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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE DEC 10 1941

TO Secretary Morgenthau
FROM Messrs. Foley and Pehle

Mr. Pehle talked to Tree, the Foreign Funds man in Honolulu, late Monday night. Guards have been put into all the principal Japanese business houses. Tree said Honolulu is temporarily out of communication with the other Hawaiian Islands.

The Governor of Hawaii has decided to issue a general license permitting Japanese business houses in Hawaii to continue limited operations within the Island with weekly reports. It was felt that this was a necessary step to avoid a serious disruption of the economic life in Hawaii.

A general license is also being issued under which Japanese nationals in Hawaii may draw \$50 a week and up to \$200 a month for living expenses.

J. W. Pehle
9.11.76.

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December 10, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

At a meeting in Mr. Bell's office yesterday morning the following arrangements were made with respect to the use of the Treasury Enforcement Agencies in protecting premises under the control of Foreign Funds:

(1) Full responsibility will be delegated to an Enforcement Agency Coordinator in each Federal Reserve District to recruit and direct the operations of all men employed as guards. The contact of the Foreign Funds Agent in the Federal Reserve Banks will be with this Coordinator and not with the individual agencies or men.

(2) The Coordinators will begin the recruitment of qualified men with police training to replace as rapidly as possible the men from our Enforcement Agencies now assigned to this work. Foreign Funds will give authorization, through Irey, for the employment of specified numbers of men in each Federal Reserve District.

(3) Irey will undertake to obtain release from the Civil Service Commission. Responsibility for the character and loyalty of men to be engaged will be put up to the various Coordinators.

(4) Foreign Funds agreed to survey the situation so as to economize in the employment of personnel by removal of records, delegation of trust powers in suitable instances and other devices.

Those present at the meeting were: Dan Bell, Delano, Foley, Pehle, Bernstein, Irey, Johnson, Dave Morris and myself.

Copy to:
Mr. Irey
Mr. Foley



December 10, 1941

9:30 a.m.

Present:

Mr. Sullivan
Mr. Blough
Mr. Buffington
Mr. Morris
Mr. Kuhn
Mr. Odegard
Dr. Haas
Mr. Thompson
Mr. Schwarz
Mr. Barnard
Mr. Bell
Mr. Foley
Dr. White
Mrs. Klotz

HM, Jr: Herbert?

Mr. Gaston: We had a meeting yesterday and I think this question of guards for the Foreign Funds Service is pretty well straightened out. We have new arrangements.

The President issued proclamations yesterday morning that Italians and Germans within the United States were regarded as aliens. We spent a good part of the day to see if that would apply to allies of Japan for the purposes of Trading with the Enemy Act, but we have no reply. State referred us to Justice, which seemed quite illogical.

We are arranging for recruitment of a considerable number of men for Foreign Funds purposes and also we are arranging for a supply of weapons to be put out in the

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offices of the Coordinators.

We still have not settled this question of to whom you delegate basic authority for censorship under Trading with the Enemy Act. Hoover has turned it down, I think quite properly, because we got yesterday a copy of a notice from the White House which says that Hoover has been directed to take charge of all censorship arrangements. It obviously does not include the power of censorship and I think the Chief Naval Censor is now actually exercising the power of censorship over external communications. Probably we will get word from Justice today to delegate that authority for the time being to the Chief Naval Censor. If so, we will bring you in a proposed message to that effect.

HM, Jr: Anything else:

Mr. Gaston: That's all I have.

HM, Jr: What luck did Bernie have last night?

Mr. Foley: With the Order?

HM, Jr: Yes.

Mr. Foley: It was signed.

HM, Jr: Before or after the broadcast?

Mr. Foley: Right after the broadcast, and it's in the paper this morning.

HM, Jr: Good! where's Chic? Were you here last night?

Mr. Schwarz: No. Bernie telephoned me and I telephoned it around.

HM, Jr: What else?

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Mr. Foley: I would like to talk to you about Alien Property Custodian thing. Leo just told me what he wanted me to tell you and what he was doing and I think we ought to focus on it.

HM, Jr: Stay behind.

Mr. Foley: All right.

HM, Jr: How did you get along with your brother Legionnaires?

Mr. Sullivan: I am passing for the minute. I have a little report which is coming in. (Messenger delivered note to Mr. Sullivan.) And here it is. I just got this over the telephone this morning.

They crossed out all the reference to corporate reserves. They eliminated sales tax. They eliminated broadening the base and all the things we objected to and they have just one paragraph on taxes which I would like to read to you.

"In order to keep the excessive profits out of war, a taxation program must be adopted which will assure to the Government of the United States the greatest possible revenue and at the same time allow free enterprise the fullest possible opportunity to carry on the job and meet the problem of post war adjustment. Otherwise we may lose the American way of life that we are now fighting to maintain. It is apparent that certain taxes will not afford the government sufficient revenue to meet its war needs. Therefore, immediate consideration must be given to other forms of taxation which will enable all citizens to share proportionately the cost of the war effort. It is recommended

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"that present tax laws be strengthened in order to avoid any inequities in the tax structure. We regard excess profits taxation as preferable to the taxation which would limit profits on defense contracts to a percentage of the contract cost because this latter causes the incentive for keeping down cost and thus tends to cause inflation and a higher war debt."

Mr. Sullivan: Which I think is much better than they had before.

HM, Jr: I congratulate you.

Mr. Sullivan: There are some things in here I don't like, but it's give and take.

Mr. Bell: What's that for?

Mr. Sullivan: They had a meeting of the Legislative Committee of the American Legion.

Mr. Bell: I see.

Mr. Sullivan: And this is the statement of policy on which they will go to Congress and all of the National Manufacturing Association and Chamber of Commerce had sold them a great bill of goods on sales taxes, broadening the base. I think one of the most reactionary statements I have ever seen. This is what is coming out.

HM, Jr: Funny what 25 years will do to a fellow.

Mr. Sullivan: No. I think it was circumstances that caused us not to appear in the first place. There was nobody there to present the people's side of the picture and all these others were there presenting the corporate side of the picture.

HM, Jr: Anything else?

Mr. Sullivan: No; that's all, Sir.

HM, Jr: I hope, if I feel all right, maybe we will have another tax session. See how I get along. I won't know for a couple of hours.

Ferdinand?

Mr. Kuhn: Nothing.

HM, Jr: Harold?

Mr. Graves: Nothing.

HM, Jr: O'Mahoney has not had an answer to his request. Kind of long.

Mr. Graves: I guess I have neglected that. I have not talked with Joe since the day I talked with you, Ed.

Mr. Foley: I have not talked with him either.

Mr. Graves: I expect I had better get in touch with O'Connell.

HM, Jr: Dave, get on this and get me an answer today for O'Mahoney. Question of two companies. It has been at least two weeks. Should have had an answer a long time ago. Will you?

Mr. Morris: Yes, sir.

Mr. Graves: I still think the best thing to do is to have O'Connell go down and talk to the Senator.

HM, Jr: It isn't being done.

Mr. Graves: We can arrange to have it done. There

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is no answer that can be given to O'Mahoney except ...

HM, Jr: Well, Dave, see that it is done one way or the other. I think O'Connell is a good man to go up there.

Mr. Graves: He knows the Senator and he knows the subject.

HM, Jr: But it is being neglected. I would like to have it cleaned up.

Mr. Morris: Yes, sir.

HM, Jr: Harold?

Mr. Graves: Nothing.

HM, Jr: Morris?

Mr. Morris: Nothing.

Mr. Buffington: Nothing.

HM, Jr: Barnard?

Mr. Barnard: Mr. Mack's weekly report. (handed it to Secretary.

HM, Jr: Could you give me any recommendations if you have any ideas on Procurement?

Mr. Barnard: I will by tonight or tomorrow morning.

HM, Jr: A written statement.

Mr. Barnard: Yes, sir.

HM, Jr: Roy?

Mr. Blough: Nothing.

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Mr. Haas: Nothing.

HM, Jr: Roy, got any ideas, after looking at these charts, on excess profits?

Mr. Blough: I have a few ideas. Nothing very spectacular, I am afraid.

HM, Jr: George, if any of these other bonds are getting out of line I wish you would give me a memorandum on it today, not next Monday. You have been concentrating just on new issues.

Mr. Haas: I have arranged that we get a report from the ticker and I am watching it all day long.

HM, Jr: But if anything gets out of line particularly ...

Mr. Bell: The new ones are out of line. That's distribution going on.

HM, Jr: But I meant something else, because you mentioned some of the others.

Mr. Haas: Anybody doing anything in the market?

HM, Jr: Ask Bell.

Peter?

Mr. Odegard: The mural in the Grand Central will be ready for dedication Sunday and it occurred to us that if you were going to be -- we thought you would be in Tucson -- we would like very much if you would be present at that time. Think about it.

HM, Jr: I don't think I am going. I doubt -- I think I will spend Sunday in bed.

Mr. Odegard: The central panel was up the other day. It's magnificent.

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HM, Jr: I am looking forward to seeing it, but I doubt, Peter -- you have Mrs. Roosevelt lined up for Monday morning. I got you her. I called her last Sunday myself.

Mr. Odegard: Uh huh.

HM, Jr: You know that?

Mr. Odegard: Yes. There is a question of time there. The radio time is for Sunday, one o'clock, and I hope that perhaps she

HM, Jr: No one told me. I asked Ferdie if Monday would be all right. He said yes.

Mr. Odegard: That was my understanding. I think we can straighten that out.

HM, Jr: O. K. Anything else?

Mr. Odegard: That's all.

Mr. Schwarz: Colin Stam is asking for the excerpt from your December 1 conference on auto use tax. I talked with John and held it up a day and John asked me to talk with you.

Mr. Sullivan: I think they ought to have it.

HM, Jr: Let them have it.

Mr. Schwarz: Just give them that much.

HM, Jr: Sure!

Harry?

Dr. White: You asked to have an oil study made, but that was before Sunday. Do you still want it made?

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HM, Jr: More so.

Dr. White: I have some things here which are not important in the light of developments, but there are a couple from the British they really want a quick answer on. I would like to see you today; if not, tomorrow will do.

HM, Jr: I will try to.

Dr. White: The other things can wait.

Mr. Thompson: I just have this little letter to Kamarck.

HM, Jr: O. K. (Secretary signed the letter which detailed Mr. Kamarck to the Secretary's office.)

You people, within the four walls, might be interested that it is perfectly amazing how our M-3 tank mechanically is so far superior to the English that there is just no comparison between them. There was a report which I got that they made a 70-mile hike over -- a great many of our tanks; I forget how many -- only one had any trouble and that was a stoppage in the gasoline line and before nightfall it joined the others. Correspondingly, the English tanks started out. They got 20 miles and 40 of them broke down.

Mr. Gaston: Is this the light tank?

HM, Jr: M-3 is the light tank. But of the English a large proportion of theirs broke down and they could not even make the 20 miles.

Mr. Gaston: One meeting I omitted to tell you. Commissioner Johnson got a call from a man in the Division of Controls, State Department, asking him to revoke all licenses for the export of airplane and

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airplane parts and Johnson told him that was something the State should send telegrams out to the Collectors and Johnson suggested that what they wanted was a suspension rather than revocation and State agreed to that and said he would send out these messages. It occurred to us to wonder if Lend-Lease knew about it. This was 6 o'clock last night and I called up Harry and was unable to get him and then called Lend-Lease and talked to Phil Young and he had not heard about it.

HM, Jr: Cancelling

Mr. Gaston: Suspending all licenses for the export of airplanes and airplane parts.

HM, Jr: But we didn't do anything on it.

Mr. Gaston: No, because that is something Export Control, or Division of Controls, State, sends messages to Collectors directly, but I got that message to Phil Young and he said he had not heard.

HM, Jr: I am glad you mentioned it because it has great significance and important that I know it.

Dr. White: You asked about Mr. Irigoyen coming. We just got a cable last night.

HM, Jr: I got it yesterday morning and I called up Mr. Hull's office and paid my respects to his office with no sugar coating on it. I spoke to Stone. Very much embarrassed, and so forth and so on.

Dr. White: But Chic Schwarz had sent my office notice about a week ago, December 3rd, and I had sent it to one of the boys asking him to prepare a memo. You remember, on the phone I said I had seen it in the press.

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HM, Jr: But it is inexcusable on the State Department's part and I called up Stone in Hull's office and told him what occurred.

Dr. White: Are you planning on seeing him at all today?

HM, Jr: Who?

Dr. White: Irigoyen.

HM, Jr: No.

Dr. White: We have a memorandum for you to see before

HM, Jr: You will get plenty of time. No. Litvinov is coming in at either 3 or 3:30. Ask them outside. I would like you here when he comes. You know, I know him quite well from '34.

Mr. Schwarz: All right to tell the press?

HM, Jr: No.

Norman?

Mr. Thompson: That's all.

HM, Jr: Did you tell the guards when Mrs. Klotz comes in to stop her?

Mr. Thompson: I am glad they know her so well.

Mr. Sullivan: Did Senator Downey call you?

HM, Jr: No.

Mr. Sullivan: Well, he's going to call you. He

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wanted some help from somebody down here. He wants to introduce a withholding tax as an amendment to Price Control.

HM, Jr: I saw it on the ticker.

Mr. Sullivan: He thinks that we should get easily \$15 billion or \$18 billion more in taxes.

HM, Jr: How much?

