forth. I think eventually we - and also I think it's better where we have this issue between subscription and payment.

HMJr: Yeah.

S: I think eventually we'll have to consider, if the market continues weak, where we want to make a stand and then it might be below par because some of the rest of the market will get out of line with these new issues if we continue to hold them here; but I think for the present,

- 2 -

it's better to have them at par.

HMJr: Well, I have just two suggestions. One, I'll be glad to take half of them.

S: You'll be glad to take half.

HMJr: Half of what you bought today.

S: Well, suppose we talk that over with Dan then and see what we can work out.

HMJr: That's - and then tomorrow, if the thing should go up a couple thirty-seconds, I suggest that you sell them.

S: Well, that would be our idea. If the market was strong enough to take them, that we'd sell out again.

HMJr: That's right. And you talk it over with Dan.

S: Right.

HMJr: But I'm pleased that you closed it, because I asked Dan to tell you I very definitely wanted it that way.

S: Well, we got that message. Now, there'll be trading over the counter until four o'clock, and we'll keep them there and be sure that they close everything over the counter at four o'clock, too.

HMJr: Give me a ring right after four, will you?

S: All right, fine. Good-bye.

December 9, 1941

3:15 pm

Present:

Mr. Sullivan
Mr. Blough
Mr. Buffington
Mr. Tarleau
Mr. Bell
Mr. Graves
Mr. Kuhn
Mr. Foley
Mr. White
Mrs. Klotz

HM, Jr: Why I asked this particular group to come in is this. I have got to make up my mind between now and Tuesday whether the United States Treasury is going to say to the President and the leaders, "We would like to try the volunteer method of raising money from the people of the United States in a wholesale method, let's say up to the first of May would be one year, or would we want to give ourselves the first of July. Then, if we are going to do that, we will have to put our shoulder to the wheel and give the thing a fair trial.

The way it seems to me -- people like Lew Douglas come down and say, "Won't you make a statement that it is going to be volunteer. I can really go to work, but the way it is now, I can't do it." So I am prejudiced in favor of the volunteer method. I think it would be a grand thing if through the payroll deduction plan that we could raise enough money -- I say "enough"; I don't know how much is enough, but a goodly

-2-

sum -- \$5,000,000,000 -- through volunteer subscription. It would be a fine thing on the morale and certainly, from a letter I got, nothing is worse as far as morale is concerned than deduction at the source. That is one of the things why I wanted George and Doughton here Thursday, because we are calling a meeting in Chicago, Tuesday, of the whole organization of the Defense Savings Bonds and I have got to come out one way or the other on that day and say to these people, "Now, this organization is on its test from now until July 1, next year; either you will make good or I have to go before Congress and say it is a failure."

Now, a side angle on this thing -- nothing is decided. I want somebody to argue both ways, but let's say for argument we decide to give this thing a trial until July of next year, then we have to get people like Eccles and Henderson to agree to keep their mouths shut.

Mr. Sullivan: Eccles' economist told Roy that he would play along and that he would not come out in an open attack.

Mr. Blough: That was Henderson's.

Mr. Sullivan: That's right. I beg your pardon.

HM, Jr: Lot of difference.

Mr. Kuhn: It isn't only attack. It's coming out in favor of the volunteer plan and then having the economists around town make speeches and say we have to have forced savings.

Dr. White: Now, wait a minute. Let's put it this way. I am sure most of the economists I know who have been interested in this and who are talking about it would, if they were in agreement that voluntary

-3-

savings had any chance of filling the bill, would join together and would play ball according to your own terms, with two provisos: (1) provided they have an opportunity to express their views before and (2) that they were convinced. Then again as to whether they would keep quiet depends upon what his feelings are for not keeping quiet. A man of intellectual honesty does not say he thinks so and so is working any more than the Secretary takes the view something is not working well and says it is. So I think the first step I hope and expect you will take before any definite or tentative conclusion you come to, there will be opportunity for an appropriate group to discuss it. If they convince you to the contrary or even if they don't

Mr. Bell: How can you get agreement in a group of 25 or 30? You won't get half to agree.

Dr. White: There are not half that number.

Mr. Bell: The other half will make statements.

Dr. White: I think you can go a long way in getting agreement and cooperative action on the part of anybody who matters if you get a dozen or so men around town and if they are convinced. They are interested in the same objective and you don't get a number convinced on everything, but I think they will be convinced or you will be able to convince them that even if they possess doubts, it is in the interest of the country not to express their doubts.

There are two separate problems. I can conceive of a program being established which, in the opinion of many men, will not work and I think it is up to them if they think it won't work to cry it from the housetops that it won't work, in order to get it changed. There are other things, but in the interest of morale and general unity, you keep quiet.

-4-

HM, Jr: Let me ask this, John. The people in the Treasury who are working on taxes, like Blough, Tarleau, yourself. Can I ask each of you where you stand on this, starting with yourself?

Mr. Sullivan: Yes. Yes. I think it would be a good idea. Now, if I understand the question, it implies that by going forward on raising money through a more forceful attempt to get voluntary contributions, we are going to reduce our tax demands?

HM, Jr: No. No. It's just, it's simply this. I am simply saying I am contemplating that we will not ask for a forced saving or deduction at the source -- whatever you want to call it, -- between now and the first of July in order to give the volunteer method a real chance. Does that answer you?

Mr. Bell: That does not mean that you will not have another tax bill in the meantime?

HM, Jr: No. No. But this, what you call 15% or 10% deduction of part of a man's income at the source.

(At this point, the Secretary had a telephone conversation with Mr. Randolph Paul which follows this page.)

December 9, 1941
3:26 p.m.

Randolph
Paul: Hello, Mr. Secretary.

HMJr: How are you?

P: I'm fine.

HMJr: Paul, I don't know - what are your plans for this week?

P: My plans are - tonight I have to give a lecture. Tomorrow I - Thursday I plan to be down to lunch with you.

HMJr: Good.

P: Saturday I'm scheduled to be in Cleveland for a talk - I think it is the same one Surry is at.

HMJr: Oh.

P: That -- my only other plan is one I've had to cancel, and that is to be at the Federal Reserve meeting Thursday.

HMJr: Yes. Well, here's the thing that I'm trying to get a decision on, if possible, between now and Thursday noon when we have these men down.

P: Yes.

HMJr: And certainly - well, I say, preferably, Thursday. We're calling a meeting in Chicago for next Tuesday of the whole state - all the state organizations - on Defense Savings Bonds, see? And I want to be able to go before those people and say that the Treasury will or will not ask in the next bill for a forced savings or deduction at the source, whatever you want to call it.

P: Yes.

HMJr: And give - that we either will or won't give the volunteer method of payroll deductions a

- 2 -

trial, say, for another six months.

- P: Oh, well, you mean just the broad statements?
- HMJr: Well, then - and then get an agreement. And then go forward and see what these volunteer organizations can do.
- P: Well, here's what I'd better do. I better plan to stay over Friday.
- HMJr: All right.
- P: So that we can thrash out as much of this as possible Thursday and Friday.
- HMJr: Yeah.
- P: And I think we - on those broad questions, we can probably decide that then.
- HMJr: Well, that's - I wondered how much time we had so we could do just that; because we can't go out before this group. That's the one question they're going to ask us, and they're entitled to an answer.
- P: What is the group again?
- HMJr: It's going to be all of the forty-eight states, the state organizations on Defense Savings Bonds.
- P: Oh, yes.
- HMJr: You see?
- P: Yeah. Well, of course, you know my reaction on the deduction.....
- HMJr: I think I do.
- P:at the source is that we have to have it, and I can decide that now.
- HMJr: Oh, you think we have to have it?
- P: Well, I don't mean we have to have that particular one we talked about. We have to have

to have some species of withholding at the source. I don't think we necessarily have to have that precise plan of a supplementary tax such as we discussed.

HMJr: Yeah.

P: But the broad principle of deduction at the source - withholding tax - we do have to have.

HMJr: I didn't know that's the way you felt.

P: Well, I'm pretty clear on that. Now, that may be merely deducting in '42 part of '41 taxes - part of '42 taxes in addition to '41.

HMJr: Well.....

P: I mean - that in itself doesn't mean additional levies of taxes. Do you get my point there?

HMJr: I know. But the point - we've got to have a clear-cut policy, either that I tell Graves and his organization to go ahead and see what you can raise and put all the stress there, or just pipe down on the thing and get a law through and do it through a mandate.

P: No, that's the other end of it. That's the forced savings end of it.

HMJr: Well, that's what I'm talking about.

P: Well, I thought you were talking first about the deduction at the source.

HMJr: What's the difference?

P: No, well, I know, but the deduction at the source is tax as well as forced savings.

HMJr: Well, that's - yeah, I know what you mean.

P: Well, I think that if we start Thursday morning - are you free Thursday morning?

HMJr: I'll be free from nine o'clock on Thursday morning.

- 4 -

P: Well, I'll stop in your office and we'll stay on the job just as long as we need to.

HMJr: With the exception of press, I'll keep all of Thursday morning open.

P: Then we have the luncheon conference, don't we, at one o'clock?

HMJr: That's right.

P: In the meantime, I can be doing some thinking about it.

HMJr: Will you, please?

P: And I'll be as prepared for it as I can.

HMJr: Good.

P: Then let me be very clear - what you want - the policy you want to determine is, are we going to resort to forced savings, which is a statutory method of raising defense money.....

HMJr: Yes.

P:or are we going to depend on volunteer drives.

HMJr: That's right.

P: And that's the one question in which you're interested.

HMJr: Yes. And then, you can't take - then the deduction at the source comes in it also.

P: Yes, but only somewhat incidentally, because.....

HMJr: Well, I mean, if the man says, "You're going to take \$5.00 every week out of my payroll through taxes, then I've got nothing left to volunteer to buy a Defense Savings Bond with."

P: Yeah. They glove together, but.....

HMJr: Yes, they do.

- 5 -

P: But there is - the one question is even more basic than the other, I think. Well, I'll give some thought to it. I already got my tickets for Wednesday night - that's tomcrows night.

HMJr: Well, I'll keep all Thursday morning open.

P: And I'll be at your office at nine o'clock Thursday morning.

HMJr: Thank you.

P: Okay.

HM, Jr: He mentions the distinction which I don't -- that it is just a difference between forced savings and volunteer savings and that the deduction at the source is something else again.

Mr. Sullivan: He's right, Sir.

Dr. White: Depends upon whether deduction at the source is taxes or whether they are going to get some of it back and if they get some back, it is forced savings.

Mr. Foley: Let's clarify what we are talking about, because I don't understand it.

HM, Jr: These fellows are saying to me -- I don't believe it -- deduction at the source. Let's say a man has to pay \$260.00 a year. That's \$5.00 a week, and the Government is going to withhold that much at the source. Well, if he does that, that is the thing which will make it particularly difficult for Graves to go out and get a fellow to say, "I voluntarily set aside \$5.00 a week and buy Defense Savings." Am I right, Harold?

Mr. Graves: Yes.

HM, Jr: Or it makes very little difference to the man who has \$2,000 a year whether you deduct it at the source or whether you take so much at the source and invest it for him legally. One is as bad as the other.

Mr. Graves: I think the point there is it would make a difference whether you are taking the form of a tax or whether your enforced savings is something that is to be

HM, Jr: Whether you take \$5.00 at the source and give it to me to buy a gun or you take \$5.00 and say "After the war is over I am going to pay you \$5.00 back" ...

Dr. White: Makes a difference.

HM, Jr: Yes, but either plan

Mr. Graves: Does not make any difference on Defense Savings.

Dr. White: I don't agree; makes some difference.

HM, Jr: But either way. Once you take the \$5.00 out of his payroll, whether you give it back to him or whether you take it and don't give him anything except a receipt.

You go to a man for \$5.00. Then you go to him and say, "I want you voluntarily to set aside \$5.00 a week to buy Defense Savings. He will say, "I am sorry. The Government is already doing it." But if you say to that man, "Now, look. We have to spend so many billions of dollars, a year. We want you to set aside so much a week to help to win this war, and there is nothing he can point to that you are already doing. Just that sort of thing. Then you have a chance to appeal to the patriotism, but if you manufacture patriotism, I don't see there is much to appeal to.

Mr. Foley: I understand it now, but ...

HM, Jr: But what they are trying to do is mix me up.

Dr. White: You have given us two alternatives and there is a third. Without discussing the merits of -- and it was the third I thought we were talking about as well as the other two -- and the third was the thought that -- without discussing the merits -- the thought was that if you gave these persons a promise that they would get back some of what you took away after the war, you could take their total, but the total would consist of taxes and forced savings. I think this: both of your statements are true that if you take away money from a man, he has that much less to buy savings

bonds, but I don't think that is quite the way to state it. But if your objective is to take away money, then you can take away more money by promising to give some of it back.

HM, Jr.: You can state it any way you want. When I have \$4.00, I say I give you three and I am keeping one. You earned \$4.00. I am the Government. I have taken out the dollar before you get it.

Dr. White: As taxes.

HM, Jr.: Now I come to you. I said you earned \$4.00. "Please give me another dollar".

Dr. White: That is one of the no-e-yes answers. You only give me two alternatives and I agree.

HM, Jr.: I will give you a fourth and I only call it the third. This is not an intellectual -- my suggestion is not an intellectually honest one, but it will accomplish things without resistance, I think. And that is that we have a regular income tax (which we have now) and increase the rates, but don't call it forced savings; don't call it the deduction plan or anything else, but whatever our schedule is, we just increase it, and we get the money, but we have one kind of tax bill instead of two and still leave it on the volunteer basis as far as the volunteer basis is saving, but only have one kind of taxes. Now, that is not intellectually honest, -but I get the money - because I don't get it visibly.

Mr. Sullivan: This intellectual dishonesty is the only thing I don't agree with you. I think it is intellectually honest.

HM, Jr.: Well, Harry accuses me of being intellectually dishonest.

Mr. Blough: The real question is a man has \$60.00 more tax to pay or \$50.00 more tax to pay a year, whether it will reduce his ability to buy Savings Bonds more to take it out in four installments of \$12.50, which he must pay by check to Internal Revenue, or taking it out \$1.00 a week on his payroll -- that's your question as I see it.

HM, Jr: The question is this. You people, in order to help me, I will give you everything I have in my mind.

We have a plan now, which is partly over, where we go to the fellow through his employer and say, "Will you volunteer to set aside \$1.00 a week?" and the thing is beginning to work. Then we come along and duplicate exactly the same plan, but we do it by action of Congress.

Mr. Blough: The real question I am raising is this: if we give him \$50.00 more to pay, collected in four installments, it's voluntary savings as much as if we take \$1.00 a week out of his pay.

Dr. White: If you are stating the same thing which the Secretary stated, I would agree to that unquestionably; that is, if you are going to get \$5,000,000,000 and the question of what way you get it -- I think it is quite right that the worker will say, "You are already deducting something from my pay and this is additional", whereas you put it in the form of quarterly payments he will not feel it's additional, but there is another possibility, I say, of getting a larger total. You are asking only for 6 months' trial?

HM, Jr: I said from now until the first of July.

Dr. White: I think you would find very little opposition to that.

HM, Jr: Asking just to try it for the end of the

fiscal year.

Mr. Bell: That is volunteer?

HM, Jr: Volunteer.

Dr. White: Do you have some results to show you are expecting to get others?

HM, Jr: Graves has the story. He has statistics and he's ready to show it.

Dr. White: And with the war you would expect to get much better response.

HM, Jr: I think through the volunteer basis we can raise \$5,000,000,000.

Dr. White: You can sew it up very easily by not asking for six months, because if the thing works at all, now that the war is here -- it would not have been true otherwise, - you should get pretty good results in a few months -- three months, say. There would be no opposition to your proposal if all you are asking for is a delay of three months in order to test out the scheme, which anybody on the face of it would say is preferable to forced savings if it yields as much.

HM, Jr: Don't only say "forced savings". Say payroll deduction.

Dr. White: That's taxes. That is something else.

Mr. Sullivan: The withholding tax was brought forward with the primary objective of being anti-inflationary in siphoning off this additional Budget cost. I think the first question to be answered is whether or not a sufficient sum of money is voluntarily contributed. Will that come from the same place and from the same groups and have the same anti-inflationary effect? If

it will, I would approve doing it that way and then raising the taxes as we had originally contemplated.

HM, Jr: Again, John, this is the first time I have had a chance to talk. I think if you ask each person who rushed this on me if they feel this thing could stop inflation through taxes that they feel the same way as 30 days ago, talking for myself the answer is no.

Mr. Sullivan: I don't understand. You mean it won't help inflation?

HM, Jr: .No. When I went up on the Hill and made a plea on this inflation first and revenue second, I have changed.

Mr. Sullivan: Well, that's

HM, Jr: I have changed. I have changed. I veer towards the school that the next 6 months during this period of readjustment there may be a feeling -- if I don't know, I don't think anybody knows -- but certainly the signs of inflation are not so flagrant that we have to jump in as rapidly as I did a month ago. Before I went up on the Hill there was only one person who said openly to me they felt that way at that time and that was Lauch Currie. Nobody ever expressed it. Jake Viner has grave doubts. Harry White has grave doubts. Everybody now has grave doubts. Tarleau is going to burst a blood vessel.

Mr. Tarleau: What you say means so much to an outsider. I don't know about inflation, but I know from my own experience. But this question of putting aside a certain amount of my income, either you put it aside for me or I purchase a Savings Bond, is a real problem in my household. When the baby was born I wanted to invest in a bond a month for her and I knew

taxes were going up and I knew I would have to make a readjustment.

HM, Jr: What did you do? Give the baby less milk?

Mr. Foley: He retrenched.

Mr. Tarleau: But in addition to that, there is one realistic feature and that is if those people who feel we ought to withdraw purchasing power, at least are going to have a fighting chance of getting it withdrawn much faster by accentuating this program now, rather than waiting for Congress to pass something, because I think it will take quite a while, if the Secretary does decide to go up and ask for payroll taxes, deducting, withholding, it will be a great effort on his part to get a bill passed. He would be very lucky to get a bill passed by March, April or May with all the strength he has, because there is tremendous opposition to it. In the meantime we could try it.

HM, Jr: I have no pride in trying this. This is not the apple of my eye. On the other, you can't go out and make a patriotic speech to these people and these people, in turn, ask others to volunteer if at the same time in another capacity I come along and take it away. Just as I tried on Harry, I hold \$4.00, take \$1.00 away and say "You still earned \$4.00", but he says, "Where is it?" Would you rather have the whole \$4.00 in front of you and take part of it away?

Mrs. Klotz: I would rather have you take it out of my payroll and not even get it.

Mr. Foley: It seems to me it is a practical problem. Here you have the first impact of the war. Everybody wants to do something. Now, it will take

some time to formulate your legislation and get it. In the meantime, it seems to me that you can put on a patriotic drive and you can get on a volunteer basis a very, very sizable sum of money from people who are willing to ask the corporations to set aside a certain amount out of their weekly pay envelopes to buy Defense Bonds and Stamps. Now, if that does not work, you always can go to the more drastic thing, which you will probably have to do before we get out of this, because it's going to be a long, tough affair, but why do the drastic thing first if it is not absolutely necessary, if the more palatable thing and more acceptable thing will do as a stop-gap measure?

Mr. Sullivan: As I understand it, the question you are asking us is whether or not, in view of all the circumstances at this time, it would be wise for you to bind yourself for a definite period of time not to request a withholding tax.

HM, Jr.: Withholding tax or forced saving.

Mr. Sullivan: In whatever form it might be.

HM, Jr.: Withholding tax or forced savings.

Mr. Sullivan: All right. That's the question you are asking.

HM, Jr.: Yes. So from now, either to the first of May or the first of July -- the first of May is because we have been doing it for a year ...

Mr. Sullivan: I was going to say the first three months would be all right.

HM, Jr.: It would be four months.

Mr. Kuhn: The first of May is good, isn't it?

Mr. Sullivan: Yes.

Mr. Bell: I would say the first of July. Takes some time to get these programs going.

Mr. Sullivan: That's the question you want an answer to -- whether or not it would be safe for you to commit yourself to restrain from any type of withholding of salaries at the source.

HM, Jr: Yes. Yes.

Mr. Sullivan: My off-hand judgment is it would be safe.

Mr. Foley: Yes.

HM, Jr: You (Sullivan) have changed in the room today.

Mr. Sullivan: No.

HM, Jr: I thought you said you were for forced savings.

Dr. White: He has never been. I am the black wolf here.

Mr. Sullivan: I have never been for it. Seems absurd.

HM, Jr: The correct way to describe it is withholding tax and/or forced savings.

Mr. Sullivan: No. I would say withholding of income at the source. That covers both of them.

HM, Jr: All right.

Mr. Foley: Whether you are giving money back or not?

Mr. Sullivan: Even if it is forced savings, it will have to be in the nature of a tax.

Dr. White: Merely thinking aside -- you are dealing in magnitudes which are so large -- you are hoping to increase your savings in the lower group and \$1,000,000,000 is all you get from that group. Is that right?

Mr. Graves: Running a little over that.

Dr. White: I think \$1,000,000,000 would be a very generous effort.

Mr. Graves: You are right.

Dr. White: And you are trying to step that up -- shall we say \$3,000,000,000 to \$4,000,000,000 a year? In other words, you expect to triple it. If you merely increased it 50% or 70%, if you think that is the best you can do, then you ought not even to start, but if, on the other hand, you think there is an excellent chance, you can triple it -- the rate of income from that group. I think it is worth while. But, remember, you are asking for not one purchase, but a commitment to set aside every month.

Mr. Kuhn: The amount of work that has gone into this thing is surely less than one-third of what could be done in the unions and corporations. Is that so, Harold?

Mr. Graves: Yes.

Dr. White: You could go to teachers. Somebody either belongs to a factory union or some organization.

HM, Jr: We have learned how to do it. Just a question now of whether we should.

Mr. Sullivan: May I ask this question. Are we approaching that degree, or will we approach that degree of pressure, which the Ways and Means and Finance are still afraid of?

HM, Jr: I don't understand you.

Mr. Sullivan: You recall when we were up there on the Public Debt of '41, there were all kinds of questions. How you were going to sell bonds? If you were going to engage in that type of propaganda ...

HM, Jr: No, we are not going to do that. The only pressure we are going to use in the sense we are going to employ more people to approach more people and, I mean, I think we get more people. We are not going to do the old Liberty Loan drive, if that is the question.

Mr. Sullivan: I am Joe Bananas working in a shoe factory. Does the fellow working at the same bench with me snub me and refuse to speak to me if I refuse to buy bonds?

HM, Jr: Not if I have anything to do with it.

Mr. Graves: I think they might snub John and refuse to speak to him if he were able to buy bonds and then did not.

Dr. White: You can't avoid that social pressure.

Mr. Bell: You really have to put on some more ballyhoo.

Mr. Foley: If you triple it, I think it's right.

Mr. Bell: So do I.

Dr. White: Ballyhoo makes a man buy a \$50.00 bond or a \$100.00 bond who might not have otherwise done so, but that is not the kind of stream of income that is going to pile up month after month. That sort of income must come from the arrangements you have just outlined. I would be sorry to see that kind of ballyhoo renewed.