Mr. Sullivan: \$15 billion or \$18 billion more. He's very much distressed. He's hearing from all his pensioners who are living on a fixed income and the cost of living is very embarrassing to him and I explained we had very grave doubts about the legality of their introducing a taxing measure in the Senate and I said it involved such a matter of policy that we could not give any information. As a matter of fact, we did not have any figures yet which would be helpful. What we presented to Ways and Means in Executive Session was merely a suggestion on which we had not done enough work to know the answer and we have not yet come to a conclusion about it.

HM, Jr: Did you see Congressman Doughton and Senator George yesterday?

Mr. Sullivan: No; I told you yesterday morning

HM, Jr: Yes, but that was yesterday morning.

Mr. Sullivan: No; I did not.

HM, Jr: Well, I think in view of the luncheon it might as well wait.

Mr. Sullivan: That's what I thought.

HM, Jr: The luncheon is for Friday and on account of Cabinet let's make luncheon at a quarter of one. Gives them plenty of time.

oOo-oOo

December 10, 1941 ✓

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Sent to Mr. Rodier of the telegraph office at the White House to be transmitted via White House wire. Left Treasury Bldg. at 1:11 p.m. by messenger Brown.

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STANDARD FORM No. 14A
APPROVED BY THE PRESIDENT
MARCH 10, 1925

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

TREASURY DEPARTMENT
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR
Defense Savings

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE 2-11117

Miss Malvina Thompson

December 10, 1941

Date of dedicating mural at Grand Central has been changed to Sunday
December 14 one to one thirty PM to be broadcast over NBC blue network Please tell
Mrs. Roosevelt we still hope she can be present Should appreciate your advising
as soon as you know definitely

Ferdinand Kuhn, Jr.
Assistant to Secretary of the Treasury

/hkb

TREASURY DEPARTMENT

17

INTER OFFICE COMMUNICATION

DATE December 10, 1941

TO Secretary Morgenthau

FROM Mr. Barnard

You asked me to report my opinion in general on the Procurement Division. In order to form judgments on this work that I would regard as basically sound and constructive, I should want an intimate, consistent, daily contact with the work and its personnel for a period of two months, whereas I have had only extremely limited and formal connections with the Division. Consequently, I should be merely guessing and probably quite misleading, should I attempt to line up the kind of constructive criticism that I should like to make. For these reasons I confine myself to the following points which seem to me to be important observations that I am reasonably confident about:

1. Mr. Mack, the Director, is a highly competent person with imagination, and is conscientious and responsible. I have had too little opportunity for critical contact with him to be positive that he is adequately qualified for the very large, difficult and responsible job which he has, but from what I know of him and have observed, I should feel clearly warranted in assuming initially that he is competent for the position and is handling it excellently under the circumstances. I have been to some pains to get outside judgment on his work by others who have had ample opportunity to observe him, and in particular from Mr. Thompson, President of the Bethlehem Oil Supply Company, who is very definite in his opinion that Mr. Mack is a first class procurement man whom any industry having a large procurement job would be fortunate to have.

2. In my opinion the Procurement Division is very seriously handicapped by the limitations and restrictions of civil service regulations and scales of pay. The actual chiefs of the buying sections, i.e., the responsible buyers of the Department, who ought to have an intimate knowledge of markets, materials and negotiatory processes, are rated correspondingly to medium grade clerks at around \$3,000 per annum. When account is taken of the fact that foremen today in skilled industries are paid from \$3,000 to \$3,600 and sometimes more, it is pretty clear that the rating for these buyers is altogether too low. Moreover, I am far from sanguine that civil service protections are a satisfactory basis for the selection and retention of the kind of men required for this work. It should be understood that I am not suggesting that

December 10, 1941

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this situation could be properly corrected merely by a substantial increase in the scale. What seems to me to be the matter of concern is not rates of pay but types of men, and it is not conceivable to me, despite the fact that my opinion is that the personnel situation of the Procurement Division is really quite excellent, that the Division is anywhere nearly properly organized with respect to the type of help and I think this is the greatest single weakness in the Division. My point is not that present incumbents are necessarily paid too little, but that at present scales neither the selection, development or retention of an appropriate personnel is likely. I do not know enough about the general civil service regime and the politics of the situation to know what, if anything, could be done about this, but it is a matter which I feel sure is of first importance.

3. An operation of the magnitude of the Procurement Division ought to have a staff divorced from all administrative responsibility, which would do the thinking and planning to a large extent for the Director, concerning the organization and the technical operations to be performed. There is such a staff now in operation but I do not know anything about its quality, nor do I know, what is important, whether Mr. Mack knows how properly to operate with such a staff. If he doesn't, I think he could learn.

The difference between a competent staff if competently managed and ~~one~~ or an incompetent staff is a matter of millions of dollars.

DMB.

December 10, 1941
10:12 a.m.

HMJr: Francis.

Francis
Biddle: Yes, Henry.

HMJr: Francis, Leo Crowley had quite a talk with Ed Foley about his going on this committee in connection with Foreign Funds and alien property.

B: Yeah.

HMJr: Now, if you have something in mind, wouldn't you like to talk to me about it myself so I can get it straight from you and not get it second or third hand?

B: Why certainly. He's going on - he's taking Frank Shea's place.....

HMJr: I know, but.....

B:over here and is reorganizing - I didn't know he'd seen Ed. He tried to get you all day yesterday.

HMJr: No, he didn't. I'm sorry, because I - my operator always.....

B: No, he - Leo told me last night - I told him I wanted him to see you right away, and he said he'd been trying to get you all day and hadn't been able to.

HMJr: Well, I don't want to.....

B: Well.....

HMJr: I don't know how you run yours, but I get slips from my operators steadily if anybody wants to call me, and there was no request from Leo Crowley to talk to me.

B: Well, he's coming over here. We're going to turn the unit - make an entirely separate division - take it out of Claims, you see. It hadn't been

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B: Well, he's coming over here. We're going to turn the unit - make an entirely separate division - take it out of Claims, you see. It hadn't been

very satisfactory. You've probably heard the way it's been running now. And Leo is going to take charge of that - I wanted some business man in charge anyway - and reorganize it and put it on a proper basis and really take Frank's place, you see.

HMJr: Yeah, but if there's something - let's be - I like to be - I try to be very frank. If there's something more than that - I mean, they tell me that Shea's had legislation drawn to do the whole thing, and.....

B: Well, I understand the committee's been talking about legislation right along. I don't think they have yet decided on legislation.

HMJr: How about you?

B: What?

HMJr: How about you?

B: About what?

HMJr: How about you, personally?

B: No, I haven't decided on any legislation. I don't know - I suppose the war automatically brings back a great deal of power to the President, and I don't - I just don't know what it's brought back yet.

HMJr: I'd like to ask you, if you have anything in mind to move in taking the Foreign Funds out of the Treasury and moving it over to Justice, I'd like you to do me the courtesy to sit down and talk to me about it first, huh?

B: Well, I haven't even spoken to the chief about it. I haven't spoken - Henry.

HMJr: Yes.

B: I don't know what he wants. I mean - I suppose.....

HMJr: No, but I mean what you have in mind. Before - it isn't - he hasn't any - he doesn't worry about

these things. It's what somebody brings to his attention, see?

B: Well, I really haven't - I mean, I - the President about three or four months ago said he would like Leo to do the work over here that Frank's been doing, you see. And then there was a good deal of to and fro - Leo didn't want to do it particularly, and finally the President told him he thought he ought to because it wasn't working out very satisfactorily; and so I've just put him in charge. He hasn't actually started - I mean, the announcement hasn't been made yet even.

HMJr: Yeah, but just let me re-state the thing, Francis.

B: Yeah, yeah.

HMJr: I'm asking you, before you make any recommendations to the President on alien property and frozen funds, I'd like a chance to talk it out with you.

B: Sure. Absolutely.

HMJr: Now, that's certainly fair, isn't it?

B: Oh, absolutely.

HMJr: And I'll.....

B: And I think we'll - the President sent word last night he wanted me to start drafting the various war legislation stuff. I think, though, very soon you and I ought to go over and have a talk with him.

HMJr: Well, but before we talk to him, can you and I sit down?

B: Sure. Absolutely.

HMJr: Because I have some ideas on this thing.

B: Sure.

HMJr: Now, let me ask you one - the understanding - before you make any recommendations to the

President.....

B: I'll talk to you.

HMJr:you will talk with me.

B: Absolutely, that's understood.

HMJr: Now, one other thing. I don't - do you know what Leo Crowley status is? Isn't he working for this Standard Gas?

B: Yes, he's Chairman of the Board.

HMJr: And that's where he gets his salary.

B: That's right.

HMJr: You know that.

B: Oh, absolutely.

HMJr: You're satisfied with that.

B: Yes.

HMJr: What?

B: Yes, absolutely.

HMJr: Well, all right. Well, that's your responsibility.

B: Yeah. All right.

HMJr: Now, we understand each other?

B: Yeah, absolutely, Henry. I'll see you before taking it up with the President.

HMJr: Thank you.

B: I really haven't got any - I mean, I haven't even looked at the possibility of the legislation yet. I don't know what we should do. Well, I've considered it in a way, but I mean I haven't.....

HMJr: Well, we've got about a thousand people in Foreign Funds.

B: I know.

HMJr: And the thing.....

B: Well, it isn't only the Foreign Funds now, it's who's going to go in and operate these companies.

HMJr: That's right.

B: That's the main thing.

HMJr: That's right.

B: Who does he want to do it, that's the whole thing.

HMJr: Well, it's - as I say - but before you make your recommendation, let's you and I talk it out.

B: Absolutely.

HMJr: Thank you.

B: Righto.

December 10, 1941

10:15 a. m.

Present:

Mr. Bell
Mr. Foley
Mr. Delano
Mr. Upham

HM, Jr: All right, Mr. Bell.

Mr. Bell: I think Mr. Delano might tell the story since this is his problem.

Mr. Delano: We have a problem out in California, Mr. Secretary. There are places out there, largely in the new defense areas, where there has been a mushroom growth of activity, where we would like to see some more banking facilities. Practically the only way of getting them there is to let this Bank of America crowd move an existing branch out there to these areas. We have exhausted pretty much other alternatives.

At March Field we got a bank to go in and put a branch bank in there. We know there is objection and a question of balance, and we want to discuss it with you.

Mr. Bell: It does not increase the number.

Mr. Delano: No, but it's a question of taking a branch bank where it is not of much use and in getting essential service to a community, but putting in like Camp Roberts where there are new troops concentration, or in the suburbs of San Diego where there has been

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great concentration of airplane production and where the thing will be of some use to the community. We are trying to weigh that against the question of expansion. Probably this will result in some incidental expansion and that is all appreciated, but we have come to the conclusion that we ought to come and tell you that unbalance and in the light of all the facts we think we would like to do that in a few rare, isolated cases, very rare in many of them and most of them tied up with defense.

HM, Jr: Do you have a list of them?

Mr. Delano: Mr. Upham has a list.

Mr. Upham: Six applications in the office now.

HM, Jr: Give me one.

Mr. Upham: One is removal from the little town of San Miguel three or four miles distant to Camp Roberts, where there are about 17,000 soldiers and maybe 30,000.

HM, Jr: Move from San Miguel?

Mr. Upham: It's a small town where there isn't any business.

HM, Jr: And move to Camp Roberts?

Mr. Upham: Yes.

HM, Jr: Do you recommend it?

Mr. Delano: I recommend it.

HM, Jr: I don't see any objection to that, do you?

Mr. Foley: Well, I think we ought to face the thing realistically. It seems to me just sloughing off one branch, moving it to another place, in so far as the over-all problem is concerned isn't meeting the over-all problem. I think we ought just to say they have 498 branches and can't have any more. But to move one that wasn't very busy and still have 498 isn't meeting the objectives of keeping them from having additional branches, which is to keep them from growing and expanding. I think if you could move around branches that were not so busy and locate in places where it would give you more business, you could increase your volume considerably and still expand within the 498.

HM, Jr: I appreciate that.

Mr. Foley: I think you ought to look at it realistically and if there is need to have an additional branch to provide banking facilities for men at camp, we ought to look at it as an additional branch.

HM, Jr: I agree with you. I am not fooling myself.

Mr. Delano: We have all that in mind.

HM, Jr: I appreciate that, but I am -- but I would like to pass on each case.

You say from San Miguel to Camp Roberts?

Mr. Upham: That's right, from San Miguel to Camp Roberts.

HM, Jr: That's all right.

And the next?

Mr. Cupham: There is one in downtown San Diego

close to the main San Diego office which they want to move out to a more or less suburban area where there has been tremendous airplane development -- Consolidated.

HM, Jr: Or is it where they built houses.

Mr. Upham: I think there are some houses also.

Mr. Bell: You mean where the suburban development has been increased because of airplane activities.

Mr. Upham: And it's in the neighborhood of an airplane factory.

HM, Jr: That's all right.

What else?

Mr. Upham: A down town San Francisco bank which they want to move into a more or less suburban area -- I mean, more or less residential area in the suburbs of San Francisco. That is a borderline case to which we could say yes or no.

HM, Jr: I would hold that in suspense.

Mr. Upham: And there is one in down town Los Angeles which they want to do the same thing -- move it to a suburban area which is largely residential.

HM, Jr: I would hold that in suspense.

Mr. Upham: One in Ontario where they want to move a half block into a building of a bank they bought and they only want to consolidate that branch.

HM, Jr: Hold that. I will tell you why I am doing it. What else?

Mr. Upham: That is all the removals. One

application for a new branch at March Field. We think we ought to say no.

HM, Jr: That's all right.

Mr. Bell: They favor banking institutions wherever they are available.

HM, Jr: If you will draw up a memorandum on those two, one at San Diego and the other at Camp Roberts, and give it to me I will sign it.