HM, Jr: I might say this. I think this would be a good idea. I can see from what they are talking, they don't much what they are arguing. Randolph Paul will be here Thursday night and I think if those people here in the room would have Paul, plus some of the people from the outside, people like Henderson's and Eccles', and a few other people -- I won't come myself; I will keep away -- and have a free for all and then ask Graves here what you are going to do, and thrash this thing out Thursday night.

Mr. Sullivan: You are going to see Doughton and George that noon.

HM, Jr: I will just have to -- I can postpone the thing until Friday. I can postpone it until Friday.

Mr. Sullivan: Randolph coming down tomorrow?

HM, Jr: No; he's speaking. Let's postpone that (lunch) until Friday.

Dr. White: I think at that meeting if the matter were drafted in a paragraph or two and sent around to the men you are asking to attend to thrash it out in their own bailiwick

HM, Jr: That's all right. If Sullivan's people can draft the thing, that's all right.

Mr. Bell: Will Paul be here Thursday morning?

HM, Jr: Yes.

Mr. Bell: Couldn't we say Thursday?

Dr. White: What's Thursday night?

Mr. Bell: Couldn't you see them Thursday morning?

Mr. Graves: I would like to make one observation....

HM, Jr: Paul not being here, John, will you take the responsibility of getting the people together?

Mr. Sullivan: Glad to. I think Thursday would be better.

HM, Jr: No, I want Thursday with my own crowd. Couldn't you people do something like this -- go to an economical place where you get supper for \$1.00 and get a glass of beer?

Dr. White: We do that frequently.

HM, Jr: I mean, meet at 6 o'clock. You tell me you go somewhere. Who is it who goes?

Mr. Bell: I go up to brookings and have a \$1.00 dinner up there.

HM, Jr: A \$1.00 dinner? Can't you do that at the Cosmos Club?

Mr. Graves: Yes.

Mr. Sullivan: I will have it at my house.

HM, Jr: No, don't let John do that.

Mr. Sullivan: If you have it at the Cosmos Club

and have Lauch Currie and Henderson, you read all about it in the papers the next morning.

Mr. Bell: Let's have it in the Treasury at 7:30. Have our dinner before we come.

Mr. Sullivan: Let me decide how we do it. Do you want Lauch there?

Mr. Bell: I would.

HM, Jr: Who's going to guarantee his silence?

Dr. White: I will guarantee his silence. Then you can invite him and tell him

HM, Jr: No, I will have John do it. But tell him you (White) will be held responsible.

Mr. Sullivan: Do you want anybody from Budget?

HM, Jr: Sure. Ask Harold Smith.

Mr. Blough: He might send someone.

HM, Jr: That's all right. And I won't have to have to read Pearson and Allen, because he does not like them.

Dr. White: The fact it gets out will be no prima facie evidence that anybody spoke.

Mr. Bell: He's protecting himself.

HM, Jr: I am going to tip somebody off to talk to Lauch that night.

Well, think about it. We will meet again tomorrow.

Didn't you (Blough) write something on this?

Mr. Blough: Not on that specific one, but I will by tomorrow.

HM, Jr.: Dan, you have been very quiet.

Mr. Bell: I am in favor of the volunteer scheme, but I hate to see you go out before this group and say they have 7 months in which to raise a certain amount of money and that if they don't do it by that time we are going to some other method such as enforced savings. I would rather say we are going to have this volunteer method and want everything put into it for the next 7 months and say nothing about enforced savings. I think it will scare people.

Dr. White: Otherwise it will be a threat.

Mr. Foley: I don't think you ought to threaten them.

Mr. Kuhn: Another way to say it, we would not like to go into enforced savings; therefore we are going to do this.

Mr. Bell: I think you scared people the first part of the war about enforced savings. I would give the volunteer savings a chance.

Mr. Blough: Isn't voluntary saving going to be an essential part of this program throughout the war regardless of anything that is done? It seems to me this has to be pushed and pushed to the limit and I would not say anything about taxes, because it seems to me you can go to Ways and Means. You ask for a tax withheld at its source. You won't get it until June or July. In the meantime, it may interfere to some extent, but if it does, that's too bad. But whatever you get, you are going to have a voluntary savings plan throughout the war on your fiscal program.

Mr. Bell: I don't think when you put in enforced savings you kill this program.

HM, Jr: Granted you are going to have volunteer savings, why does the tax have to take the form of deduction at the source?

Mr. Blough: It does not have to.

Mr. Bell: It advances the payments and gets into a period when you want the money and stops inflation.

HM, Jr: But you can do it another way. The way it has been suggested -- pass a regular income tax for '43 but have it paid in part in '42.

Mr. Blough: It will all be paid in '43 unless you have some provision for advanced collection.

HM, Jr: No. I mean, pass your income tax, but pay part of it in '42.

Mr. Blough: Pay part of it in '42 without collecting at the source? Is that the idea?

HM, Jr: Could be done.

Mr. Blough: Could be done, but pretty difficult.

HM, Jr: It could be done.

Mr. Blough: It could be done, but the question is whether you would be interfering any less with your program to have quarterly payments. Not taken out of the payroll, but some payments taken out of the payroll. I don't know the answer, but that is your wish?

HM, Jr: Here's the thing, Roy. I am less

frightened about inflation and I am more frightened about how people will be able to pay their tax on the 15th of March.

Mr. Bell: That's right.

Mr. Blough: I agree we probably ought not to get anything more coming in before the 15th of March.

HM, Jr: The fact that we are at war with Japan isn't going to jump the monthly average payment of defense suddenly to \$2,000,000,000 or \$3,000,000,000 a month. It just isn't going to happen. They paid less than \$1,500,000,000 last month and how much have we spent so far this year, Dan?

Mr. Bell: About \$6,500,000,000. I would have to check.

HM, Jr: When we said \$18,000,000,000 for the year, they laughed at us. But all I am saying is once we get by the 15th of March and see how the country takes this next income tax, we will all be a lot wiser.

Mr. Blough: I certainly would agree with you on that point. I don't think we are in any worse condition as far as inflation is concerned then we were Saturday.

HM, Jr: And I do think Henderson may get a much better bill now.

Mr. Sullivan: In this Legion resolution, they have a flat statement that a withholding tax without a good and effective price control bill would be inflationary in and of itself.

HM, Jr: You have to explain that to Foley and me.

Mr. Sullivan: There are a number of people who think a withholding tax is inflationary.

Dr. White: How?

Mr. Sullivan: Griswold thinks so. Wrote a long letter to Randolph Paul about it.

Dr. White: I had a scheme, but they threw it out the window.

Mr. Sullivan: Tell them about it.

Dr. White: You think it is good enough to tell him about it? I will see if I can sell the idea.

Mr. Blough: I don't think you have enough prizes in there to make it go and if you put in too many prizes it would cost too much money.

HM, Jr: We will do this again tomorrow.

Class is dismissed.

oOo-oOo

December 9, 1941
4:13 p.m.

Allan
Sproul: Hello, Mr. Secretary.

HMJr: Well, how did she go?

S: Well, their four o'clock close is just the same as the three o'clock close. We held it on the two new issues at par to two.

HMJr: Fine.

S: The total we bought for the day was twenty-seven million, eight hundred thousand.....

HMJr: I see. Well.....

S:made up of the two and a half's, twenty-three million four; and of the two's, four million, three.

HMJr: Good.

S: I think it's a good day on the whole.

HMJr: It's fine. And then you'll take it up with Dan about the matter that I talked about.

S: That's right.

HMJr: I'm very much pleased.

S: All right.

HMJr: Any more air raids?

S: No, we've been all clear here for an hour or two. (Laughs)

HMJr: You know, I don't know where this thing - but I called up the Undersecretary of War and said, "What about this?" He said, "Why, I don't know what you're talking about; let me find out." Then he called back in a couple of minutes and said, "There have been no airplanes seen nor heard of on the Atlantic Coast."

- 2 -

S: No, and no one here knew - seemed to know what it was all about. First it was real, then it was a test, then it was nobody knew anything and it had everybody all upset and it really affected this market as well as the general populace.

HMJr: Yeah. Well - unnecessarily stupid.

S: Yeah. We had reports coming in if we'd take care of the air raid alarms, they said they'd take care of the market.

HMJr: (Laughs) Well, it means they haven't lost their sense of humor.

S: (Laughs)

HMJr: All right.

S: (Laughs) All right.

HMJr: Well, we took care of both, tell them.

S: Yeah. (Laughs)

HMJr: All right. Thank you.

S: Good-bye.

December 9, 1941
4:25 p.m.

Chief
Wilson: Yes, Mr. Secretary.

HMJr: Say, Chief, you know I made another inspection last night.

W: Yes, Mr. Secretary.

HMJr: Now, I was disappointed, because all the points I went, these fellows had these shotguns, but none of them had any tommy guns.

W: Yes, sir.

HMJr: Don't you think at some of the entrances that some of the men ought to have at least one tommy gun?

W: Yes, sir, and they will have them tonight, Mr. Secretary. I was over there last night right after you left and made arrangements to get some tommy guns for some of those points, and they will have them tonight.

HMJr: I think they should - I should think there should be at least one or two tommy guns at each of these gates.

W: Yes. We'll have one at each one of the gates.

HMJr: And these shotguns - they still had the red tags on them.

W: Yes.

HMJr: And so they - if they tried to shoot with them, with that tag flopping in his eye, it wouldn't have done him much good.

W: Yes, sir. Well, if they were issued with tags on, why they should not have been.

HMJr: Every shotgun had a red tag on it.

W: Yes, sir. Well.....

HMJr: Sort of silly.

W: Yes, it is. Yes, sir.

HMJr: It looked kind of silly. It was a big improvement over the night before, but it's still not good enough.

W: Well, there's going to be a bigger improvement from now on because last night at nine o'clock I gave Mr. Riley his full authority over there, and he's the supervising agent in charge. I talked to Colonel Starling last evening and relieved him of his responsibilities except taking care of advance arrangements. He took it very gracefully and everything is going to work out better from now on.

HMJr: Have any trouble with Starling?

W: Not the slightest, no. He took it very gracefully.

HMJr: Now, do you have contact with the soldiers?

W: Yes, sir.

HMJr: Who is the officer in charge?

W: Colonel Hanna and Lieut. Colonel Kurlee.

HMJr: Where are they stationed?

W: They've been here at the Treasury building.

HMJr: Where's their employ?

W: In the Munitions building.

HMJr: You might arrange to - I'd like to have them call on me tomorrow. You might bring them in.

W: I'll do it, Mr. Secretary.

HMJr: I'll give you time. Just a minute.

W: All right, Mr. Secretary.

HMJr: Supposing we say ten-forty-five tomorrow.

W: Ten forty-five tomorrow morning.
HMJr: Will you bring the two of them in?
W: I'll do it, Mr. Secretary.
HMJr: I'd like to see them.
W: All right, Mr. Secretary.
HMJr: Thank you.
W: Thank you.

December 9, 1941
4:48 p.m.

HMJr: Hello.

General
Watson: Yes, sir.

HMJr: Well, we've got our soldiers.

W: Uh huh.

HMJr: And they're all right.

W: Yeah.

HMJr: And we've got - I don't know how much you want to know about it. We've got.....

W: Well, I'll find out. I tell you, they want to reduce it. I don't think they'd better reduce it.

HMJr: No, sir.

W: All right. I'll tell them not.

HMJr: No, now wait a minute. I.....

W: We'll keep what we've got.

HMJr: I want some more.

W: All right.

HMJr: I want an anti-aircraft battery.....

W: (Laughs)

HMJr: Wait a minute. Wait a minute.

W: Yeah.

HMJr: I want two. I want one on the roof of the State Department and one on the roof of the Treasury. With detectors and everything.

W: Uh huh. Yeah.

- 2 -

HMJr: One on the roof of the State Department and one on the roof of the Treasury, with detectors and everything complete to protect the President.

W: Yeah.