Listen, if we give them everything at one time they will die of apoplexy. We don't want that to happen.

Mr. Bell: You had a lot of new applications, didn't you?

Mr. Upham: We turned down 30.

HM, Jr: Give them 2 this week, fix him up, and then come back and see me next week and in the meantime you might think of something I would like him to do. I mean, you can't treat this fellow as you would another white person.

Mr. Bell: You might tell the Secretary about their representative in Washington.

HM, Jr: Kelly?

Mr. Bell: I told the Secretary a little bit about it yesterday.

HM, Jr: "Has anybody here seen Kelly?"

Mr. Upham: I see him quite often.

Mr. Delano: He is a rather likable Irishman

who has been sent out here to do Fifth Columnist work on us and yet he is a pretty good fellow and he has convinced us to a very marked degree that he is sincere and that he is trying to build up his influence with the Bank based on cooperation with us.

HM, Jr: Here's the first thing. This is 2. This gives them something. Next week you fellows can come back and see me next week. Send this thing in with a formal recommendation on these 2. The one on March Field -- you ought to have a bank ...

Mr. Upham: We will say no to that.

Mr. Delano: We will say no to that.

HM, Jr: Yes. Why I turn that down and grant these 2? This is the first taste he has had since Election. It's a little something.

Mr. Delano: I think it's all right.

Mr. Upham: For 3½ years, not a request granted. All been turned down.

HM, Jr: 3½ years? They at least ought to send us a bottle of California champagne.

Mr. Bell: Might have something in it!

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December 10, 1941

MEMORANDUM:

To: Secretary Mergenthau
From: Mr. Delano

I recommend the action indicated below on three of the pending applications concerning branches of the Bank of America N.T. & S.A. of San Francisco:

1. Disapproval of their application for the establishment of a new and additional branch at March Field. A branch of the Citizens National Bank and Trust Company of Riverside, California, is located there and is serving the needs of that field.
2. Approval of the removal of the branch at San Miguel to Camp Roberts, near San Miguel. There is much greater need for banking facilities at Camp Roberts than at San Miguel.
3. Approval of the removal of the branch now at Fifth and Market Streets, San Diego, to an outlying location at Sassafras Street and Pacific Highway, near a defense industry area and near a new and growing residential section.

Preston Delano
Comptroller of the Currency

December 10, 1941

11:15 a. m.

Present:

Mr. Graves
Mr. Sloan
Mr. Kuhn
Mr. Odegard
Mr. Powell
Mr. Johnston
Mr. Sparks
Mr. Callahan
Mr. Gamble
Mrs. Klotz

HM, Jr: Let them sit up close so I can see them. Got Ted Gamble here already? Going to work?

Mr. Graves: Been at work a long time.

HM, Jr: What have you got?

Mr. Graves: I think I might clarify this a little. Ever since Sunday's events we have concentrated on two major things in the Defense Savings Staff. One was to change our radio announcements and our newspaper program, which Mr. Callahan can tell about, and the other was to lay plans for a different approach on our field program.

HM, Jr: I heard one on Monday night on our own program. Was darn good! I never know whether it's Milk of Magnesia or Bayer.

Mr. Callahan: That was Bayer, I think.

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Mr. Graves: You might want to have Mr. Callahan tell you exactly what has been done.

Mr. Callahan: We sent out telegrams on Monday to every radio station and we are getting 10 to 15 announcements per day on every radio station in the country. We have got 100% cooperation from every commercial company, so I would say on every hour in every radio station in the country you will hear about bonds and stamps.

HM, Jr: I would like you to tell me about the change in copy.

Mr. Callahan: What you heard was our new copy.

Mr. Graves: He was not merely communicating with the stations.

Mr. Callahan: We sent out to each of the stations three new announcements. We are getting reports back now -- we have about 100 telegrams -- not only doing what we asked, but going far beyond that.

And then on the press, we sent out on Monday three or four paragraphs entitled "War Needs Money".

(Mr. Powell handed the Secretary various newspapers which carried the new announcement.)

Mr. Callahan: That went to every newspaper in America and we have had a tremendous response on that.

HM, Jr: When we get next to Walter Winchell we have arrived!

Mr. Powell: I thought you would like that.

Mr. Callahan: The Tribune is running that on six or eight pages of their papers.

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Mr. Powell: The Times has the Minute Man.

Mr. Callahan: We are supplementing that with another. We are to get out today new copy and we are following that with one column mats to all papers with a change in the copy -- Guns, Tanks. -- We will make it different every day. We have wired 200 editorial writers throughout the country asking for editorials. We have wired 250 political cartoonists to prepare one for their paper immediately and to write special cartoons and send them here so we can distribute them. We have done the same thing with comic strip artists.

HM, Jr: Write me a little letter saying what we have done and address it to Steve Early. I will sign it. I would like him to have it particularly. I would like to send it to Steve Early. He's always interested and very friendly. Why not one to MacLeish and one to Donovan?

Mr. Kuhn: I think they would be interested in the content of the appeals.

HM, Jr: Yes. I don't think we let other agencies in Washington know enough. What?

Mr. Kuhn: Yes. Wayne Coy?

HM, Jr: No.

Mr. Kuhn: Lowell Mellett?

HM, Jr: All right. If you will get me those, I will sign them this afternoon.

Mr. Callahan: We wired 600 labor papers for editorials on payroll allotment; wired trade papers for editorials on payroll allotment.

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In addition, we have new advertisements for payroll allotment, strong and forceful, which will go out in the next couple of days as soon as we can mat and plate them.

Those are the major things we have done since Monday.

HM, Jr: I compliment you.

Mr. Callahan: Thank you, Sir.

HM, Jr: Good!

Mr. Graves: Now, Gale, let's tell the Secretary what we had in mind in the field.

Mr. Johnston: The field organizations have received a letter over your signature telling them to get in action and there are reports indicating they are swinging into action. We have organizations, or are organizing, in 46 States, in Hawaii and Alaska. They are all ready to swing into action. I would estimate approximately one-fourth recruited or being recruited on these Committees all over the country. They are ready to swing into action and do a real job to back up the entire program. We have 51 organizations. We have given each of these Committees the basic sales methods -- methods of marketing these securities, and that includes every known up-to-date good marketing method except house to house canvassing, individual canvassing, and the war makes that possible. They are set up in many places to do that and we are just waiting for this word to go.

Yesterday I met, and the day before, with executives of life underwriters' association. They have wired to all of their Committees. They are cooperating with our State and local organizations. Wires

went out this morning, and that followed the pattern of your wire. So they will be in there working with our State organizations and put full force behind the payroll allotment, not only to bring new accounts into being, but also to bring pressure of inspiration on the men that we already have.

I made two swings around the country and I was very much interested in the enthusiasm and great work that these people are doing all over the country. The payroll allotment plan is all worked out and in their hands; been in their hands for a month, but has not been used, but we will bring it into play immediately. We have that big marketing method in the hands of a group that is trained. They have had meetings with all these men, trained them on what these points are. Now they have this spark of war to really put them to find work. The Underwriters told me -- Mr. Anderson at Greensboro who is handling it, told me they had received reports of about 200 plans.

Mr. Graves: In what period?

Mr. Johnston: They endorsed it and started organizing the first part of October. And he said that there are almost 4,000,000 employees in those firms. Then we have a lot of additional plans

Mr. Graves: Tell the Secretary about New York.

Mr. Johnston: They phoned me from New York last week and said they had an estimate of 20 firms in New York City, and had called on the entire 20. He said 19 out of the 20 had agreed to put in the plans and the 20th did not turn it down, but this is two weeks ago and he said it involved 3,000,000 employees in the firms they contacted. He was so excited he just phoned to let us know what is going on.

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A consolidated report, which I saw last night, is something over 2,000 firms throughout the country. They are functioning most everywhere where we gave them the green light. We made them hold back because we did not want them in advance of our State organization, but today I think we can let them go ahead. Don't you?

Mr. Graves: Yes.

Mr. Johnston: Especially where we have a State Administrator appointed.

On these trips I made, there was great interest in the bank draft plan. I talked with bankers, investment dealers to see if some project could be worked out, to put it in the hands of women's clubs, the American Legion, etc., and perhaps the Investors could do a better job. They have a large group of salesmen. The original idea was to approach all professional people to let them know such a plan is available, and they would go to these professional people and say "If you want to have your bank buy you a bond and they say "Yes, I would." "Put your name here and I will send it over." I took that up in California and it was received with great enthusiasm and we were going to experiment with Mr. Heller, who is the head man. He was going to experiment with it. We would call it the California Plan if it worked; otherwise, we would drop it.

We have about 12 methods of marketing we are using. We will add to that house to house canvassing. So if you want a quota, I suggest you have a monthly quota of \$500,000,000, \$600,000,000 or \$700,000,000 to be bought by people in this country, rather than go out and sell a large number at once, with one exception. This is December and as your wire pointed out, everybody who has not purchased his 1941 limit

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will do so before the end of the year, who can do so, so they can start that second sale with 1942. We have organization plans which were worked out some months ago for a regular sales plan. Some States have followed it more or less. They have it all set up and those that don't are so near it they can effect it in a couple of days.

The Chicago meeting should be along three lines. One will be the official line, with you and Mr. Graves and others from the Treasury giving them messages, telling them the truth what you want them to do in this whole situation. Then I think the method of organizing Committees so as to include a Sales Department should be explained. Then marketing plans in use should be explained so they won't skip any of those. They are new, modern good. With one addition it will be complete. England and Canada has not used any more than we are using at the present with one exception and that is individual pledging and canvassing, and those marketing methods should be explained. And I think your people will be tremendously interested in advertising plans -- how they will be backed up by radio and press. And the last would be inspiration.

I can tell you that the country has wonderful Committees ready to swing into action -- thousands of people just waiting, and they are probably in action this morning. I hope they are.

HM, Jr.: I am anxious to see those statistics you have.

Mr. Graves: As I have told you, I might explain just how we stand on the matter of statistics on payroll allotment plans here.

We asked the Revenue people to prepare cards for all concerns employing more than 100 employees, and turn those over to -- we asked them to prepare

them in duplicate and turn one set over to the State Administrator, one set to be sent in here. We asked the State Administrators then to inform us as to the concerns that have payroll allotment plans and continue to send in notice of firms subsequently adopting the plan. Now, as far as Washington is concerned, we have the system, but there is a very sparse report from our field organizations as to firms adopting the plan.

HM, Jr: I know it's bad, Harold, but let's see it.

(Mr. Graves and the Secretary referred to

Mr. Graves: That statement showing one firm having adopted payroll allotment plan and Mr. Gamble tells me it is just short of 400.

Mr. Gamble: 378.

HM, Jr: But this only shows 469 in the whole country.

Mr. Graves: That's right. And this is the total number employed by the reporting concerns. Those reports are coming in, as Mr. Sparks has told me, at the rate of 30 a day. What we did when we made this compilation, we prepare a list of these concerns and send it to the State Administrator and say, "This is the only record we have in Washington. Please correct these slips by adding other firms that have adopted the plan." Those are coming out now, as I understand. So within a short time we will begin to have a supplemental list.

HM, Jr: And how often will you get this?

Mr. Graves: They are supposed to send these cards in as soon as they have entries.

HM, Jr: How often will that be?

Mr. Graves: As often as you like. I would suggest once every couple of weeks.

HM, Jr: Well, twice a month?

Mr. Graves: Yes, twice a month.

HM, Jr: On the face of it, I knew by your hesitancy in showing it to me it would look terrible.

Mr. Kuhn: Would it help us this week if we asked the State Administrators to wire us an up to date, up to the minute figure?

Mr. Graves: I did not want to do that, Ferdie. After all, this is only statistics and I expect Ted Gamble, if he were to tell you the truth, he had been so busy trying to get firms to adopt the plan that he has neglected the clerical operation of sending in the reports.

HM, Jr: But, Harold, I have to have something. They are going to ask me Friday, Senator George and Congressman Doughton and President Roosevelt, how good is the thing?

Mr. Graves: I think you can give these figures with complete safety. I think you can say that 8,000 concerns have -- you fellows check me if I go off on the deep end -- that 8,000 concerns, approximately, have adopted this plan and that the total number of employees involved would not be less than 12,000,000. That means merely the total number of employees employed by those 8,000 concerns.

HM, Jr: But of the 12,000,000, how many

Mr. Graves: That we don't know.

HM, Jr: Would this show it?

Mr. Graves: Does not show it.

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HM, Jr: Will it show it?

Mr. Graves: Ultimately it will, but we have not yet perfected our reporting system to the extent we have any significant figures as to the total number participating.

HM, Jr: I can't stress too much the importance -- I want to know because I am out on the end of a limb on this sort of thing. If I am going to defend the volunteer system, I have to have facts and 8,000 firms and 12,000,000 people is meaningless, because you yourself say of the 12,000,000,000 you don't know

Mr. Graves: I don't know, but we do have there the selling facility and I think it is going to be relatively easy.

HM, Jr: But when do you think I will get facts?

Mr. Graves: There is this factor. I think many concerns have been reluctant to supply figures on participation because they wanted to improve their showing before they made any report.

HM, Jr: I want a State. Give me a State. Can you take Detroit and give me the facts on how many are actually doing it?

Mr. Graves: How many are actually participating?

HM, Jr: Yes.

Mr. Graves: I would say no. You will have some concerns that will be very reluctant to give any of those reports because the plan is new, the participation is low.

HM, Jr: How am I going to find out? Why not ask them? Why not take Michigan and, if necessary, send

some people out there to help the office?