HMJr: And I again - I want your permission as soon as you can get it that I can ask General Marshall.

W: Well, I tell you. You'd better let me speak to the big boy.

HMJr: Oh, I know; but I want one on the roof of the State Department.....

W: All right.

HMJr:a complete anti-aircraft battery on the State Department.....

W: All right.

HMJr:and on the Treasury.

W: All right. I'll ask him.

HMJr: We've got to take care of this man against these crazy people.

W: Yeah, all right. I'll ask him. I don't know whether they've got one around here or not.

HMJr: Well, they'd better find one.

W: All right. All right.

HMJr: Thank you.

December 9, 1941
5:00 p.m.

276

HMJr: Hello.

Operator: Hello. Secretary Morgenthau. The General asked me to get him.

HMJr: Well, I'm here

General
Watson: Hello.

HMJr: Present, early.

W: Huh?

HMJr: Present, early.

W: Present, early?

HMJr: Yeah.

W: What're you talking about?

HMJr: I report. Present, early.

W: (Laughs) Oh, I see. Look here. They're looking up now what they've got around here. If they'd have anything, of course it would be one of those machine gun batteries. That's one of those big ones. That's about as good as there is anywhere.

HMJr: My God, that's no good.

W: They couldn't put those big seventy-fives up there.

HMJr: Oh, sure they could.

W: It'd tear your damn building down.

HMJr: No, no, no, no.

W: Huh?

HMJr: We want a good - really a modern, up-to-date.....

W: Why, they're more modern than any other. That's all they've got around Washington.

HMJr: Well, we'll start that way; but I won't be satisfied.

W: Oh, yeah. I don't know whether the President's going to let you do that or not.

HMJr: Well.....

W: I'm going to ask him again.

HMJr: Well, ask him in the morning when he's not tired.

W: That's better, yeah.

HMJr: Ask him in the morning.

W: All right, that's what I'll do. I'll find out what they've got around here first.

HMJr: Yeah.

W: I've got them finding that out for me first.

HMJr: Well, I want to show Senator Wheeler that we've got a couple anti-aircraft batteries around here.

W: Yeah. Well, I'm finding out what the protection afforded to Washington is first.

HMJr: Yeah. All right, I'll hear from you in the morning.

W: Yes, sir.

HMJr: Thank you.

W: All right.

December 9, 1941

Sometime after nine o'clock this evening Foley telephoned and said he had sent up the papers for me to sign to freeze the assets of Thailand. I said that I would, and I did.

DEC 9 - 1941

MEMORANDUM FOR THE PRESIDENT:

Annexed is an Executive Order which amends the outstanding Executive Orders relating to certain foreign property so as to apply the freezing control to Thai property in this country.

The documents have been cleared with the Attorney General.

(Signed) H. Morganthau, Jr.

Secretary of the Treasury

EXECUTIVE ORDER

AMENDMENT OF EXECUTIVE ORDER NO. 8369
OF APRIL 10, 1940, AS AMENDED

By virtue of the authority vested in me by Section 5(b) of the Act of October 6, 1917 (40 Stat. 415), as amended, and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do hereby amend Executive Order No. 8369 of April 10, 1940, as amended, by changing the period at the end of subdivision (k) of Section 3 of such Order to a semi-colon and adding the following new subdivision thereafter:

(1) June 14, 1941--

Thailand.



THE WHITE HOUSE,

December 9, 1941.

EXECUTIVE ORDER

AMENDMENT OF EXECUTIVE ORDER NO. 8389
OF APRIL 10, 1940, AS AMENDED

By virtue of the authority vested in me by Section 5(b) of the Act of October 6, 1917 (40 Stat. 415), as amended, and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do hereby amend Executive Order No. 8389 of April 10, 1940, as amended, by changing the period at the end of subdivision (k) of Section 3 of such Order to a semi-colon and adding the following new subdivision thereafter:

- (1) June 14, 1941—
Thailand.



THE WHITE HOUSE,
December 9, 1941.

F.D.R.

TITLE OF FEDERAL REGULATIONS
 Title 31 - Money and Finance: Treasury
 Chapter I - Monetary Offices, Department of the Treasury
 Part 131 - General licenses under Executive Order No. 8389,
 April 10, 1940, as amended, and regulations issued
 pursuant thereto.
 Section 131. 76

TREASURY DEPARTMENT
 Office of the Secretary
 December 9, 1941

GENERAL LICENSE NO. 76
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATIVE TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

A general license is hereby granted licensing any transaction which is prohibited by the Order solely by reason of the fact that it involves property in which Thailand, or any national thereof, has at any time prior to December 9, 1941, but not on or since December 9, 1941, had any interest.

This general license shall not be deemed to authorize any transaction, if (i) such transaction is by, or on behalf of, or pursuant to the direction of Thailand, or any national thereof, or (ii) such transaction involves property in which Thailand, or any national thereof, has at any time on or since December 9, 1941, had any interest.

(Signed) H. M. Foley, Jr.
 Acting Secretary of the Treasury.

* Part 131, - Sec. 5(b), 48 Stat. 415 and 946; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941; Ex. Order 8822, July 26, 1941, and Ex. Order 8963, December 9, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

(initials) P113

December 9, 1941

At 10:35 tonight Harry White called. He had been to T. V. Soong's for supper, and Soong had the following message for me. He either saw the President or got a message from the President that Russia had given President Roosevelt the assurance that just as soon as they can get their troops lined up they will attack Japan.

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

DECEMBER 9, 1941 ^{2/05}

CAUTION: The following address of the President, to be broadcast from the White House, MUST BE HELD IN CONFIDENCE until released.

NOTE: Release to editions of all newspapers appearing on the streets NOT EARLIER THAN 10:00 P.M., E.S.T., December 9, 1941. The same release of the text of the address also applies to radio announcers and news commentators.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President

The sudden criminal attacks perpetrated by the Japanese in the Pacific provide the climax of a decade of international immorality.

Powerful and resourceful gangsters have banded together to make war upon the whole human race. Their challenge has now been flung at the United States of America. The Japanese have treacherously violated the longstanding peace between us. Many American soldiers and sailors have been killed by enemy action. American ships have been sunk, American airplanes have been destroyed.

The Congress and the people of the United States have accepted that challenge.

Together with other free peoples, we are now fighting to maintain our right to live among our world neighbors in freedom and in common decency, without fear of assault.

I have prepared the full record of our past relations with Japan, and it will be submitted to the Congress. It begins with the visit of Commodore Perry to Japan eighty-eight years ago. It ends with the visit of two Japanese emissaries to the Secretary of State last Sunday, an hour after Japanese forces had loosed their bombs and machine guns against our flag, our forces and our citizens.

I can say with utmost confidence that no Americans today or a thousand years hence, need feel anything but pride in our patience and our efforts through all the years toward achieving a peace in the Pacific which would be fair and honorable to every nation, large or small. And no honest person, today or a thousand years hence, will be able to suppress a sense of indignation and horror at the treachery committed by the military dictators of Japan, under the very shadow of the flag of peace borne by their special envoys in our midst.

- 2 -

The course that Japan has followed for the past ten years in Asia has paralleled the course of Hitler and Mussolini in Europe and Africa. Today, it has become far more than a parallel. It is collaboration so well calculated that all the continents of the world, and all the oceans, are now considered by the Axis strategists as one gigantic battlefield.

In 1931, Japan invaded Manchukuo — without warning.

In 1935, Italy invaded Ethiopia — without warning.

In 1938, Hitler occupied Austria — without warning.

In 1939, Hitler invaded Czecho-Slovakia — without warning.

Later in 1939, Hitler invaded Poland — without warning.

In 1940, Hitler invaded Norway, Denmark, the Netherlands, Belgium and Luxembourg — without warning.

In 1940, Italy attacked France and later Greece — without warning.

In 1941, the Axis Powers attacked Yugoslavia and Greece and they dominated the Balkans — without warning.

In 1941, Hitler invaded Russia — without warning.

And now Japan has attacked Malaya and Thailand — and the United States — without warning.

It is all of one pattern.

We are now in this war. We are all in it — all the way. Every single man, woman and child is a partner in the most tremendous undertaking of our American history. We must share together the bad news and the good news, the defeats and the victories — the changing fortunes of war.

So far, the news has all been bad. We have suffered a serious set-back in Hawaii. Our forces in the Philippines, which include the brave people of that Commonwealth, are taking punishment, but are defending themselves vigorously. The reports from Guam and Wake and Midway Islands are still confused, but we must be prepared for the announcement that all these three outposts have been seized.

The casualty lists of these first few days will undoubtedly be large. I deeply feel the anxiety of all families of the men in our armed forces and the relatives of people in cities which have been bombed. I can only give them my solemn promise that they will get news just as quickly as possible.

This Government will put its trust in the stamina of the American people, and will give the facts to the public just as soon as two conditions have been fulfilled: first, that the information has been definitely and officially confirmed; and, second, that the release of the information at the time it is received will not prove valuable to the enemy directly or indirectly.

- 5 -

Most earnestly I urge my countrymen to reject all rumors. These ugly little hints of complete disaster fly thick and fast in war-time. They have to be examined and appraised.

As an example, I can tell you frankly that until further surveys are made, I have not sufficient information to state the exact damage which has been done to our naval vessels at Pearl Harbor. Admittedly the damage is serious. But no one can say how serious, until we know how much of this damage can be repaired and how quickly the necessary repairs can be made.

I cite as another example a statement made on Sunday night that a Japanese carrier had been located and sunk off the Canal Zone. And when you hear statements that are attributed to what they call "an authoritative source", you can be reasonably sure, from now on, that under these war circumstances the "authoritative source" is not any person in authority.

Many rumors and reports which we now hear originate, of course, with enemy sources. For instance, today the Japanese are claiming that as a result of their one action against Hawaii they have gained naval supremacy in the Pacific. This is an old trick of propaganda which has been used innumerable times by the Nazis. The purposes of such fantastic claims are, of course, to spread fear and confusion among us, and to goad us into revealing military information which our enemies are desperately anxious to obtain.

Our government will not be caught in this obvious trap — and neither will the people of the United States.

It must be remembered by each and every one of us that our free and rapid communication must be greatly restricted in war-time. It is not possible to receive full, speedy, accurate reports from distant areas of combat. This is particularly true where naval operations are concerned. For in these days of the marvels of radio it is often impossible for the Commanders of various units to report their activities by radio at all, for the very simple reason that this information would become available to the enemy, and would disclose their position and their plan of defense or attack.

Of necessity there will be delays in officially confirming or denying reports of operations but we will not hide facts from the country if we know the facts and if the enemy will not be aided by their disclosure.

To all newspapers and radio stations — all those who reach the eyes and ears of the American people — I say this: you have a most grave responsibility to the nation now and for the duration of this war.

If you feel that your government is not disclosing enough of the truth, you have every right to say so. But — in the absence of all the facts, as revealed by official sources — you have no right, in the ethics of patriotism, to deal out unconfirmed reports in such a way as to make people believe they are gospel truth.

Every citizen, in every walk of life, shares this same responsibility. The lives of our soldiers and sailors — the whole future of this nation — depend upon the manner in which each and every one of us fulfills his obligation to our country.

- 4 -

Now a word about the recent past — and the future. A year and a half has elapsed since the fall of France, when the whole world first realized the mechanized might which the Axis nations had been building up for so many years. America has used that year and a half to great advantage. Knowing that the attack might reach us in all too short a time, we immediately began greatly to increase our industrial strength and our capacity to meet the demands of modern warfare.

Precious months were gained by sending vast quantities of our war material to the nations of the world still able to resist Axis aggression. Our policy rested on the fundamental truth that the defense of any country resisting Hitler or Japan was in the long run the defense of our own country. That policy has been justified. It has given us time, invaluable time, to build our American assembly lines of production.