Mr. Graves: It isn't that. It isn't an office job. After all, you are asking the basic data from General Motors and Chrysler

HM, Jr: Well, they have it.

Mr. Graves: They have it, but they don't want to give it out.

HM, Jr: You have not asked them.

Mr. Graves: Yes, we have. We have asked to have these things reported and they just don't want to report until they are able to make a better showing. We can try.

HM, Jr: Well, Harold, I am formally asking you for the State of Michigan. To make the effort. See?

Mr. Graves: I will try.

HM, Jr: And if I could have something by Friday it would be very helpful.

Mr. Kuhn: Wouldn't Michigan be an unusually wrong State, just because of the unemployment setting up there? Wouldn't Ohio be better?

HM, Jr: I want a State where there is a lot of defense work.

Mr. Johnston: Take New Jersey. You can get that because they gave it to me up in New Jersey the other night.

Mr. Graves: Gave you what?

HM, Jr: The papers you have given us are not worth the paper they are written on. I want to know how many people are participating. New Jersey is all right. Ohio is all right. I am sick and tired of sitting here and not knowing.

Mr. Graves: I am pessimistic about your getting ...

HM, Jr: Suppose it is no good. After all, in New Jersey, 20 firms. I don't know how many. 42 firms.

Mr. Johnston: They have over 400.

HM, Jr: Well, ask them.

Mr. Graves: We will certainly ask them.

Mr. Johnston: They told me in Texas they have between 6,000 and 8,000 firms.

Mr. Graves: That's not his point. His point is to discover how many people are actually buying by this method.

HM, Jr: When you leave this room, take a State. Send wires. Take 2 or 3 States. I want to know how many people are participating and I mean business. I want to know. You can have this back because it is meaningless. I have been asking for them for about 3 months.

Mr. Graves: It's a very hard thing

HM, Jr: All of this is hard, the whole thing, but I have to make up my mind and say I can do this volunteer thing or I can't.

Mr. Graves: I don't mean it is hard to do it. It is hard to get ^{an} accurate statistical picture of it.

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HM, Jr: Do the best you can.

Mr. Graves: Could you do anything along that line in Oregon, Ted? Could you send a wire out and have an answer by Friday?

Mr. Gamble: Yes.

Mr. Graves: That would give a fair number of the employees.

HM, Jr: And if in 2 or 3 States, that would be much better.

Mr. Graves: We would take Oregon, New Jersey ...

Mr. Johnston: Missouri.

Mr. Graves: Missouri.

Mr. Johnston: Texas, you might be able to get something, but it's awfully big.

HM, Jr: Texas is too big and nobody thinks of it as an industrial State. New Jersey is smaller.

Mr. Graves: We will do something. The best we can.

HM, Jr: Friday morning, please. Very much please.

Mr. Graves: Yes, sir.

HM, Jr: Now what?

Mr. Graves: I thought we would concentrate -- Mr. Sparks, Gamble and I -- especially the remainder of this week on an attempt to recast our policy and

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our program and our approach to this thing with a view to having something specific to give to our people at our meeting in Chicago Tuesday and Wednesday, so that we can have at least a definite objective and I conceive the objective to be, first, a withholding tax or forced savings. If we ever got that, would probably hit 30,000,000 in this country. And I think then our objective should be to hit some 30,000,000 people on a regular purchase of defense savings bonds and, as I see our problem, it is to devise ways and means of making an approach that will result in getting as near that figure as we can possibly. Again, within a relatively brief time, 2 or 3 months, we ought to be able to reach that number of people. That would be the theory of the thing. In practice I suppose that our accomplishment would fall short of that, but that would be my yard stick or gauge or what we ought to shoot at and I think our discussions at Chicago ought to be of methods to accomplish that, and with the help of these men I hope we can get out some specific program to put in the hands of our people.

HM, Jr: Also, for Friday, I want some spot checks on Post Office and banks.

Mr. Graves: I have already asked for that. Mr. Sparks can give you that.

Mr. Sparks: I attempted to make a check this morning and did get some general information. Very difficult getting phone calls out of Washington, but the New York Federal Reserve District reports that there is 100% increase in the demand of banks in that area, in their district, for defense bonds and that yesterday, the 8th, they sold 1,004,000 of "E" bonds as against 329,000 on November 8th. There was a piece in this morning's New York Tribune which announced that sale of Defense Bonds doubled in New York City in the mutual savings banks.

HM, Jr: That's what I want by Friday morning, very, very badly, and I want it other places.

Mr. Sparks: I also got Chicago. Mr. Young, President of the Federal Reserve Bank there, reports that in the biggest bank in Detroit, which is in his district, there was over a 70% increase in the demand for bonds in the last two days and that in the branches where there had not been quite so much activity because they were removed, the demand has increased up to 500% and that there were more bonds sold by the Manufacturers Bank in Chicago on Monday and Tuesday than in any two weeks since the program has started, and that the Federal Reserve Bank in Chicago are keeping open extra hours in the evenings, instead of closing at their regular hour, in order to service these banks; that the demands have increased anywhere from 70% in the rural districts to over 500% in some of the heavily populated districts.

HM, Jr: Harold, tell Maas to make those statistics daily.

Mr. Sparks: In the District of Columbia they had 137 purchases yesterday of "E" bonds as against 38 purchases on the corresponding day last month.

HM, Jr: For the whole District?

Mr. Sparks: No. I am sorry. In the Riggs National Bank.

HM, Jr: That's what I need, because I have to make an important decision. We have been going along at one pace and I have to know what's going to happen on the war position.

Mr. Sparks: I tried to get to St. Louis and others, but the wires were too busy.

Mr. Graves: Have you something, Powell:

Mr. Powell: We started -- Mr. Sloan and I -- at Thanksgiving, to thank everybody who had been doing anything, large or small, for this campaign and urged them to increase their efforts. Just before the declaration, a very remarkable change began to be noticed. We have always had an interest in packaged goods. We had very pleasant correspondence with Brown-Williamson, who make Raleigh cigarettes. Just before the declaration, they arranged to print 500,000,000 packages with a message on defense savings bonds. That's the largest printing to date I have heard of. For a certain number of coupons they can exchange them for stamps and they give them an album with it, and we expect very remarkable results.

HM, Jr: You haven't anything since Sunday? Something new?

Mr. Powell: The most remarkable thing comes to me from a friend in the Investment Bankers. They passed a resolution of all-out support at Miami. They were the group that had not come along. The A.B.A., the Mutuals Savings Banks, Life Insurance presidents, every other great financial group passed resolutions last spring. The I.B.A. changed Presidents at Miami. A very nice fellow, John Fleet, became President and offered a resolution. They dropped their request for compensation. The other thing, they wrote and asked whether they could issue the bonds, so Gene Sloan would know better than I how many member firms in the I.B.A. there are, but there has been a steady procession of them.

Mr. Sloan: We are negotiating with the I.B.A. people and also the National Association of Security Dealers, which is another Association with thousands of members. Their man was in yesterday and he's bringing the President of the Association in to see us this afternoon.

-17-

HM, Jr: I don't want to get too many details today. All I want to say to you gentlemen is whatever we have done up to now is all right, but from now on it just isn't good enough. And this whole question of volunteer against doing it through legislation is at stake. I still am very, very anxious that we do it through the volunteer method, because I think it is terribly good for the men or women to make up their minds they want to do it themselves rather than feel they have to do it. So this whole organization has just got to step up very, very much further and the people in the various States who have not made good or don't show signs of making good, we just have to drop them. I mean the people who just because they are innocuous but don't do anything -- but to continue people in some of these State organizations because they are volunteers, I am not going to accept it any more and just because they are volunteers we can't ask them to do certain things or direct them. I am not going to accept that. But I am in the position -- I am ready to take the position -- if I can get the assurances of Graves and you gentlemen, plus the State organizations, that they can go to town, and I will back you against the pressure of people who want to have the thing done through legislation, but it has to be from now on on an entirely different tempo. Telling me you have 250,000 people ready to go to work -- I hope you are right -- but I have got to have the cold figures -- and 12,000,000 people being employed is meaningless unless I am told how many of them are contributing and how much. Just the figure of 12,000,000; so many are making deduction -- I want to know how much.

Mr. Johnston: Would you be willing to say how much you want them to raise?

HM, Jr: Not at this stage. I don't know.

Mr. Johnston: They can double or triple.

HM, Jr: All I can say is they can't raise too much.

Mr. Johnston: I think you are right.

HM, Jr: All I can say is I don't know. I don't know how much the President expects me to raise, but it just has to be on an entirely different atmosphere and I am sure I will get more, but I am also going to demand more.

Mr. Graves: There is one figure which I don't think you have been given before and that is the total number of purchasers of "E" bonds since May 1. It's about 3,000,000. That's everybody.

HM, Jr: That's a good figure, but I have to be primed between now and Friday and if you are too busy, let Sloan get me one sentence of good hard statistics that can stand up why we think from this point we can go much further, but I want that by Friday morning. Anything like that you hear and anything you can pick up, if this break continues we can expect so much. You see? People may be excited this week or next week, but whether that excitement will sustain them for two or three years.

Mr. Graves: I don't think there is anything, statistically speaking, in our past record that is very significant as to having a bearing on what we are going to do. From now on, conditions have changed and, remember, the fact we only sold 3,000,000 people from October to the first of May does not mean anything at all to the number of people we can bring in from now on.

HM, Jr: I have been told so often that because a person volunteers his services I can't ask him to

do something. I am going to ask them and I expect if we can't get good results from certain individuals we will get other individuals, because there are lots of very fine people in the United States who would be delighted to help and don't want any compensation other than the personal satisfaction they get.

Peter, do you want to say something?

Mr. Odegard: No, except to say, Mr. Secretary, what I said yesterday at the New York Executive Committee meeting, that when this program started and we first talked about it, the United States was in a very difficult situation. The country was not united. And I believe this program, as conducted so far and just the sheer process of building up the organization, has contributed immeasurably to the crystallization of opinion which made possible the demonstration you saw the other day and I don't think we ought to claim too much, but I do think we ought not to be ashamed of what we have done.

HM, Jr: I am not ashamed. I am very proud of the organization. I am very proud of it. I think they have done a lot, but somebody at the house, last night who gets around a lot, and she said she thought the Treasury set the pace for the whole morale of the country.

Mr. Kuhn: It was in the World Telegram review of last Saturday.

HM, Jr: This was somebody at the house last night, very critical of everybody. Incidentally, she told me that Toscanini -- what I said Sunday night -- had it read to him very carefully Sunday afternoon and he was very much pleased.

Mr. Kuhn: Oh! Your little remarks.

HM, Jr: He had it read to him and went over every word and was very much pleased. The aftermath of the concert is Toscanini was very much pleased.

Ferdie, do you want to say something?

Mr. Kuhn: No.

oOo-oOo

December 10, 1941
11:47 a.m.

Francis
Biddle: Henry, the President wants me to start working
on this war legislation.

HMJr: Yes.

B: So I have asked the - I think it's mainly the
Army and Navy stuff - I've asked Army and Navy
and OPM and Tel Taylor of Fly's office and
the Maritime Commission to send their lawyers
over this afternoon. We're going to have a
conference at two o'clock.

HMJr: Yes.

B: Could you send someone over?

HMJr: I'll send Foley.

B: Fine. Two o'clock, and that's going to be in
Nat Townsend's office. We're going to just
explore possibilities and needs.

HMJr: In whose office?

B: Nat Townsend - Judge Townsend.

HMJr: Nat Townsend.

B: Yeah.

HMJr: Right.

B: Thanks, Henry.

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

December 10, 1941

FOR THE SECRETARY'S FILES:

I have discussed with the Secretary this morning the question as to whether the Treasury should participate on a 50% basis in the purchases of Government securities being made by the Federal Reserve Bank of New York in the market. The Secretary said that he would like for the Treasury to take one-half of such purchases, giving the Postal Savings and the FDIC such portion of them as I might deem advisable. He even agreed that later on we might have to use the Sinking Fund to take care of these purchases.

The Federal Reserve Bank purchased yesterday \$40,179,000 face amount of securities in the market, of which \$12,370,000 were bills, \$4,364,000 were the new 2's, and \$23,445,000 were the new 2½'s. They also made switches aggregating \$13,700,000, or total transactions of \$53,879,000.

The Treasury's share of the purchases of the new 2's and new 2½'s will be \$13,950,000.

sub B

DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

December 10, 1941

2:10 pm

Present:

Mr. Bell
Mr. Morris
Mrs. Klotz

HM, Jr: I am giving Giannini two branches.

Mrs. Klotz: I don't believe it.

HM, Jr: Yes. All we are doing is moving them from down town to army camps.

(Secretary signed the order permitting the transfer)

Mr. Bell: The market apparently is improving. Some of the intermediate issues are up 1-4/32 and Federal has bought \$27,266,000, of which \$6,158,000 is the 2's and \$21,108,000 are 2½'s and they have not bought any others or made any switches and the tone is a good deal better.

HM, Jr: Goody! Goody!

Mr. Bell: And they have gained back about 4 of the 12/32 they lost this morning, so the average for the day is just 8/32 loss -- intermediate bonds. The only thing you are supporting is the 2's and 2½'s and the others are drifting back towards that level. If they gain back that 8/32 they will be about on the same line unless the 2's and 2½'s were out of line and Rouse thinks they were. They think they went down too fast right after the offering and did not recover before this bad news.

HM, Jr: Is that all?

Mr. Bell: Yes, sir.

HM, Jr: Thank you all.