Assembly lines are now in operation. Others are being rushed to completion. A steady stream of tanks and planes, of guns and ships, of shells and equipment — that is what these eighteen months have given us.

But it is all only a beginning of what still has to be done. We must be set to face a long war against crafty and powerful bandits. The attack at Pearl Harbor can be repeated at any one of many points in both oceans and along both our coast lines and against all the rest of the Hemisphere.

It will not only be a long war, it will be a hard war. That is the basis on which we now lay all our plans. That is the yardstick by which we measure what we shall need and demand; money, materials, doubled and quadrupled production — ever-increasing. The production must be not only for our own army and navy and air forces. It must reinforce the other armies and navies and air forces fighting the Nazis and the war lords of Japan throughout the Americas and the world.

I have been working today on the subject of production. Your government has decided on two broad policies.

The first is to speed up all existing production by working on a seven day week basis in every war industry, including the production of essential raw materials.

The second policy, now being put into form, is to rush additions to the capacity of production by building more new plants, by adding to old plants, and by using the many smaller plants for war needs.

Over the hard road of the past months, we have at times met obstacles and difficulties, divisions and disputes, indifference and callousness. That is now all past — and, I am sure, forgotten.

The fact is that the country now has an organization in Washington built around men and women who are recognized experts in their own fields. I think the country knows that the people who are actually responsible in each and every one of these many fields are pulling together with a teamwork that has never before been excelled.

On the road ahead there lies hard work — grueling work — day and night, every hour and every minute.

- 5 -

I was about to add that ahead there lies sacrifice for all of us.

But it is not correct to use that word. The United States does not consider it a sacrifice to do all one can, to give one's best to our nation, when the nation is fighting for its existence and its future life.

It is not a sacrifice for any man, old or young, to be in the Army or the Navy of the United States. Rather is it a privilege.

It is not a sacrifice for the industrialist or the wage-earner, the farmer or the shopkeeper, the tradesman or the doctor, to pay more taxes, to buy more bonds, to forego extra profits, to work longer or harder at the task for which he is best fitted. Rather is it a privilege.

It is not a sacrifice to do without many things to which we are accustomed if the national defense calls for doing without.

A review this morning leads me to the conclusion that at present we shall not have to curtail the normal use of articles of food. There is enough food today for all of us and enough left over to send to those who are fighting on the same side with us.

But there will be a clear and definite shortage of metals of many kinds for civilian use, for the very good reason that in our increased program we shall need for war purposes more than half of that portion of the principal metals which during the past year have gone into articles for civilian use. We shall have to give up many things entirely.

I am sure that the people in every part of the nation are prepared in their individual living to win this war. I am sure they will cheerfully help to pay a large part of its financial cost while it goes on. I am sure they will cheerfully give up those material things they are asked to give up.

I am sure that they will retain all those great spiritual things without which we cannot win through.

I repeat that the United States can accept no result save victory, final and complete. Not only must the shame of Japanese treachery be wiped out, but the sources of international brutality, wherever they exist, must be absolutely and finally broken.

In my message to the Congress yesterday I said that we "will make very certain that this form of treachery shall never endanger us again". In order to achieve that certainty, we must begin the great task that is before us by abandoning once and for all the illusion that we can ever again isolate ourselves from the rest of humanity.

In these past few years — and, most violently, in the past three days — we have learned a terrible lesson.

It is our obligation to our dead — it is our sacred obligation to their children and our children — that we must never forget what we have learned.

And what we have learned is this:

There is no such thing as security for any nation — or any individual — in a world ruled by the principles of gangsterism.

There is no such thing as impregnable defense against powerful aggressors who sneak up in the dark and strike without warning.

We have learned that our ocean-girt hemisphere is not immune from severe attack — that we cannot measure our safety in terms of miles on any map any more.

We may acknowledge that our enemies have performed a brilliant feat of deception, perfectly timed and executed with great skill. It was a thoroughly dishonorable deed, but we must face the fact that modern warfare as conducted in the Nazi manner is a dirty business. We don't like it — we didn't want to get in it — but we are in it and we're going to fight it with everything we've got.

I do not think any American has any doubt of our ability to administer proper punishment to the perpetrators of these crimes.

Your government knows that for weeks Germany has been telling Japan that if Japan did not attack the United States, Japan would not share in dividing the spoils with Germany when peace came. She was promised by Germany that if she came in she would receive the complete and perpetual control of the whole of the Pacific area — and that means not only the Far East, not only all of the Islands in the Pacific, but also a stranglehold on the west coast of North, Central and South America.

We also know that Germany and Japan are conducting their military and naval operations in accordance with a joint plan. That plan considers all peoples and nations which are not helping the Axis powers as common enemies of each and every one of the Axis powers.

That is their simple and obvious grand strategy. That is why the American people must realize that it can be matched only with similar grand strategy. We must realize for example that Japanese successes against the United States in the Pacific are helpful to German operations in Libya; that any German success against the Caucasus is inevitably an assistance to Japan in her operations against the Dutch East Indies; that a German attack against Algiers or Morocco opens the way to a German attack against South America, and the Canal.

On the other side of the picture, we must learn to know that guerilla warfare against the Germans in, let us say, Serbia or Norway, helps us; that a successful Russian offensive against the Germans helps us; and that British successes on land or sea in any part of the world strengthen our hands.

Remember always that Germany and Italy, regardless of any formal declaration of war, consider themselves at war with the United States at this moment just as much as they consider themselves at war with Britain and Russia. And Germany puts all the other Republics of the Americas into the same category of enemies. The people of our sister Republics of this Hemisphere can be honored by that fact.

- 7 -

The true goal we seek is far above and beyond the ugly field of battle. When we resort to force, as now we must, we are determined that this force shall be directed toward ultimate good as well as against immediate evil. We Americans are not destroyers -- we are builders.

We are now in the midst of a war, not for conquest, not for vengeance, but for a world in which this nation, and all that this nation represents, will be safe for our children. We expect to eliminate the danger from Japan, but it would serve us ill if we accomplished that and found that the rest of the world was dominated by Hitler and Mussolini.

We are going to win the war and we are going to win the peace that follows.

And in the difficult hours of this day -- and through dark days that may be yet to come -- we will know that the vast majority of the members of the human race are on our side. Many of them are fighting with us. All of them are praying for us. For, in representing our cause, we represent theirs as well -- our hope and their hope for liberty under God.

December 9, 1941

Dear Merle:

I take pleasure in sending you herewith a copy of my letter to the Secretary of State. I am extremely sorry that you found it necessary to ask for a transfer back to the State Department.

I want to take this opportunity to thank you most heartily for the excellent services you have rendered me. In particular, your assistance in bringing to a culmination the Tripartite Agreement between England, France and the United States will always be remembered by me.

You have my best wishes for your continued success in your Government career. I hope that from time to time you will drop in and see me.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. H. Merle Cochran,
Treasury Department,
Washington, D. C.

*Copy handed original to Mr. Cochran
H.M.C.*

DEC 9 1941

Dear Cordell:

Reference is made to our phone conversation concerning Mr. Merle Cochran's desire to return to the State Department. I feel I should be remiss if I did not express my real appreciation to you for making his services available to me.

Mr. Cochran has rendered valuable and competent service to this Department and to me personally over the period of his detail, extending from September 1, 1939, to date. I have agreed to his release, and I am sure he will continue to render an important contribution in the present emergency through the State Department.

Sincerely,

(Signed) Henry Morgenthau, Jr.

The Honorable,

The Secretary of State.

*Stinger 5⁰⁰
copies to Thompson*

CSB:WNT:a ja

December 9, 1941

My dear Mr. Barnard:

In reply to your letter of December 8th, I hereby accept your resignation as Assistant to me.

I am extremely sorry that your length of stay could not have been prolonged. However, I want to take this opportunity to thank you most heartily for the excellent services which you have rendered to me.

I will call on you from time to time for advice as the occasion presents itself.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Chester I. Barnard,
Assistant to the Secretary,
Treasury Department,
Washington, D. C.

Bill Thompson

Treasury Department
Washington, D. C.

December 8, 1941

Honorable Henry Morgenthau, Jr.
The Secretary of the Treasury

Dear Mr. Secretary:

In accordance with our conversation Friday morning, I hereby resign as Assistant to the Secretary of the Treasury, effective December 11, 1941. It is understood that thereafter I shall be happy to make myself available to you in a consulting capacity whenever you find occasion to think my advice might be useful.

Permit me to express my appreciation for the privilege of working with you even though the period has been short.

Yours sincerely,
CHESTER I. BARNARD
Chester I. Barnard

W. RANDOLPH BURGESS
55 WALL STREET
NEW YORK

December 9, 1941

Dear Henry:

It was very good of you to reply so fully to my letter with respect to the effects of freezing control. We all appreciate the very great effort that you and your associates are making to smooth out the difficulties in this matter and recognize the substantial progress that is being made, for all of which let me say "thank you".

Sincerely yours,



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

DEC 6 1941

Dear Randolph:

I have received your letter of November 27, 1941, and I sincerely appreciate your interest in the problems of our freezing control.

I have received a large number of replies to my letter of October 17. The suggestions contained in these letters are being carefully analyzed. On the whole the reaction has been very favorable and I am gratified that the interest of bankers in foreign funds control appears to have been stimulated. As a further step in our public relations program we have at present a group of eight men conducting meetings in various Federal Reserve districts to acquaint bankers, attorneys and business men with the purposes of the Foreign Funds Control and to discuss with them the suggestions they have already made to improve the administration of the Order.

I have constantly increased the authority delegated to the Federal Reserve Bank of New York to handle applications for licenses. In recent months almost 90% of all applications filed with the New York Federal Reserve Bank have been acted upon without prior reference to Washington. At the same time more and more authority has been delegated to the other Federal Reserve Banks. I feel that we are solving many of the policy questions involved in the administration of the freezing control; as such decisions are made, more cases can be handled in the field. As you can well appreciate, many of the problems arising under the freezing order are related to other actions of this Government in its program of economic defense. Thus, it will always be true that many cases can be decided only in Washington, where constant consultation with other interested departments and agencies is possible.

The first type of case to which you refer, i.e., sales of American enterprises abroad, has long been recognized by the Treasury as one of the most difficult that we are called upon to decide. A number of such applications have been filed and before decisions have been taken they were thoroughly discussed with the Inter-Departmental Committee on the freezing control, on which the State, Justice and Treasury Departments are represented. The general policy of this Government in this type of case has been arrived at only after careful weighing of the national interest as against the particular interests involved in the liquidation of American property in blocked countries.

Only a few days ago a number of our people met with Mr. Loree and other officers of various New York banks to discuss the letter of credit problem. On the basis of this preliminary conversation we are considering what appropriate measures the Treasury can take.

The question of the blocking of persons who have entered the United States since June 17, 1940, is one to which we have devoted a considerable amount of study. As you know, we recently issued General License No. 42-A, which removes the domicile requirement which heretofore had excluded many people from General License No. 42. Further aspects of the refugee problem are being studied at the present time. Our licensing policy with respect to blocked nationals in the United States has been liberal and we are sympathetic to any further measures that can be taken consistent with the purposes of the Executive Order.

A number of applications involving payment of dividends and royalties were under consideration for some time as they involved a question of basic policy. While such applications falling into certain policy areas are being considered, questions often arise that are not fully answered in the original application. We then find it necessary to go back to the applicants and request additional information before a final decision can be made. You can appreciate that it is not always possible to advise

- 3 -

applicants of the policy considerations involved in action on specific applications. We are, of course, always ready to discuss and reconsider denials of applications.

Let me thank you again for your letter. The close cooperation necessary for the most effective administration of the Executive Order can only be obtained through mutual understanding of our respective problems.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. W. Randolph Burgess
55 Wall Street
New York, New York.