December 10, 1941

MEMORANDUM:

To: Secretary Morgenthau
From: Mr. Delano

I recommend the action indicated below on three of the pending applications concerning branches of the Bank of America N.T. & S.A. of San Francisco:

1. Disapproval of their application for the establishment of a new and additional branch at March Field. A branch of the Citizens National Bank and Trust Company of Riverside, California, is located there and is serving the needs of that Field.
2. Approval of the removal of the branch at San Miguel to Camp Roberts, near San Miguel. There is much greater need for banking facilities at Camp Roberts than at San Miguel.
3. Approval of the removal of the branch now at Fifth and Market Streets, San Diego, to an outlying location at Sassafras Street and Pacific Highway, near a defense industry area and near a new and growing residential section.

Freston Delano
Comptroller of the Currency

Approved by H. M. Jr. 12-10-41
orig. and initialed file to Delano 12-10-41 - 2:47 P.M.

December 10, 1941

T. V. Soong called on me today and told me about his conversation with Sumner Welles. I gather that when Soong asked Welles whether China should wait on Russia before declaring war on Japan, Welles informed T. V. Soong it was the President's suggestion that China go ahead at once and declare war not only on Japan but also on Germany and Italy because Russia was getting its troops in shape to go to war with Japan shortly.

Soong brought me the attached statements dated December 9, 1941, which were the result of yesterday's meeting.

T. V. Soong also gave me a part of a cable which speaks for itself. He said he also has another message which he will send down to me later on, and in which, he said, they propose to go to the relief of Hongkong.

Soong also mentioned the fact that if they appoint an Allied Council he hopes that I will be a member of it.

Excerpt from a statement made by General Chiang Kai-shek to the Ambassadors of the United States, Great Britain and Soviet Russia in Chungking on December 8th, 1941.

"(4) China believes that the anti-aggression nations should consider all Axis powers as their common enemies, and suggests that the United States should declare war against Germany and Italy simultaneous with a Russian declaration of war against Japan.

"(5) China proposes that the United States, Great Britain, Soviet Russia, Holland, Australia, New Zealand, Canada and China should enter into an agreement not to conclude any separate peace with the Axis powers.

"(6) China proposes that the above mentioned countries should enter into a military alliance, and create an Inter-Allied Council with a general staff, under the leadership of the United States, to direct all war operations."

DECLARATION OF WAR ON GERMANY AND ITALY

Since the conclusion of the Tripartite Pact in September, 1940, Germany, Italy and Japan have unmistakably banded themselves into a bloc of aggressor states working closely together to carry out their common program of world conquest and domination. To demonstrate their solidarity Germany and Italy successively accorded recognition to Japan's puppet regimes in northeast China and Hanking. As a consequence, China severed diplomatic relations with Germany and Italy last July.

Now the Axis Powers have extended the theatre of aggressive activities and have thrown the whole Pacific region into turmoil making themselves the enemies of international justice and world civilization. This state of affairs can no longer be tolerated by the Chinese Government and people.

The Chinese Government hereby declares that as from midnight of December 9, 1941, a state of war exists between China and Germany and between China and Italy. The Chinese Government further declares that all treaties, conventions, agreements, and contracts concerning relations between China and Germany and between China and Italy are and remain null and void.

Chungking, December 9, 1941.

DECLARATION OF WAR ON JAPAN

Japan's national policy has always aimed at the domination of Asia and the mastery of the Pacific. For more than four years, China has resolutely resisted Japan's aggression regardless of suffering and sacrifice in order not only to maintain her national independence and freedom, but also to uphold international law and justice and to promote world peace and human happiness.

China is a peace-loving nation. In taking up arms in self-defence, China entertained the hope that Japan might yet realize the futility of her plan of conquest. Throughout the struggle all other powers have shown utmost forbearance likewise in the hope that Japan might one day repent and mend her ways in the interest of peace in the entire Pacific region.

Unfortunately Japan's aggressive propensities have proven to be incorrigible. After a long and fruitless attempt to conquer China, Japan, far from showing any sign of penitence, has treacherously launched an attack on China's friends, the United States of America and Great Britain, thus extending the theatre of aggressive activities and making herself an arch enemy of Justice and World Peace. This latest act of aggression on the part of Japan lays bare her insatiable ambition and has created a situation which no nation that believes in international good faith and human decency

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decency can tolerate.

The Chinese Government hereby formally declares war on Japan. The Chinese Government further declares that all treaties, conventions, agreements and contracts concerning the relations between China and Japan are and remain null and void.

Chungking, December 9, 1941

December 10, 1941
11:00 p.m.

HMJr: Hello.

Operator: Go ahead, Mr. Secretary.

HMJr: Hello.

S. F.
Operator: Secretary Morgenthau.

HMJr: This is Mr. Morgenthau speaking.

S.F.
Operator: Yes.

HMJr: I'm trying to get any one of our Treasury people out there. Is there any way to get them?

S. F.
Operator: I tried to get them all over at the hotel. They've all gone out to dinner.

HMJr: Do you know what hotel they're at?

S.F.
Operator: I think at the Palace Hotel. I'm trying to get in touch with them. I'm trying the Palace.

HMJr: You're trying the Palace?

S. F.
Operator: Yes.

HMJr: Well, I'll keep this line open; because it's pretty hard to get through.

S. F.
Operator: I see.

HMJr: Hello.

S. F.
Operator: Yes, Mr. Morgenthau.

HMJr: I'll keep this line open and you keep working on it, will you?

- 2 -

S. F.
Operator: Oh, yes.

HMJr: See? I won't release this line. Is this the Federal Reserve? Hello. Hello. Hello.

Operator: I think she's left the line, Mr. Secretary.

HMJr: Well, are you still through?

Operator: Yes, sir. We're still on there.

HMJr: Well, you keep the line open.

Operator: All right, sir. You want me to just hold the line on it.

HMJr: Just hold the line. She says she's trying to get them at the Palace.

Operator: Yes. I know Mr. Freedman and Mr. Towson are staying at the Palace. I had them there last night.

HMJr: Well, that's where they are. Just keep the line open.

Operator: All right, sir. We'll hold the line and try to get them for you.

HMJr: Thank you.

Operator: You're welcome.

11:10 p.m.

HMJr: Hello. Hello.

Mr.
Aiken: Hello.

HMJr: Aiken?

A: Yes.

HMJr: This is the Secretary of the Treasury speaking.

A: Yes, sir.

HMJr: Now here in my office with me is Mr. Hoover and Mr. Foley and Mr. Bernstein.....

A: Yes.

HMJr:and - just hold the wire one minute. Hold the wire one minute. (talks aside)

Now, will you tell us just what your problem is in terms of people? Hello.

A: We have here approximately a hundred thousand Japanese on the West Coast.....

HMJr: Yes.

A:of which - we have a man by the name of Maloney who is the coordinator of all the Treasury units here.

HMJr: Yes.

A: And he has gotten us approximately two hundred and fifty to three hundred men from the various Secret Service Agencies.

HMJr: Good.

A: He was to engage seven hundred today.

HMJr: Yes.

A: I have been unable to contact him to find out whether or not he got those, but when I left the office a few minutes ago I noticed that we had to call in another forty Coast Guard men to assist us tonight.

HMJr: Yes.

A: That is only in this unit here in San Francisco.

HMJr: Yes.

A: We haven't done anything on the outlying

districts such as Monterey, Berkeley, Burlingame, Stockton, and Sacramento. We had to arrest two people in Sacramento today through the local police down there.

HMJr: Yes.

A: The problem is one that is almost a concentration camp one if we want to cover the whole field.

HMJr: Well, I'd.....

A: We have so many. We have whole streets that are filled with Japanese.

HMJr: Now, give me some idea - you're - just in San Francisco, how many people involved?

A: Well, we have - I counted up tonight - a hundred and ninety firms which were covered. The number of people is difficult to gauge.

HMJr: Well, make a guess.

A: Well, five thousand - oh, there must be fifteen to twenty thousand.

HMJr: In five hundred firms.

A: No, in about two hundred to two hundred and fifty firms - that includes stores and shops and restaurants - that sort of thing.

HMJr: Are these.....

A: Now, these firms we have covered and closed - the leading Japanese institutions.

HMJr: Are these aliens or citizens?

A: Well, it's difficult to establish. Most of them have put their property in the name of their children.....

HMJr: Yeah.

A:who have been born in this country.

HMJr: I see.

A: So we have all sorts of problems like laundries, and pressing concerns; and in Southern California we have a particularly difficult problem of the farmers.....

HMJr: Yes.

A:most of whom are - many of whom are Japanese and as a consequence of the freezing order, the prices have gone up down in the Los Angeles area in the last couple of days because the farmers are not bringing their produce in to the city.

HMJr: Have you any idea how many people there are in Southern California?

A: In this area, I understand, a hundred thousand.

HMJr: A hundred thousand.

A: Yes.

HMJr: Well, now, Aiken, in your - in San Francisco - are you running into things which we should worry about - subversive things?

A: One of our men today found a naval code book in one of the places that we hadn't closed up. You see, we're getting additional names constantly, but we don't have the guarding personnel to put into them.

HMJr: I see. Anything else?

A: Well, the main problem is more men. We took on an attorney today who speaks and reads Japanese, and at the moment he is working on a list of the whole Peninsula area here, where he says there are large numbers of Japanese that we should be covering.

HMJr: Well, now, just wait a minute.

A: Surely.

HMJr: The men here want to know - do you feel that these people should be arrested en masse, or do you think that they shouldn't?

A: I think that it's difficult for us in our method of controlling them, yes. They should be arrested or - we can't effectively control them with the number of people that we have at our disposal.

HMJr: That doesn't answer - supposing, I mean, that the Department of Justice.....

A: I don't think that the farmers should be arrested, because these farmers are on land which is owned by Americans and they produce produce which is for the use of hospitals and armies and civilian population.

HMJr: Yes.

A: And they should not be arrested; but we're planning in Los Angeles, for instance, to put a number of supervisors down there which we're recruiting from local banking institutions.

HMJr: Yeah, but how about the - well, let's put it this way. How many people do you think - if you have unlimited personnel, how many people do you think should be arrested?

A: Ah.....

HMJr: Make a guess.

A: That's a hard question to answer.

HMJr: Well, make a guess.

A: Well, I should say approximately five thousand; because a Japanese is always a Japanese. I've lived in Tokyo for five years and I know.

HMJr: Good.

A: We picked up a certain series of reports today that there's quite a big organization out here

among them - even among the generation which was born in this country.

HMJr: Yes.

A: I would say five to ten thousand of them ought to be rounded up, if not more.

HMJr: Well, have you any idea what percentage would be aliens and what percentage would be citizens?

A: No, I haven't, and I can't make a guess, because they all have big families.

HMJr: What's this list that you picked up?

A: This was what they call the Imperial Rule Association, which is a Japanese organization that's - they circulate it among a large group of them - it's certain pro-Japanese articles which have been picked up from Japanese radios, from newsstands, books and one thing and another. This lawyer - this Japanese lawyer, who probably could answer these questions much more directly because he's worked with these people here. He's given them a certain amount of information and assistance to the FBI and Naval Intelligence.

HMJr: Mr. Hoover wants to know are there any other indications of espionage or subversive activities, other than that code book.

A: No. No, the population is very quiet. However, during last night's blackout, which I watched, there were a number of blue and red flares.....

HMJr: I see.

A:which we all saw, and I understand from this evening's paper that those flares were photographed by some woman.....

HMJr: Uh huh.

A:and the Army authorities are tracking them down.

HMJr: I see.

A: That's all over tonight's paper.

HMJr: I see. Well, now, just hold on a minute. (talks aside)

S. F.
Operator: Hello.

A: Yeah. Hold onto the phone.

HMJr: Well, Aiken, Mr. Hoover asked this very pertinent question. What justification have we got to go in and round these people up? I mean, that would be the question that's asked us.

A: What justification have we got?

HMJr: Yeah.

A: Well, the Japanese - we find this code book, we found in Sacramento today. They telephoned me and said there was a Japanese connected with the Sumitomo Bank branch down there who was taking documents out. We had a bank examiner down there, but he can't work all day. He said that cars were coming up to his place at night with no lights on. We - that's the man we arrested in Sacramento; and I understand from Mr. Plant, the bank examiner down there who talked to me about it, that he is the head of the Japanese group there. I understand there's a very potent Japanese group in Salt Lake City. I got that from this lawyer we took on today, who's familiar with the Japanese situation. Whether or not the Army feel - we tried to get assistance from the Army. They said no, they couldn't give it to us because they were occupied guarding the bridges and reservoirs and the public utilities.

HMJr: Uh huh.

A: But with this population of a hundred thousand out here on the Coast and the more of the successes of the Japanese there are, the more anti-American they become.

HMJr: Yeah.

A: And they have many organizations here, and the only way to be sure about it seems to me, would be to lock a number of them up.

HMJr: Well, what you want - what I gather what you want would be to detain these people whose businesses - I mean we have listed - until we can examine them and see whether there is anything subversive.

A: Right.

HMJr: Is that right?

A: Yes. To see whether they're all right.

HMJr: To see if they're all right.

A: And then we can make checks.....

HMJr: But you can't.....

A:to see whether or not their activities in the past have been satisfactory or otherwise. We're uncovering a number of concerns which should have been operating under business licenses but which weren't before, and that sort of thing.

HMJr: Just a moment. Have you any list of aliens that you'd like us to take in?

A: Well, we could give you our whole list of the companies that we have shut up, together with their employees.

HMJr: You could.

A: Yes.

HMJr: How many of those - do you know how many of those are aliens?