BLT:OAS:EHF/mp 12/6/41

PERSONAL

W. RANDOLPH BURGESS
85 WALL STREET
New York

November 27, 1941

Dear Henry:

The other day a press item suggested that the responses to your letter of October 17, asking suggestions on the freezing of foreign funds were not up to anticipations. I have reviewed our own response and have felt it might be helpful if I sent you a personal letter summarizing the situation as I see it after several additional weeks' experience.

The objective of the control is clearly sound and it is performing a necessary service both in the protection of foreigners and limiting Axis resources. The task is difficult and without precedents for guidance. In our experience the men administering the funds are trying to be fair and helpful. In this new and huge undertaking mistakes were inevitable, and even at the best many toes are stepped on.

It is not surprising, therefore, that we receive many complaints about the freezing control. Some of these, however, seem to us justified. The control in some cases seems to us to be delaying, hampering, and even penalizing legitimate business unnecessarily. In some other cases it is creating unnecessary irritation of foreigners in South America and elsewhere whose goodwill we are trying in other ways to cultivate.

Many of the difficulties are due to the two hundred miles between Washington and New York. Decisions in many complicated cases are

made, perhaps un-avoidably, without a full understanding of the implications. The telephone and letters and the frequent trips our officers make to Washington can't do this job fully. The greatest single step in solving difficulties, is to shift as much as you can of the exchange control to New York where problems can be discussed in person, at a great saving in time and irritation. The steps you have already taken in this direction are very helpful and we believe may be carried still further to advantage.

Turning to specific areas where control may be too strict let us suggest four types of cases which we have been concerned about, and which may be illustrative of the general problem.

1. American owners of property abroad are facing millions of dollars of loss by possible inability to complete negotiations for the sale of certain of these properties to foreign nationals who are willing to purchase them with blocked dollars. In these cases no funds are made available for Axis use. They should, of course, only be carried out when the ownership of the dollars is clear. It seems much to some of our customers to sell property of this sort rather than risk confiscation. It has been the policy of the United States Government to encourage its nationals to extend business interests into foreign countries as a stimulus to trade in both directions. After the war this will be still more necessary. But the willingness of Americans to venture their funds abroad in the future is greatly influenced by the attitude of our Government in the protection of American property values abroad in every reasonable way. I recognize that this policy has been carefully considered but I believe it should be reconsidered.

2. Another policy which gives us concern is that enumerated in Public Circular #2, which prohibits our banks from fulfilling the obligations of their irrevocable letters of credit unless the Treasury shall deem it expedient to authorize their fulfillment. As Mr. Foley said in his speech at Indianapolis, the American dollar is today the most sought after medium in the world for payment for goods and services. The conventional means through which the dollar is employed by buyers for the purchase of goods is the American bank letter of credit. The bank credit is useful, however, only to the extent that the seller is confident that he can prepare his goods for shipment and tender his draft drawn thereunder for negotiation or payment, with absolute assurance of payment. Public Circular #2 destroys this assurance. Again I recognize that policy was adopted as a protection to the American importer, but that situation has now clarified and I believe the policy at present does much more harm than good. Question indeed may be raised whether this regulation does not deprive the beneficiary of the credit of his property without due process of law.

3. Some of our customers hold strong views regarding the application of the freezing order to immigrants who have legally entered our country subsequent to June 17, 1940. They sincerely feel that it is unjust to apply the Order to individuals who presumably have been fully investigated and are now residing in the United States. The United States has generously offered refuge to many thousands who have been driven out of their own land. They have found here new opportunity for life and freedom. The Executive Order, however, creates the presumption that those who have arrived subsequent to June 17, 1940 will act in a manner subversive to our best interests. This order has aroused much resentment and is impairing goodwill. I suggest the possibility

of amending General License #42 so that immigrants who, regardless of the date of their arrival here, have taken out their first citizenship papers may become generally licensed nationals.

4. Recently a further difficulty has arisen with regard to applications involving the purchase of French Francs and Yen, representing such items as dividends, royalties, collection of cabin tolls and insurance premiums. In some instances applications were granted. In other instances, after being advised that the transactions were receiving the active consideration of the Treasury Department, because a question of basic policy was involved, applications in behalf of our customers were denied with the suggestion that a new application be filed giving full particulars as to the type of dividends and royalties involved, and other essential details. In one instance, in which the application was made on September 19th, the denial above referred to was received by us on November 14th, and we and our customer are still without any indication of the basic policy concerning which we are requested to submit "essential" details.

I recognize that your people are already studying these problems, but I cite them as representing the kind of difficulty which I believe could be ironed out if the people operating your exchange control were more regularly and closely in contact with the people here who have responsibility for operations.

You will understand that my only desire in this matter is to be helpful with respect to the very difficult problems the Treasury faces in this area.

With cordial regards,

Sincerely yours,



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

DEC 9 1941

My dear Glavin:

I thank you for your letter of December 6, which clarifies the situation involved in the recent reduction of margins on cottonseed oil by the New York Produce Exchange. I agree with you that one futures exchange cannot be expected to maintain margins at a competitive disadvantage with other exchanges. The difficulty of obtaining voluntary compliance clearly indicates the immediate need for greater authority on the part of the Commodity Exchange Administration to control commodity speculation, particularly in view of the present emergency.

Sincerely,

(Signed) H. Wergentzen, Jr.

The Honorable,

The Secretary of Agriculture,

Washington, D. C.

H.W.C.

OCH:abe 12/9/41



DEPARTMENT OF AGRICULTURE
WASHINGTON

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

Your letters of November 7 and November 13 concerning the reduction in margin requirements applying to futures trading in cottonseed oil on the New York Produce Exchange were greatly appreciated.

In the spring of this year trading in cottonseed oil futures on both the New York Produce Exchange and the New Orleans Cotton Exchange increased markedly although open contracts were showing a seasonal decline. In May, at the request of the Commodity Exchange Administration, the two exchanges adopted rules requiring members to obtain minimum margins from speculative customers. The requirements of the New York Produce Exchange have been higher than those of the New Orleans Cotton Exchange on cottonseed oil futures, and higher than those of the Chicago Board of Trade on lard futures. On July 11 the Commodity Exchange Administration suggested to all contract markets that they adopt uniform margin requirements of not less than 15 percent applying to all speculative trading. The New York Produce Exchange adopted margin rules meeting substantially this suggestion. The other exchanges failed to do so.

In lowering margins from 15 percent to 10 percent, the New York Produce Exchange has evidently felt that the competition of other markets having lower margins has been detrimental to its business. The Commodity Exchange Act, as you know, does not give the Department authority over margins. The New York Produce Exchange, prior to its reduction in margins, sought approval of the action by the Commodity Exchange Administration. In reply the Administration stated that it could not approve the lowering of margins on speculative transactions in any commodity at this time, and felt that such margins should be raised rather than lowered.

Intermarket competition should not be the basis for determining margin policy. On the other hand, it cannot be expected that one exchange will

December 8, 1941.

adhere to margins which are higher than those obtaining at competing markets. The Commodity Exchange Act should be amended to give this Department authority over the margins required of customers in commodity futures. It is quite possible that the New York Produce Exchange, by threat of legislation, could be induced to restore margins to 15 percent. I am reluctant to put forward that suggestion at this time because of the implication that legislation could be avoided by such action. This Department is now giving serious consideration to amending the Commodity Exchange Act. At the appropriate time I should be glad to have your assistance in securing a larger measure of control over the speculative commodity markets.

Sincerely,

Claude A. Wickard
Secretary

December 9, 1941

To

All Collectors of Customs

210-T. You are requested not repeat not to clear, until further notice, the exportation of aircraft, aircraft parts, accessories, or equipment of any nature whatever, to any destination whatever, unless consigned to military or naval forces of the United States Government. This prohibition should be considered effective immediately, and to apply to all shipments of the character referred to whether or not laden on board the exporting carrier, whether or not a license authorizing such exportation has been issued, and regardless of any other circumstances which may be involved.

KERR, CHIEF, OFFICE OF EXPORT CONTROL

307

December 9, 1941

TO: Mr. White

FROM: The Secretary

On letters, cables, reports of meeting, etc., relating to Russia, please send them to me, Mr. Bell and Mr. Foley.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE December 5, 1941.

TO Secretary Morgenthau
FROM H. D. White

I send copies of letters, cables, reports of meetings, etc., relating to the British dollar position and British Lend-Lease matters, Canadian dollar position and Canadian Lend-Lease matters, which are received by (first) or originate in this Division, to the following:

- (1) Secretary's files
- (2) Mr. Bell
- (3) Mr. Foley
- (4) Mr. Cochran

I would appreciate it if you would indicate the distribution you wish with similar material relating to Russia.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

CASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission,
who enclose Statement No. 10 - Aircraft Shipped -
for the week ended December 9, 1941

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

December 12, 1941

STATEMENT NO. 10

AIRCRAFT DESPATCHED FROM THE UNITED STATES WEEK
ENDED DECEMBER 9, 1941.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
<u>CESNA</u> T-50	Canada	-----	--	--	20
<u>CONSOLIDATED</u> Liberator II	U. K. Middle East	----- Port Sudan	-- --	4 1	-- --
<u>CURTISS</u> Kittyhawk	Canada	-----	--	--	1
<u>DOUGLAS</u> Boston III	Middle East Russia	Port Sudan Beirah	4 17	-- --	-- --
<u>GLANN MARTIN</u> Baltimore	Middle East	Port Sudan	13	--	--
<u>FATECHILD</u> 24R9	U. K.	U. K.	6	--	--
<u>NORTH AMERICAN</u> Mustang	U. K.	U. K.	13	--	--
TOTAL			53	5	21

British Air Commission,
 December 11, 1941.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 9, 1941.

TO Secretary Morgenthau
FROM Mr. White

Sir Frederick Phillips delivered in person the appended memorandum. He asks two specific questions.

1. Would you object to the British asking Russia for dollars instead of gold in payment of \$40 million worth of planes that the British purchased in the United States with their own dollars and have sent to Russia in partial fulfillment of British commitments to Russia?

2. About \$120 million worth of planes and parts (listed on page 3) which the British had paid for in dollars are going to Russia to fulfill United States commitments to Russia under the Moscow Protocol.

Sir Frederick asks: "Why should we not be paid dollars for these out of Russia's share of Lend-Lease appropriations, and still get a corresponding number of planes back ourselves under Lend-Lease later on? This is a much handier way of setting us some \$120 million than alternative methods of making take-ups."

According to Sir Frederick the Army and the Lend-Lease authorities were apparently proposing to repay Britain in planes out of future Lend-Lease.

Handwritten:
Morgenthau
cc
12
11

Willard Hotel,
Washington, D.C.,
December 6, 1941.

Dear Mr. Secretary,

I enclose a note on the points which I raised with regard to supplies sent by Great Britain to Russia.

The great bulk of the military supplies sent are made in the United Kingdom and raise no question. But difficulties arise where we are sending Russia finished supplies for which we have ourselves paid dollars.

Yours sincerely,

F Phillips

The Honourable
Henry Morgenthau Jr.,
Secretary,
United States Treasury,
Washington, D.C.

MEMORANDUM

1. Balance of civilian supplies from United Kingdom to Russia over civilian supplies from Russia to United Kingdom is paid 40% in gold and 60% by a sterling credit of an average period of 5 years. A considerable part of these supplies, e.g., rubber, would have brought us dollars if we hadn't sent them to Russia.

This agreement is in force; we have received to date gold to value of \$10,800,000.

2. All military supplies manufactured in the United Kingdom, even if they contain dollar components are lent to Russia free; any remaining in existence after the war are returnable.

3. In rare cases we transfer supplies which we ourselves have obtained under Lend-Lease; the transfer is free on such terms as will bring neither profit nor loss to the British Government.

4. In some other cases we transfer military supplies which were not manufactured in the United Kingdom, but come from the United States where we had bought and paid for them with our own dollars under pre-lend-lease contracts. These were the cases which I mentioned to the Secretary.

(a) Some \$40,000,000 worth of such supplies (list attached) have gone to Russia to fulfil British promises or undertakings. We expect Russia to pay, but have not yet received payment. The question I put was whether the Secretary saw any objection to our asking Russia for dollars or whether we thought we should ask for gold. Our natural course, if the Secretary sees no objection, would be to ask Russia to replace the dollars we had spent.

(b) Some \$120,000,000 of supplies we had paid for in dollars are going to Russia to fulfil United States commitments to Russia under the Moscow Protocol.

5. The proposal of the Army and Lend-Lease authorities is apparently that for the supplies under 4(b) we should accept repayment in kind out of some distant Lend-Lease appropriation instead of receiving dollars. We cannot from a supply point of view afford to lose this number of zero-liners and engines, and we must therefore get them back under Lend-Lease, but in view of the probable lightness of future Lend-Lease Appropriations we are reluctant to accept this proposal as full repayment by itself.

6. My question to the Secretary was - Why should we not be paid dollars for these out of Russia's share of Lend-Lease Appropriations, and still get a corresponding number of planes back ourselves under Lend-Lease later on? This is a much handier way of getting us some \$120,000,000 than alternative methods of making take-outs.

Washington, D.C.,
December 6, 1941.

DIVERSIONS TO RUSSIA FROM BRITISH
DOLLAR CONTRACTS (Pre-Lend-Lease)

1. In fulfillment of British Commitments

190 Tomahawks (pre Moscow Protocol)	\$ 19,000,000
220 Airacobras plus 20% spare parts (Moscow)	13,200,000
264 Engines (Moscow)	5,280,000
254 Propellers (Moscow)	1,020,000
	<u>\$ 38,500,000</u>

2. In fulfillment of United States Commitments
under the Moscow Protocol

300 Boston airplanes	33,550,000
45 spares (15 percent)	5,032,000
720 engines (for installation and spares)	20,790,000
720 propellers	5,120,000
1236 engines for installation and spares for Boston airplanes diverted from lend-lease contracts	<u>46,000,000*</u>
	<u>\$ 116,492,000</u>

Some addition would fall to be made to the above for such items as escalator charges (i.e., increases in wage and material costs during the life of the contracts) and internal freight (mainly bringing the engines to the airplanes). These figures cannot be known yet, but it looks as if the overall cost of items 1 and 2 above might amount in round figures, to some \$40 millions, and \$120 millions respectively.

3. Outside the Moscow Protocol altogether:

Miscellaneous electrical equipment	\$ 5,000
1 forging press	135,000
1 Lathe	8,000
Searchlight Equipment	3,750,000
1000 tons Taluol	136,000

In these cases sales contracts have been made with the Russians but no payment yet asked for or received.

There have also been certain diversions of ammunition to Russia, in circumstances of which we are not fully informed, but the amounts at stake are comparatively small.

Washington, D.C.,
December 6, 1941.

*This does not of course include the cost of the airplanes themselves. There were 515 Boston
diverted from lend-lease apart from 300 diverted from our own contracts*

TREASURY DEPARTMENT

315

INTER OFFICE COMMUNICATION

DATE December 9, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£73,000
Purchased from commercial concerns	£ 1,000

Open market sterling was quoted at 4.03-3/4, and there were no reported transactions.

The Canadian dollar discount widened to 11-5/8% at the close, as against 11-1/2% yesterday.

In a very limited market, some firmness developed in the New York quotations for the Argentine free peso, Cuban peso and Venezuelan bolivar. Closing quotations were as follows:

Argentine peso (free)	.2380 bid
Brazilian milreis (free)	.0515
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5275
Venezuelan bolivar	.2630
Cuban peso	1/32% discount

On December 6, mention was made of a report received by one of the New York banks to the effect that the Swiss Bankers Association had imposed a 2% service charge on blocked dollar transactions. It was learned today that such a charge refers only to transactions involving benevolent and subsistence payments.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, spot and forward silver were again fixed at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

12/9/41

316

To **Ambassador Winant**
London
England

From **The Secretary of the Treasury**

"Thank you for your cable of December 2, 1941, and for your cooperation in obtaining information about the Select Committee on national expenditure.

I appreciate very much your remarks about Casaday and am glad to hear that he is getting along well. His reports have been excellent, and we are being kept well-informed. If there are any reports you would like to have from us, please let us know.

Please ask Casaday to prepare and send by air pouch a report on how much use the British have made of war-time excises on goods in short supply."

HH:bvl
12-9-41

December 9, 1941

Mr. Macey

Mr. Dietrich

Will you please send the following cable to both the American Consulate Hong Kong and the American Embassy Chungking if communication is still possible with these cities:

"For Fax from the Secretary of the Treasury

Please cable Treasury immediately regarding the whereabouts and safety of the officials of the Stabilization Board and American staff members. Anxiety regarding them is felt here."



FD:mas 12/9/41

HRL

GRAY

Chungking

Dated December 9, 1941

Rec'd 6:06 p.m.

Secretary of State,
Washington.

December 9, 11 a.m.

TE-S STRICTLY CONFIDENTIAL FROM FOX FOR THE SECRETARY
OF THE TREASURY.

Through heroic cooperation of Bond of CNAC we were able to get following out of Hong Kong to Chungking: Mr. and Mrs. K. P. Chen, Tau Yee Pei, Sung Hang Chang, Manager of Bank of China, Chi, Adler, Hewlett and Fox. Everybody safe and sound. Please notify families - Hewlett 's in Baltimore and Chi's in (?) New York. I kept last three places open to last moment for Hai Te Mou and wife and Walter Free and Taylor are to be moved out of Hong Kong today. Hall-Patch and his alternate Cassell got out through intervention of Governor of Hong Kong.

GAUSS

GW

December 9, 1941

TO Files

FROM Mr. Beckman

Mr. Thomas Ecklich came in to see me on December 5. I later obtained Mr. Bell's approval to a draft cablegram for Mr. Fox at Hong Kong to the effect that Mr. Ecklich would leave San Francisco by Gilypor on December 30 to replace Froese as an official on loan by the Treasury to the Stabilization Board of China, and that a reservation had also been made for Froese on a Gilypor leaving Hong Kong on January 21.

I had also spoken with Mr. Thompson and we were willing to recommend that Mr. Ecklich's salary be increased for the time he might be on this special detail from \$3600 to either \$4600 or \$5600 per annum, whichever Mr. Bell might prefer. Furthermore, Ecklich should receive \$4.00 per day when on duty. The above dates had been tentatively obtained by me from the Pan American Airways on Friday, Mr. Mathew of that company was to call me back on Saturday confirming the dates. I did not hear from him, and on Monday Logan attacked our possessions in the Pacific. Consequently the cablegram was not sent.

I talked with Mr. Ecklich by telephone this morning. He would still be willing to go to China, in spite of war conditions, if his services may be required. I told him that the entire matter was in suspense for the present. The plans which we had made for his departure are necessarily cancelled. I told him that after we hear what the Stabilization Board of China is to do, we would study the question again as to American personnel transfer. In the meantime we could do nothing, but were generally appreciative of the spirit which he manifested in volunteering to go on to China in the changed circumstances.

BECKMAN

C
O
P
Y

320

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD

December 9, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 1289, dated December 8, 1941, to the American Embassy, Rio de Janeiro, Brazil, transmitting the reply of the Secretary of the Treasury to a suggestion of the Brazilian Exchange Director that measures be concerted to steady the dollar exchange rate in the other Americas.

Enclosure:

To Embassy, Rio de Janeiro,
No. 1289, December 8, 1941.

Copy:bj:12-9-41

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Rio de Janeiro, Brazil.

DATE: December 8, 1941, 7 p.m.

NO. : 1289.

RUSH

THE FOLLOWING IS FROM THE SECRETARY OF THE TREASURY.

Please thank the Exchange Director for the information he gave. However, while we shall keep the exchange position under continuous study it is not felt that the circumstances make it necessary to take action in the manner in which the Exchange Director suggested. We assume that should the milreis raise in value to any significant extent, the Central Bank would acquire the dollars since the dollars acquired this way are available for conversion into gold by the Bank.

HULL
(FL)

Note: The above cable refers to cable No. 1932 of December 7, 1941, midnight, from American Embassy, Rio de Janeiro, Brazil.

F.D.

RESTRICTED

G-2/2657-220; No. 564 M.I.D., W.D. 11:00 A.M., December 9, 1941

SITUATION REPORTI. Pacific Theater.

Oahu: No renewal of Japanese attacks. This report unconfirmed. Philippines: Japanese air activity continues. Landing Japanese reported by press at Lubang with help of fifth columnists. This report unconfirmed. Possible activity at Davao with threat to Borneo and adjacent Philippines. Malaya: Japanese landing at Kota Baru with severe and confused fighting followed by additional Japanese landings to north in Thailand, at Patani, 70 miles farther north and Singora, 50 miles beyond Patani. The British are rushing reinforcements into area. Japanese troops have occupied Bangkok. Guam: Has been bombed several times and Japanese destroyer may be covering landing near Crote. Bombing over Guam centered at Agana. Wake Island: Confused reports. Alaska: Japanese aircraft carriers rumored off the Aleutians. West Coast: Appearance of unidentified aircraft in San Francisco area with three alarms caused black-outs but no bombing. Some evidence of hostile submarines off Los Angeles.

II. Eastern Theater.

Ground: The Finns claim the capture of Povenets located on the northeast shore of Lake Onega.

The Russians claim local successes southwest and south of Moscow. The Germans claim extreme cold has stopped operations.

III. Western Theater.

Air: The R.A.F. made daylight sweeps across northern France yesterday, with several losses admitted. The day raids followed others on western France and the railway centers of Aachen the night before.

IV. Middle Eastern Theater.

Ground: German armored forces have apparently withdrawn northwestward after recent combat with British in Bir el Gobi area. German armored forces were not destroyed, nor is there evidence of British pursuit. British armored units severely depleted. Axis forces in frontier area still hold out.

RESTRICTED

BRITISH EMBASSY
WASHINGTON, D.C.

Personal and
Secret.

9th December, 1941.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Hanfex

The Honourable

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

BRITISH MOST SECRET

(U.S. SECRET)

OPTTEL No. 26

Information received up to 7 a.m. 8 December, 1941.

(I) NAVAL

PACIFIC. At 2030 B.M.T. 7th 18 aircraft attacked SINGAPORE but no repetition no Naval damage was done. In attack on PEARL HARBOUR the U.S. Battleship OKLAHOMA capsized, a destroyer in the dock was blown up and U.S. Battleship TENNESSEE, a destroyer and a mineslayer were set on fire. 4 aerodromes were attacked and hangars and some A/C on the ground were set on fire. The power stations were also hit but not repetition not put out of action. Heavy casualties to personnel are reported. 1 submarine and at least 2 enemy A/C were destroyed.

MEDITERRANEAN. On afternoon 7th a naval sloop was seriously damaged by bomb and an armed boarding vessel was mined in TORRUE harbour.

On lat a British submarine sank a 2,400 ton Italian ship northbound about 65 miles North of PANTELLARIA.

A Canadian corvette has been sunk in collision 150 miles West of CAPE RACE.

A medium sized British merchant vessel in northbound coastal convoy was mined off East Coast on afternoon 7th.

(II) MILITARY

LIBYA. 6th. The 15th German armoured Division escaped by infantry move against EL GOBI from the North West. 21st German armoured Division with remnants of Italian Ariete division remained at JIRA East of EL ADEI with a line of dug-in anti-tank guns stretching south towards EL GOBI between 2 armoured divisions. In evening the enemy (~~made~~) an attack on one of our formations west of EL GOBI but it did not develop. 7th in the morning enemy tanks, probably comprising both 15th and 21st armoured divisions, were still reported west of EL GOBI, apparently being engaged by our armoured and unarmoured troops.