A: In only two instances of the places which we have closed, have they asserted that they were American citizens. They simply said that they

were, but we said that they were closed until they could furnish us with sufficient evidence that they were American citizens.

HMJr: You mean all the rest are.....

A: All the rest of them are Japanese - not American citizens; and I understand that even though a Japanese takes out American citizenship, he must officially renounce his Japanese citizenship at the Japanese Consulate, otherwise he's still considered to be a Japanese citizen.

HMJr: Aiken, give me a figure. How many businesses have we got listed in the San Francisco area?

A: We have got closed, with guards on them, approximately two hundred.

HMJr: How many more should we have? How many more are there?

A: Oh, well, we're just - I would guess that that was probably twenty per cent of the total - I mean small businesses. I'm now talking about stores. We've got the big ones, NBK, and NSK - the Japanese concerns.

HMJr: Well, would there be - there's another eight hundred?

A: They say there's a whole Japanese area here that we haven't even scratched yet. Yeah, approximately another eight hundred.

HMJr: Now, if we get.....

A: And I've only got two men over there.

HMJr: What?

A: In the whole city of Oakland - you know - across the Bay.

HMJr: Yeah, I know.

A: I've only got two men over there.

HMJr: Well, now, what do you do, do you go in and close the business and then put a guard there?

A: No, I'm using Coast Guard over there.

HMJr: No, but I mean, if you had the Army people, is that what you'd do?

A: Yes, we'd shut them up.

HMJr: Well, how would you get hold of the owners?

A: The - I beg pardon?

HMJr: How would you get hold of the owners of the business?

A: When we - on Sunday night when we moved into the Japanese Chamber of Commerce.....

HMJr: Yeah.

A:we got from them a list of all the members in this area.

HMJr: I see.

A: We have got a book that is as thick as a small dictionary with the Japanese concerns on the West Coast.

HMJr: Yeah.

A: And we're picking them out from there. Of course, a number of them have been closed up, but not very many. I would guess that we probably have covered twenty to twenty-five per cent of the Japanese in this area.

HMJr: Mr. Hoover asked a question. Are there any particular businesses that you think we should go into? Aliens?

A: Particular business?

HMJr: Or any particular aliens, he said, that should be arrested.

A: Well, in addition to the Japanese, there's an enormous Italian population.

HMJr: No.

A: I assume you're only referring to Japanese, though.

HMJr: Well, I was for the moment talking of Japanese.

A: Well, I think that we have covered all the big ones - I mean, there's the question of this truck farming, which is presenting a real problem to us.

HMJr: No, but Mr. Hoover asked, have you any specific instances where you'd like extra help to move in.

A: Not specifically.

HMJr: Oh. But you've got a whole area that you haven't covered at all.

A: Right.

HMJr: What's the Italian situation?

A: Well, I'm new out here, but I understand that there's been fairly substantial withdrawals by Italian fisherman in the Monterey district.....

HMJr: I see.

A:who, under the general licenses, are permitted to draw out five hundred dollars a month.

HMJr: Well, now.....

A: There was a run on the bank on Monday, I believe, on a couple of the banks down there, but it didn't amount to anything and more or less petered out.

HMJr: Aiken, where are you now?

A: What?

HMJr: Where are you now?

A: At the Palace Hotel in San Francisco.

HMJr: I mean, are you in your room or restaurant
or where.

A: Room.

HMJr: What?

A: I'm in my room.

HMJr: Well, just stand by. I'm not going to release
this wire, see?

A: Okay.

HMJr: Just.....

A: Okay.

HMJr: Hello.

A: Yeah.

HMJr: Just stay there a minute, will you?

A: Okay.

S.F.
Operator: Operator.

HMJr: Just keep this wire open, will you, please?

Operator: All right, sir.

December 10, 1941
11:40 p.m.

Operator: Go ahead, sir.

HMJr: Hello, Freedman?

Mr.
Freedman: Yes, Mr. Secretary.

HMJr: Freedman, let me ask you this question. I had a long talk with Aiken. Supposing you get no help from any other agency - what would you do for the next few days?

F: If we got no help from anyone else?

HMJr: Well, no other help than what - supposing we just have to rely on ourselves.

F: Simply go ahead closing up every possible place we could, locking up every possible place we could. We wouldn't have guards at all the places, but we'd lock them up anyway. And as soon as.....

HMJr: Talk louder.

F: I beg your pardon?

HMJr: Talk louder.

F: We would lock up every possible Japanese place we could find.

HMJr: Yeah.

F: We wouldn't have enough guards to watch them, but we'd lock them up anyway. As soon as we can get separated from guard duty, which they are doing at present, we'd use every available man with investigative ability to put in these places to immediately go over and ransack all the records and papers they can find in the places we've now locked up, to see what they could find.

HMJr: What you need in the first instance, then, is guards to stand in front of this place so that they can't go in.

F: Mr. Secretary, my opinion is that what we need is someone to go in immediately the places that - people - not just guards - but people with investigative ability who would be able to understand what they were finding and could hand over to the proper agencies of this government, to ransack the records of the places that are locked and as many other places as we can find to get information that might very well be most essential to defense.

HMJr: Well, Freedman, how many businesses have you got left yet that you want to lock up?

F: Secretary Morgenthau, the most important thing I can tell you is that so far we've scratched the surface of the problem. I think that we've probably closed the most important places in San Francisco, but the problem can't be defined in the terms of the situation in San Francisco. I'm convinced that Japanese - whether they're American citizens or not - are so inter-related and their activities extend over the whole Pacific Coast and in unlikely places like Utah, that you can't solve the problem in terms of Los Angeles and San Francisco. Even if you hit all the places in San Francisco and all the places in Los Angeles, you still might be missing the most significant part of it.

HMJr: Well, how many investigators do you think you need?

F: As many as we could possibly get. We could use - if we could put them into every place in San Francisco we could find, and I understand we've got two hundred fifty or three hundred places closed already. If we could have them all in there tomorrow morning - if we could get them in every other available place that we would be able to close in the meantime.

HMJr: How many investigators would that take?

F: I can't just - really an effective attack on the problem seems to me, the answer to your question is that it would require a limitless number.

HMJr: Well, I mean, does it need a hundred; does it need five hundred?

F: If I can express it in a sentence - we need it in as many places as there are Japanese firms and any Japanese establishment of any kind - hotels and everything; and that, as you know, on the Pacific Coast alone, is over a hundred thousand.

HMJr: Yeah, but that's people. But how many places are there?

F: I can't tell you that. All I can tell you is that we have been operating on the basis of the directory which we have gotten not only from the Japanese Chamber of Commerce which we've taken out of some of the Japanese newspaper agencies we've covered, and that the lists for San Francisco and Los Angeles alone are pages and pages.

HMJr: Yes.

F: Mr. Secretary.

HMJr: Yes.

Aiken: May I interrupt a minute? This is Aiken here. Towson today was talking to the Army people here in connection with this food problem.....

HMJr: Yeah.

A:and he offered the suggestion that they might wish to take over the crop, the produce - just go to the fields themselves.

HMJr: Oh, well, no. No, that don't sound very practical. Hello.

F: Mr. Secretary?

HMJr: Yes.

F: This is Mr. Freedman.

HMJr: Yes.

F: I just - the significant thing to me is that our experience in the past few days has revealed

that all Japanese - and I say that advisedly - are so inter-related in their - not only their financial, but their other activities - and I'm firmly convinced that they're fanatically - I mean, at least most of them are so fanatically dedicated to doing anything they can for Japan.....

HMJr: Yes.

F:even though he may be American-born, that we shouldn't fail to do anything to discover any information that may help us.

HMJr: Now, just wait a minute. You're at the - what hotel are you at?

F: Palace Hotel. I'm now speaking from the Federal Reserve Bank of San Francisco.

HMJr: Where are you, at the Federal Reserve?

F: I'm at the Federal Reserve Bank.

HMJr: What's the telephone there? The number.

F: The telephone is Sutter 8420.

HMJr: Repeat that.

F: Sutter.....

HMJr: Yes.

F:8420.

HMJr: Yes.

F: Extension 42.

HMJr: Now Mr. Hoover is here with me, and he will have his man Teeper get in touch with you right away.

F: All right, sir.

HMJr: Well, I say right away - within the next fifteen minutes or so.

F: Yes, sir.

HMJr: And you stay there until you hear from him and he wants to get a first-hand picture of the situation so that he can give it to the Attorney General in the morning.

F: I'll be most happy to do that.

HMJr: Now, just a minute. Hello.

F: Hello.

HMJr: Can I have the Federal Reserve operator?

F: I'll switch you.

HMJr: (Talks aside) It takes so long to get through.

Fed. Res. Operator: Hello.

HMJr: Hello. Is this the Federal Reserve?

O: Yes, this is the Federal Reserve.

HMJr: Well, this is Mr. Morgenthau. Miss, would you get the FBI office, Mr. Teeper.

O: Yes.

HMJr: And will you put him on, please?

O: Mr. Teeper.

HMJr: Yes, he's - anybody at the FBI office and get them on the wire, and Mr. Hoover is sitting here and wants to talk to them.

O: I see.

HMJr: Will you handle that?

O: What is it?

HMJr: Will you take care of that?

O: Yes, I will.

- 6 -

HMJr: All right, now.....

O: All right. Is Mr. Freedman going to stay on?

HMJr: What's that?

O: Mr. Freedman - is he going to stay on?

HMJr: Well, out everybody else off.

O: I see.

HMJr: Cut everybody else off except me.

O: All right.

HMJr: Hello.

O: Yes.

HMJr: And get - look into your telephone book for the Federal Bureau of Investigation.

O: All right, I have that.

HMJr: Have you got it?

O: Yes, I know what that is.

HMJr: And get anybody that's there and Mr. Hoover will talk to them.

O: All right.

HMJr: Thanks.

December 11, 1941

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. White's Office
December 10, 1941
11:40 A.M.

Present: Mr. White
Mr. Gromyko, Soviet Embassy
Mr. Ullmann

1. Mr. White asked Mr. Gromyko if he had any estimate of how much gold the U.S.S.R. anticipates sending here for the purchase of supplies not obtainable under Lend-Lease.

Mr. Gromyko replied that at this point he could not make an accurate estimate, but would venture a guess that the Russians would need between \$5 million and \$10 million monthly — provided they can get certain items (e.g., tractors, Douglas transport planes, etc.) which are outside the Moscow agreement, but which they have requested under Lend-Lease, not having as yet received a reply. If these last articles are not obtainable under Lend-Lease, the situation will be substantially different in regard to dollar requirements.

2. Mr. White asked Mr. Gromyko if the Russians had agreed with the British that cash settlements could be made in dollars as well as in gold. Mr. Gromyko said that he was not informed on this matter, but that he could not see an appreciable difference between the two forms of settlement.

3. Mr. White explained that these matters had arisen prior to the outbreak of United States-Japanese hostilities, which might have changed the situation. Mr. Gromyko understood that such a change might occur. As an example, he cited that Mr. Stettinius assured them, on December 8, that Lend-Lease arrangements would be continued — but that on December 9, ship loadings were stopped by U. S. authorities.

December 11, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Secretary Morgenthau's Office
December 10, 1941
2:30 P.M.

Present: Secretary Morgenthau
Mr. Litvinov, Russian Ambassador
to the United States
Mr. White

The conference was held at the request of Mr. Litvinov.

The Ambassador, having recently arrived in the United States, was merely paying his respects to Secretary Morgenthau. The Ambassador spoke of his pleasure in returning to the United States and of meeting Secretary Morgenthau again. He referred briefly to some of his earlier experiences in Washington and to the war situation. He said that, as the President pointed out in his speech, it was all one fight and each country had to do whatever it could to defeat the common enemy.

The Secretary remarked that Vladivostok was not very far from Tokyo, and the Ambassador responded that the Russians were fully prepared for that and had been massing troops along the Russian border. Secretary Morgenthau expressed the view that the Germans might well experience a shortage of oil soon and the Ambassador replied that they had expected Germany would experience it sooner than apparently will prove to be the case. He said that the fact that the Germans were willing to spend so much oil to bomb Moscow when they knew it would have very little military effectiveness, was a luxurious use of oil that probably reflected a more adequate supply of oil than they thought Germany had. He wondered whether there wasn't danger that we might not be under-estimating Japan's supply of oil.

The Ambassador also commented on the unfortunate effectiveness of the surprise attack of Japan. He stated that on his route here he had talked with American army officials at various points and warned them they must be prepared for war even though negotiations for peace were going on. He mentioned that when he passed through Honolulu a few days ago — (his clipper was the last one that arrived here before the war) — he talked with the General in charge there and repeated the warning he had volunteered to the other army men. The General had replied, as other army officers had, that they were prepared and ready.

- 2 -

The Secretary asked the Ambassador whether he was free to tell the Secretary what the losses of the Germans had been in the Russian campaign. The Ambassador replied he thought there were about 6 million German casualties and that the Germans had been reckless in their use of men.

The Secretary told the Ambassador that Mr. Gromyko, who was Acting Ambassador during Mr. Oumansky's absence, had done very good work here.

The Ambassador said that before he left Mr. Oumansky had told him that when he wanted help he should turn to Secretary Morgenthau. The Ambassador hoped that they could look forward to Secretary Morgenthau's continued sympathetic support. The Secretary replied that he would be glad to help them in any way he could that would aid in defeating Hitler.

The Secretary asked the Ambassador whether they had been successful in getting more ships. The Ambassador replied that they had received some more but that unfortunately all shipments had been stopped and that they were, in fact, unloading the fighter planes and tanks from the ships that had already been loaded.