The enemy appeared to be on the defensive. In the frontier area the enemy was still holding a defended area around BARDIA, a strong point between SOLLEI and SIDI OMAR and HALFAYA position. Patrols from TORRUE joined up at SIDI REZECH with armoured car patrols which had advanced from South. 18 abandoned German tanks and much material including wireless equipment were found in this area.

In addition a number of wounded New Zealand troops were found in an abandoned enemy dressing station and are being evacuated. During 6th our mechanized mobile columns destroyed 23 Italian tanks, over 100 mechanical transports and a complete German artillery battery. 200 prisoners were taken and 90 Germans killed.

MAIAYA. It appears that 1st Japanese attack on KOZA BHARU was repulsed but subsequently the enemy troops succeeded in landing and are reported infiltrating towards aerodromes. They are being engaged by our Land and Air Forces.

RUSSIA. FINLAND and LENINGRAD Sector. No change. Central Sector. Such slight progress as the Germans have made in their attack on MOSCOW has been in DMITROV area due North of the capital. West of MOSCOW, the position remains unchanged. Fierce fighting continues in TULA area, where Russians are offering stubborn resistance. The German thrust towards MOSCOW thence to RYAZHSK - VORONEZH railway continues, and a slight advance has been made south west of RYAZHSK.

East South East of (7) the Germans have gained ground in the direction of YELETS. UKRAINE. No change except in extreme south, where Russians have succeeded in pushing back the Germans from ROSTOV to a line running north and south just East of TA(X)ANROG. There is no information that Germans have yet abandoned line of River MIUS. CRIMEA. No change. Pressure on SEVASTOPOL has probably eased as result of operations in ROSTOV sector. General The Germans attempt to encircle MOSCOW has made little progress. Owing to Russians having been able to exploit their success at ROSTOV the German menace to CAUCASIA has been further postponed.

(III) AIR OPERATIONS.

7th. An 800 ton merchant vessel off Dutch coast was attacked by Hurricanes and left sinking. During offensive operations over Northern France, in which 1 R.C.A.F. and 1 R.N.Z.A.F. Squadron took part, our fighters attacked the DIEPPE power station. 1 Spitfire is missing.

7th/8th. 254 A/C were sent out - AACHEN 132, BREST 31, CAIAIS 24, OSTEND 23, DUNKIRK 22, BOULOGNE 19, and leaflets (HOLLAND and PARIS area) 3.

LIBYA. 6th. 2 Squadrons of HARTLETS and 4 of Heinkel's attacked mechanical transports in EL ADEN area. Bombs fell among a group of tank tank carriers and M/T. One Heinkel is missing. HEAU fighters attacked M/T on DERNA-TORUK road and aircraft on the ground at EL MIMI, 5 of which were damaged. Two HEAU fighters were lost but crew of one believed safe. Hurricanes

machine gunned JEDA BAYA landing ground, destroying 4 enemy aircraft and damaging 7. 3 Hurricanes are missing. Hienheims scored probables on barracks at HCMS (?group). 1 Beau fighter is also reported lost. 6th/7th. Wellingtons made 2 heavy attacks on stationary mechanical transports on EL ADEM - AKERNIMA - EL GAZALA roads causing many fires.

Wellingtons attacked ROYAL arsenal at NAPLES dropping 13 tons of bombs in a raid which lasted 5 1/2 hours. Fires were started in target area, in docks and in railway centres.

(IV) G.A.F.

7th/8th. 41 enemy A/C operated.

(V) A/C casualties in operations over and from British Isles.
British - 1 missing.

(VI) The total number of Japanese A/C in French INDO-CHINA is now about 350. Approximately 100 are in North and 250 in South. Fighters probably do not exceed 100.

TREASURY DEPARTMENT

327

INTER OFFICE COMMUNICATION

DATE December 9, 1941

TO Secretary Morgenthau
FROM Mr. Kamarck

Subject: Reports on American Equipment in Libya

Use of American Tanks

Summary

According to our military observers, the American light tank (M-3, 13-tons) proved in action to be superior to any other light tank in the Western Desert. It also showed itself to be the most reliable and flexible tank in use. Its armor protection appeared to be tougher than the German plate. It withstood the fighting quite well and those that survived came out with only minor damages: mostly broken turret rings, damaged suspension apparatus, broken tracks, and tank fires.

Table of Experience to November 30

	<u>Number of American tanks</u>
Action was begun on November 18 with.....	166
In the twelve days, to November 30, there were destroyed.....	88
Put out of action but later salvaged, repaired, and operating again.....	<u>36</u>
Total casualties.....	<u>124</u>
Tanks operating throughout, totalled only...	42
Adding to these, the salvaged and repaired tanks.....	<u>36</u>
The total operating tank force on November 30 was.....	78

- 2 -

1. The British Fourth Armored Brigade was equipped with 166 American light tanks. On November 18, the Brigade jumped off at 5:30 in the morning and by nightfall had advanced 70 miles. Only one tank fell out because of mechanical failure (a clogged fuel line) and it caught up at the next halt. The British 22nd Armored Brigade using English cruiser tanks is reported to have experienced 7 to 41 mechanical failures after an approach march of 20 miles.

2. The next day, November 19, the German 21st Armored Division attacked the Fourth Armored Brigade. The Germans attacked with 100 tanks closely supported by heavy anti-tank guns. The Fourth Brigade had no such support, but was able to repulse the Germans. Unchecked figures show 15 American tanks destroyed and 7 unaccounted for. (German casualties are not given.)

3. The following day, November 20, the two German panzer divisions both attacked the Fourth Brigade. The Germans withdrew at nightfall after receiving heavy but unknown tank casualties. In this battle, 30 American tanks were put out of the fight.

4. On November 21, the Fourth Brigade was ordered to aid the 22nd Brigade which was being attacked. On the way, one of the three regiments (8th Hussars) while chasing Axis trucks, lost five tanks by German anti-tank fire.

5. On November 22, the other two regiments made a raid on an Axis airdrome and destroyed 30 airplanes. In the tank battle following, considerable loss was inflicted on the Germans while eight more M-3 tanks were lost. That night, the enemy ambushed the brigade headquarters and the bivouac of the 8th Hussars, and put 15 more tanks out of the fight.

6. On the morning of November 23, the Fourth Brigade had 75 tanks still functioning (91 tanks being put out of operation in five days). In comparison, the Seventh Armored Brigade, equipped with British tanks, on November 23 had no tanks fit for action; on November 25, only 6. It will require 3 months to refit the Brigade. The 22nd Brigade, also equipped with British tanks, had on November 22, 30 tanks ready for action; on the 25, 46. The Brigade was sent to the rear for new equipment.

- 3 -

7. In the whole battle up to November 30, 88 American tanks are thought to have been destroyed. Of these, at least 14 were completely destroyed by thermite (incendiary) projectiles. The fate of eight is unknown. Thirty-six tanks put out of commission were salvaged and put into running order on the battlefield.

8. Sixty more American tanks were forwarded to the front by November 30, in addition to 40 which were already in Libya with no personnel available to man them.

(Cairo, Military Attache, December 1,2,5)

Use of American Planes

In a battle towards the end of last week, 19 Curtiss Tomahawks intercepted 35 dive bombers escorted by 30 mixed Italian and German fighters about to attack British troops near El Adem (south of Tobruk). The majority of the dive bombers jettisoned their bombs. The Tomahawks destroyed 17 dive bombers and three fighters, probably destroyed three more dive bombers and three more fighters, and damaged one dive bomber and four fighters. Four Tomahawks are missing.

Four Tomahawk and Hurricane squadrons (40-48 planes) intercepted a formation of Ju 87's (Stuka dive bombers) escorted by German and Italian fighters, totalling about 70. The Axis airplanes were about to attack British troops in the Sidi Rezegh area. The R.A.F. forced the dive bombers to jettison their bombs in order to escape. Eight fighters and one dive bomber were certainly destroyed, five more fighters and another dive bomber were probably destroyed, and six fighters were damaged. British casualties were one Hurricane and two Tomahawks. Two of the pilots are safe.

(U.K. Embassy, London Telegram, December 7, 1941)

TREASURY DEPARTMENT

330

INTER OFFICE COMMUNICATION

DATE December 9, 1941

TO Secretary Morgenthau
 FROM Mr. Kamarck
 Subject: Summary of Military Reports

Far East

Aerial reconnaissance reported on 3:15 A.M. on Sunday, December 6, that two Japanese convoys of 25 and 10 ships, respectively, were being escorted by cruisers off Point Cambo (southern most tip of Indo-China). The course was 270° west (i.e. due west). Contact was then lost. (These convoys were carrying the Japanese landing forces against Malaya. The report indicates that the British were not caught napping.)

(U.K. Embassy, London Telegram, December 7, 1941)

Axis Forces in Libya

British Military Intelligence estimated that on November 29, the remaining Axis tank strength in Libya was as follows:

Italian Ariete Division	80 tanks
15th German Armored Division	55 "
21st German Armored Division	35 "
	<hr/>
Total	170 "

(At the same time, the British had 78 American tanks in the Fourth Brigade, and 100 more available for manning. The 22nd Brigade must have had at least 46 tanks, but may have been in the rear being re-equipped. The Seventh Brigade was out of action. The total number of tanks immediately in use was, therefore, 78 with at least 146 more available, or a total of 224.)

(The Axis, at the beginning of the battle, probably had 500 to 600 tanks. They must have had a loss, therefore, of 330 to 430 tanks.) British Military Intelligence asserts that all but three of the remaining 170 Axis tanks have been casualties, but were repaired.

- 2 -

Our military observers state that the German tank salvage methods approach 100 percent efficiency. The salvage and repair crews come on the field while action is going on and remove the tank casualties under fire. The salvage and repair is normally effected in less than one day, so that the casualties are soon returned to action.

(Cairo, Military Attache, December 5, 1941)

Aerial reconnaissance found 55 enemy planes at Gazala; 50, mostly fighters, at Martuba; and 70 at Derna (a total of 175 in the area, 20 to 100 miles west of Tobruk.) 1,000 dispersed motor vehicles were observed 20 miles west of El Adem (just south of Tobruk) and over 1,000 south of El Adem.

(U.K. Embassy, London Telegram, December 7, 1941)

France

Since the Syrian campaign, the Germans have permitted an expansion of the French Air Force. The first line strength has increased from 850 airplanes on October 1 to nearly 1,000 on December 1.

(U.K. Embassy, London Telegram, December 7, 1941)

European Oil Situation

Italy's oil stocks are believed to be virtually exhausted. Her minimum import requirements to maintain her war effort are estimated at 100,000 tons a month. Deliveries from Rumania have dropped from 110,000 tons in September to below 80,000 tons in October, and the indications are that they will fall even lower.

The Italians appear to be disputing with the Germans over Italy's share of Rumanian oil. The Italians complain that their recent agreed-upon quota cannot be delivered, as the Germans are refusing tank car facilities. The sea route via the Dardanelles has proved too costly to be workable.

Another difficulty is that the oil trains to and from Italy have to have regular military escorts on the Rumanian-Hungarian section of the route. This, also, indicates the degree of unrest in Hungary and Rumania.

The Germans are making more and more use of producer gas (wood or coal gas). They have announced that in German-controlled Europe, 150,000 trucks have already been fitted with generators and plans are in hand for converting many more. Agricultural tractors and even canal barges are being fitted with generators. In Rumania, methane gas (water gas from coal) is being developed as a substitute for oil.

(U.K. Embassy, London Telegrams, December 5,7,1941)