December 10, 1941

My dear Mr. President:

I am sure that you will be as pleased as I am to learn that Mr. Randolph Paul has decided, at great personal sacrifice to himself, to resign from his law firm as of January 1st, and come down and work for the Treasury as tax advisor.

We have worked out an arrangement between John Sullivan and Randolph Paul that Sullivan will act in the capacity of barrister and present the tax bill to the Congress and Paul will act in the capacity of solicitor and the tax bill will be prepared under his supervision in the Treasury. Both Sullivan and Paul are completely satisfied with this arrangement and will act as partners.

Mr. Paul is bringing into the Treasury a number of tax experts, which will strengthen our staff considerably.

Yours sincerely,

The President,

The White House.

The Secretary thanked Congressman
oughton in person when he was the Sec-
retary's luncheon guest on Dec. 12.

Congress of the United States
House of Representatives
Washington, D. C.

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December 10, 1941

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

My dear Henry:

This is just to say that since our Emergency has recently been so greatly accentuated and multiplied, I feel our Committee is ready to go into action at any time and would be pleased to have any suggestion or request you may care to make relative to how our Committee can most appropriately render greatest service.

This letter is not written by direction of the Committee but only as my individual thought.

With my kind personal regards, I am

Very sincerely yours,

R. L. Doughton
R. L. Doughton

RLD:d

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE December 10, 1941

TO Secretary Morgenthau

FROM Mr. Barnard

Mr. Sullivan asked me to study the question of classifying corporations from the point of view of income and especially excess profits taxation. I have given thorough study to this matter during the last three weeks, with a great deal of assistance from Mr. Blough's staff, and with careful examination of much of the statistical information. So far as possible in doing this I disregarded previous knowledge and understanding of the matter to avoid preliminary bias. My conclusions are as follows:

1. It is probably not possible to devise any scheme of classifying corporations at the present time that would be economically sound and administratively workable. The reasons for this conclusion are principally the following:

a. There is no definite general relationship between amount of capital and the efficiency or profitability of an enterprise. In certain types of enterprises such as public utilities, steel manufacturing or railroads, capital is undoubtedly so indispensable that it is commonly regarded as the primary factor and the one by which profits are properly measured. But even in these cases the variation in conditions is so wide that no general statement seems to me to be warranted.

b. Moreover, what constitutes capital or proper capitalization is, in my opinion, not susceptible of anything but an arbitrary definition for purposes of taxation, and for other purposes the definition must be arbitrary or conventional either as to a particular enterprise or for an industry.

c. An examination of the statistical evidence derived from the WPA study of corporations for 1935, 1936 and 1937, demonstrates to me very definitely that there is no important uniformity revealed either in losses, profits or risks that depends upon either type of industry or size of enterprise.

d. Some corporations have businesses confined to a single clear-cut kind of effort, but many corporations engage in several types of businesses, so that it is not feasible to classify them except arbitrarily on the basis of any abstract scheme of classification.

2. The conclusion and reasons stated above confirm my judgment based on my experience in business and long study of the economic aspects of business enterprise.

3. For these reasons it seems to me that excess profits taxation can be most practically and equitably based upon a combination of return to capital and increase over previous base years, with a sliding scale basis of taking into account previous earnings, depending upon the rate of profits to capital, such as the scheme recently developed by Mr. Stern.

MB

TREASURY DEPARTMENT

86

INTER OFFICE COMMUNICATION

DATE DEC 10 1941

TO Secretary Morgenthau

FROM Mr. Foley

Attached is a second report prepared by Mr. Bernard's office to assist you in your work as a member of the Joint Senate and House Committee on economy.

I have already forwarded a summary of the billion dollar rivers and harbors bill. We shall continue our check on legislation which might be subject to attack for economy purposes.

S. W. + L

Report as of December 1, 1941 on Legislation Wherein
There is Possibility of Non-Defense Economies

A subcommittee of the Senate Committee on Finance had hearings November 27 on H.R. 4 and H.R. 4845, veterans pension bills, but has not yet met in executive session to consider the bills further. There is no indication as to when there will be further committee action. H.R. 4 is entitled a bill, "To provide more adequate compensation for certain dependents of World War Veterans, and for other purposes". As was pointed out in the previous report the estimated first year cost is \$22,238,000. H.R. 4845 proposes to amend the Veterans Regulations by increasing from \$30 to \$40 pensions given certain disabled veterans, and also to provide \$40 pensions to certain veterans over 65 years of age. The proposal appears from the committee report (H.R. Rep. No. 618) to be designed to lower the age requirement from 70 to 65 years. The estimated first year cost of the disability pension change is \$8,098,000 and of the age pension, \$3,504,000.

Two bills were on December 1, 1941 again passed over without prejudice: H.R. 4937, "To amend an Act entitled 'An Act to authorize an appropriation for roads on Indian reservations'", and S. 1544, "To provide for cooperation

- 2 -

with Central American republics in the construction of the Inter-American Highway". There has been no action since the previous report on any of the other bills digested.

There has been introduced certain social security and veterans legislation which conceivably can involve tremendous expenditures, the magnitude of which is not indicated by the bills themselves. With one exception, there has been no action on these bills as yet other than their introduction and reference to appropriate committees. The bills are briefly digested below:

Number: H.R. 6009

Title: "To provide pensions at wartime rates for officers and enlisted men of the Army, Navy, Marine Corps, and Coast Guard disabled in line of duty as a direct result of armed conflict, while engaged in extra hazardous service or while the United States is engaged in war, and for the dependents of those who die from such cause, and for other purposes."

Features: This bill is designed to increase to wartime rates pensions for disabilities and deaths resulting from injury or disease received in line of duty (1) as a

direct result of armed conflict; (2) while engaging in extra-hazardous service, including such service under conditions simulating war; or (3) while the United States is engaged in war. No estimate of cost was made by the committee.

Status: Favorably reported (H.R. Rep. No. 1449) November 25, 1941 by the House Committee on Invalid Pensions and now pending before the House. It was intended to consider the bill Monday, December 8, 1941 (See 87 Cong. Rec., December 5, 1941 at 9742). The committee report states the bill was drafted by the Veterans Administration.

Number: H.R. 6008 and 6108

Title: "To amend the Social Security Act, as amended, to provide for the payment to States of an average of \$20 per month per capita for all recipients of old-age assistance, under the several State plans, who are sixty-five years of age or older and not inmates of a public institution.

Features: Proposes amendment of section 3 of Title I of the Social Security Act so that the Federal Government shall pay one-half of the total sums expended for old-age

assistance under an approved State plan being not less than an amount equivalent to an average of \$20 per month per each individual sixty-five years of age, or older, assisted, but not to exceed a State average of \$40 per month per person (under provision of H.R. 6108; H.R. 6008 sets the maximum of \$30) and 5% administrative costs.

Status: H.R. 6008 introduced November 12, 1941, and H.R. 6108 introduced November 26, 1941 by Representative Collins and referred to the Committee on Ways and Means.

Number: H.R. 6106

Title: "To provide liberalized benefits for disabled American veterans of the World War and their dependents, and for other purposes."

Features: This appears to be an omnibus veterans bill embodying in its various sections the provisions of separately introduced bills, and also certain other features. Some of the outstanding features are provision increasing compensation or pensions by 10 per centum jumps to adjust to index figures of cost of living (section 1 and 2), establishing easier methods of proof of service connection of

disabilities (section 3), automatic increase of pensions for veterans 40 years of age and over (section 4--this proposal is embodied also in H.R. 6126), payment of \$10 or \$10 more to any person wounded, gassed, injured, or disabled by instrumentality of war in a zone of hostilities in line of duty in active service (section 5), increase to 100 per centum from 75 per centum of payments authorized in certain circumstances (section 6), increase of compensation during hospitalization (section 8--this proposal is also embodied in H.R. 6117), increase certain pensions from \$30 to \$60 (section 12--this proposal is also embodied in H.R. 6125. NOTE: The discussion above on H.R. 4845 points out that a change to \$40 will cost more than \$8,000,000. The change to \$60 would, of course, be much more costly), a change of provisions relative to qualification as recipient of pension or relative to amount of pension (sections 18-23--certain of these provisions are included in H.R. 6112, 6123, and 6124), placing limit on rate of interest on the loan secured by United States Government life insurance at 4 per centum per annum (section 26--this proposal is also embodied in H.R. 6114).

There are certain other provisions relative to rights under Government insurance, some of which are also embodied in separate bills. Provision is made for review procedure to determine eligibility of persons for pensions and rather sweeping provisions are included, giving preference to veterans and persons in some manner connected with veterans in employment by the Government (see section 42).

Without analysis of this bill and other proposed bills on veterans' legislation by the Veterans' Administration, it is difficult to evaluate their importance for economy purposes. It seems probable, however, that some of the proposals at least will involve substantial costs to the Federal Government and may be unjustified.

NOTE: Representative Hook on November 19 introduced H.R. 6069 entitled, a bill "To extend benefits of veterans' Act of June 7, 1924, as amended, to all members of the armed forces of the United States of America". Its true significance is equally clouded.

Status: Introduced November 25, 1941 by Representative Rankin (by request) and referred to the Committee on World War Veterans' Legislation.

The various separate veterans' proposals embodied in H.R. 6106, all referred to the same committee, were introduced by the following Representatives: H.R. 6112, Mr. Claypool; H.R. 6113, Mr. Claypool; H.R. 6114, Mr. Wickersham; H.R. 6115, Mr. Wickersham; H.R. 6116, Mr. Van Zandt; H.R. 6117, Mr. Allen; H.R. 6118, Mr. Engel; H.R. 6119, Mr. Engel; H.R. 6123, Mrs. Rogers; H.R. 6124, Mrs. Rogers; H.R. 6125, Mr. Voorhis; H.R. 6126, Mr. Voorhis.



OFFICE OF
CHIEF, INTELLIGENCE UNIT
BUREAU OF INTERNAL REVENUE

TREASURY DEPARTMENT

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WASHINGTON

December 10, 1941.

TO: Mr. Gaston.
FROM: Elmer L. Irey.

In pursuance to a conference held in your office on November 18, 1941, at which time it was agreed that the Federal Bureau of Investigation would undertake the character investigations pertaining to the Office for Emergency Management, and that there would be delivered to the Department of Justice all cases remaining in the central office and in the field offices on which no actual investigation had been started, but would retain and complete all cases where investigations had been begun, I have to advise that between November 26 and December 5 a total of 2,852 applications were delivered to the FBI, which represented the total number of cases to which no attention had been given by this Unit.

At the close of business December 9, 1941, there were pending in the hands of the Treasury agents 1,310 cases, which number had already been initiated for the several defense agencies prior to November 18, 1941. It is estimated that it will require at least two months to complete these investigations.

As the fund previously allotted by the Office for Emergency Management to cover investigations of this type of case was exhausted at the end of November, a request was made during the past month for additional funds to complete those cases which are yet receiving attention. Under date of November 25, 1941, Mr. Wayne Coy, Liaison Officer for the Office for Emergency Management, wrote Mr. Thompson that a recommendation had been submitted to the Bureau of the Budget for the allocation of \$60,000 to the Treasury Department for the completion of the investigation of these cases. On December 6, 1941, Mr. Charles Schoeneman telephoned that he had received advice that the Bureau of the Budget had approved the allocation of the above-mentioned fund and information was received today from Mr. Birgfeld's office that although the additional money is not on deposit all the details have been attended to for its transfer.

car *MS*

MONTHLY REPORT OF NATIONAL DEFENSE CASESNOVEMBER 1941

Applications received as of October 31, 1941	7830	
Applications received during November	<u>1304</u>	
Total received as of November 30, 1941		<u>9134</u>
* * * *		
Completed investigations as of October 31	3644	
Completed investigations during November	<u>632</u>	
Total completed investigations as of November 30		4286
Applications withdrawn as of October 31	487	
Applications withdrawn during November	33	
Applications delivered to Department of Justice	<u>1717</u>	
Total applications withdrawn as of November 30		<u>2177</u>
Total cases closed as of November 30, 1941		6453
Applications pending in office as of November 30	1204	
Applications pending in field as of November 30	<u>1477</u>	
Total applications pending as of November 30, 1941		<u>2681</u>
Total cases disposed of and pending as of November 30		<u>9134</u>

Agents engaged on this work under direction of this office
close of November 30

Alcohol Tax Unit	70
Secret Service	6
Customs Service	3
Narcotics Service	9
Intelligence Unit	44

WSS

December 10, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Commissioner Johnson phoned me yesterday afternoon that a man named Exter, of the Division of Controls in the State Department (the section that issues the so-called white licenses for munitions export) had phoned him that it was the desire of Export Control that all licenses for the export of airplanes and airplane parts be revoked immediately. Johnson informed Exter that such orders should come directly from the Division of Controls by telegrams to the Collectors of Customs and after some discussion Exter agreed that what was desired was a suspension rather than a revocation of licenses. Exter said such messages would be sent out.

After receiving this information (at about 6:00 P.M.) finding that Mr. White could not be reached, I phoned Phil Young and gave him the information. He said they had not been consulted and he had not known about it.

ms

DEC 10 1941

My dear Mr. President:

(12/5)
 I am enclosing report on our exports
 to some selected countries during the week
 ending November 29, 1941.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,

The White House.

Enclosure

By Messenger

Secret Service
4:15HVS:whh
12/8/41

Epstein file

n. mc.

Ret to Lucy's office

DEC 10 1941

My dear Mr. Vice President:

I am enclosing copy of report on our exports to some selected countries during the week ending November 29, 1941.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Vice President,
United States Senate,
Washington, D. C.

Enclosure

HW:cmh
12/7/41

By Messenger 4:10 Sley

Copies to White
M.M.C.

Ret. to Pm 2/14/42

DEC 10 1941

My dear Mr. Secretary:

I am enclosing copy of report on our
experts to some selected countries during
the week ending November 29, 1941.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State,

Washington, D. C.

Enclosure

EDW:meh
12/8/41

By Messenger 4:10 Shery

Copies to White

M. M. C.
Rel. to Secy's Office

DEC 10 1941

My dear Colonel Donovan:

I am enclosing copy of report on our experts to some selected countries during the week ending November 29, 1941.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Colonel William J. Donovan,
Coordinator,
Office of Coordinator of Information,
Old National Institute of Health Building,
25th & E Streets, N. W.,
Washington, D. C.

Enclosure

HDW:msh
12/9/41

By Messenger *Shy f*

Copies to White

D. M. C.
Ret to Supt's office

December 5, 1941

Exports to Russia, China, Burma, Hong Kong, Japan, France and other blocked countries, as reported to the Treasury Department during the week ending November 29, 1941.

1. Exports to Russia

Exports to Russia as reported to the Treasury during the week ending November 29, 1941 amounted to about \$2,400,000 as compared with \$3,581,000 during the previous week. Motor trucks and chassis and military tanks were the principal items. (See Appendix C.)

2. Exports to China, Burma and Hong Kong

Exports to Free China were valued at approximately \$3,240,000, of which motor trucks, busses and chassis and printed matter were of the most importance. (See Appendix D.) Exports to Occupied China amounted to \$120,000. (See Appendix E.)

Exports to Burma totalled over \$1,300,000 and, as in the case of exports to Free China, the principal item was motor trucks. A large percentage of these exports may be destined for Free China. (See Appendix F.)

Exports to Hong Kong amounted to about \$1,300,000. (See Appendix G.)

3. Exports to Japan

No exports to Japan were reported during the week under review. Japan, however, might be the ultimate destination of some of the exports to Occupied China and Hong Kong (via Occupied China).

4. Exports to France

No exports to France were reported during the week ending November 29, 1941.

5. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

STRICTLY CONFIDENTIAL

**SUMMARY OF UNITED STATES
DOMESTIC EXPORTS TO SELECTED COUNTRIES
AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED
DURING THE PERIOD INDICATED 1/**

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July 28 to November 29, 1941.

(In thousands of dollars)

	July 28 to Nov. 15	Week ended November 22	Week ended November 29	Total Domestic Exports
U. S. S. R.	\$48,480	0 3,501	0 2,436	\$54,417
Occupied China	9,039	464	180	10,283
Free China	20,734	1,208	3,239	25,281
Japan	1,870 2/	5/	-	1,875
Burma 2/	4,333	1,021	1,342	6,716
France 1/	6	-	-	6
Occupied France	2	-	-	2
Free France	4	-	-	4
Spain	2,215	1	5/	2,221
Switzerland	4,475	133	11	4,619
Sweden	9,370	132	69	10,171
French Indochina	305	-	48	353

Treasury Department, Division of Monetary Research

December 3, 1941

1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.

2/ Of this total \$1,864 thousand was reported from July 28 to August 23, inclusive, and shipped prior to freezing orders. Domestic exports from August 23 through week ending November 15, amounted to \$5,095.

3/ From September 11, 1941 to date -- It is presumed that a large percentage of material listed here, assigned to Burma, is destined for Free China.

4/ Includes both occupied and Free France through week ending October 4, 1941. Occupied and Free France separated thereafter.

5/ Less than \$500.

STRICTLY CONFIDENTIAL

JWH:mf 12/3/41

STRICTLY CONFIDENTIAL

APPENDIX B

Exports from the U.S. to China, Burma, Hong Kong, Japan, and U.S.S.R.
as reported to the Treasury Department, July 28, 1941 - November 29, 1941

(Thousands of Dollars) 1/

	Total	Exports to China		Exports to Burma 3/	Exports to Hong Kong	Exports to Japan	Exports to U.S.S.R.
		To Japanese controlled ports	To Chinese Controlled ports				
July 28 - Aug. 2	937	542	395		654	1,657	4,523
Aug. 4 - Aug. 9	2,794	2,794	-		983	159	551
Aug. 11 - Aug. 16	1,278	969	309		238	42	986
Aug. 18 - Aug. 23	1,352	1,352	2		234	6	2,795
Aug. 25 - Aug. 30	736	735	1		742	-	1,023
Sept. 2 - Sept. 6	897	693	204		634	-	4,280
Sept. 8 - Sept. 13	3,038 2/	757	2,281 2/		496	-	5,217
Sept. 15 - Sept. 20	3,978 2/	156	3,822 2/		389	-	752
Sept. 22 - Sept. 27	442	352	110	449	810	-	2,333
Sept. 29 - Oct. 4	1,305	80	1,225	684	297	-	323
Oct. 6 - Oct. 11	5,864	552	5,312	1,157	1,233	-	6,845
Oct. 13 - Oct. 18	272	267	5	35	584	-	1,924
Oct. 20 - Oct. 25	648	399	269	403	1,243	-	5,623
Oct. 27 - Nov. 1	5,210	438	4,772	58	624	-	4,484
Nov. 3 - Nov. 8	1,836	164	1,672	342	283	5	4,552
Nov. 10 - Nov. 15	3,009	158	2,851	88	303	-	2,677
Nov. 17 - Nov. 22	1,701	473	1,228	1,021	600	-	3,581
Nov. 24 - Nov. 29	1,332	120	1,212	1,364	1,325	-	2,436
Total	38,696	10,999	27,697	5,601	11,629	1,869	54,845

1/ These figures are in part taken from copies of shipping manifests.

2/ Figures for exports to Free China, during these weeks include exports to Rangoon which are presumed to be destined for Free China.

3/ It is presumed that a large percentage of exports to Burma are destined for Free China.

APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the week ending November 29, 1941

(Thousands of Dollars)

TOTAL EXPORTS \$ 2,436

Principal Items:

Motor trucks and chassis	667
Military tanks	678
Aviation gasoline	435
Auto replacement parts	199
Refined copper	195
Zinc slabs	100
Brass and bronze plates and sheets	70

STRICTLY CONFIDENTIAL

Treasury Department, Division of Monetary Research December 9, 1941

APPENDIX D

Principal Exports from U.S. to Free China,
as reported to the Treasury Department
during the week ending November 29, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO FREE CHINA

\$ 3,299

Principal Items:

Motor trucks, busses and chassis	912
Printed matter (Bank notes)	411
Auto assembly parts	237
Iron and steel bars and rods	100
Lubricating oil	86
Auto replacement parts	85
Cotton piece goods	77
Brass and bronze bars and rods	75
Machine and heavy ordnance guns and carriages	69
Printing and lithographic ink	60
Copper wire, bare	59
Tires and inner tubes	59
Copper wire, insulated	55

STRICTLY CONFIDENTIAL

Treasury Department, Division of Monetary Research December 9, 1941

APPENDIX E

Principal Exports from U.S. to Occupied
China as reported to the Treasury Department
during the week ending November 29, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO OCCUPIED CHINA

\$ 120

Principal Items:

Leaf tobacco	31
Surface-coated paper	23
Fountain pens	12
Other paper and paper products	12
Medicinal preparations	8
Air-conditioning equipment and parts, n.e.c.	8
Kraft wrapping paper	7

STRICTLY CONFIDENTIAL

Treasury Department, Division of Monetary Research December 9, 1941

APPENDIX F

Principal Exports from U.S. to Burma
as reported to the Treasury Department
during the week ending November 29, 1941

(Thousands of Dollars)

TOTAL EXPORTS

\$ 1,364

Principal Items:

Motor trucks	762
Other copper manufactures	101
Passenger cars	53
Milk and cream	47
Auto parts for replacement	47
Relief supplies - other	43
Lubricating oil	42
Nails and bolts	42

STRICTLY CONFIDENTIAL

Treasury Department, Division of Monetary Research December 9, 1941

APPENDIX G

Principal Exports from U.S. to Hong Kong
as reported to the Treasury Department
during the week ending November 29, 1941

(Thousands of Dollars)

TOTAL EXPORTS	\$ 1,325
Principal Items:	
Tobacco leaf	232
Other paper and paper products	92
Motor trucks	89
Ginseng	84
Books and other printed matter	58
Coal-tar products	47
Other crude vegetable drugs	41
Automobile parts for replacement	37
Sodium compounds	27
Printing paper	27
Wrapping paper	26

STRICTLY CONFIDENTIAL

Treasury Department, Division of Monetary Research December 9, 1941

ISS/efs
12/9/41

DEC 10 1941

Dear Henry:

I am enclosing figures for United States exports to the countries given in the table sent you in my letter of December 4, for the period August 1 to October 30, 1937, 1938, 1939 and 1940. This is about ten days less than the period July 28 to November 8 to which you referred, but a breakdown by weeks is not available for earlier years. Moreover, the enclosed figures include both domestic exports and reexports, and while reexports are probably a very small percentage of the total, their presence nonetheless impairs the comparability of these figures with those which I sent you on December 4, which were confined to domestic exports. It should also be kept in mind, in making a comparison between the figures I sent you and those enclosed herewith, that the 1941 figures were assembled by this Department while the figures for the earlier years were prepared by the Department of Commerce and that the likelihood of slightly different time lags in the two sets of figures would lead to some lack of comparability.

Sincerely,

(Signed) Henry

Honorable Henry A. Wallace,

Vice President of the United States.

Enclosure

FAS:eah
12/9/41

By Messenger

Sley f:10
File to White
D.M.C.

U.S. — Exports, Including Reexports, To Selected Countries For 3 Months,
August 1 to October 30, 1937, 1938, 1939 and 1940

(In thousands of dollars)

	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>
U.S.S.R.	\$10,576	\$15,661	\$14,123	\$22,055
China	8,107	4,890	10,695	13,269
Japan	61,535	32,911	95,717	69,104
Burma	1/	461	1,212	2,686
France	45,254	31,936	46,908	170
Spain	2,026	3,417	8,417	2,532
Switzerland	2,200	2,601	5,250	396
Sweden	15,937	16,282	31,790	3,664
French Indochina	610	349	1,919	778

1/ Prior to January 1, 1938, statistics for British India included those of Burma.

JHW:esh
12/9/41

OFFICE OF THE VICE PRESIDENT
WASHINGTON

December 5, 1941

The Honorable

The Secretary of the Treasury

Dear Henry:

Thank you for sending me the figures enclosed in your letter of December 4. Would it be possible to send me the figures for the same number of weeks, from approximately July 28 to November 8, for 1940, 1939, 1938 and 1937, for the same countries? I am trying to find some background for assessing these figures.

Since writing the foregoing, I have received your other note of December 4, saying that Mr. Rockefeller is now satisfied with the space situation. I certainly appreciate the fine spirit in which you cooperated in this matter.

With best regards, I am,

Sincerely yours,

H. A. Wallace

H. A. Wallace

WAR DEPARTMENT
WASHINGTON

Carlson to
D- 43000
1-12/21
112

DEC 10 1941

Dear Henry:

With reference to your note of December 3rd, I assure you that every effort is being made to furnish promptly the information requested in your letter dated November 5, 1941, as modified by conferences had with your Mr. Lindow and Major Allwine of the Under Secretary's office.

Since the purchasing and contracting functions of the Navy Department as well as those of the Air Corps are highly centralized, the information requested of those offices was more readily obtainable. The reports from the eight additional supply arms and services of the War Department will be forwarded in accordance with my letter of November 10th as soon as compiled.

Sincerely yours,

Henry W. Stimson

Honorable H. Morgenthau, Jr.,

The Secretary of the Treasury.

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

113

TELEPHONE: REPUBLIC 7880

BOX 880
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.CONFIDENTIAL

10th December, 1941.

Dear Mr. Hicks,

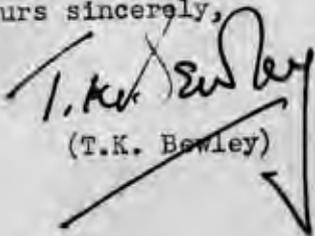
Some weeks ago you asked me about the effect on our gold position of the delivery to us of the recent £30 millions of South African gold against repatriation of securities.

You told me that the information of the United States Treasury was that South Africa had been intending to add about \$9 millions a month to their gold reserves; at the time of the transfer to us referred to above, however, a press notice was apparently issued to the effect that the reserves would be held at about £48 millions, and your question was whether this meant that the \$9 millions a month ought to be added to the estimates of our gold receipts previously given to you.

I enquired of London, and am now informed that so far from any such addition to our estimates being required, they were probably too high. Receipts of gold from South Africa had been running at an exceptionally high level in July and August when our estimate was framed. It now looks from our experience in more recent months, as if the figure of \$290 millions given to you for receipts from sales of South African and other gold in the six months ending 1st March next should be reduced to about \$270 millions (this figure does not of course include the special receipt of £30 millions).

You will no doubt treat this information as confidential.

Yours sincerely,


(T.K. Bowley)

Mr. Earl Hicks,
United States Treasury,
Washington,
D.C.

DEC 10 1941

Gentlemen:

Attention: Mr. E. Strigin

I wish to acknowledge receipt of your letter of December 5, 1941 relative to the inquiry which you have received from the State Bank of the U.S.S.R. regarding a number of gold shipments deposited for the account of the Secretary of the Treasury.

In reply I wish to inform you that inasmuch as the agreements to purchase the gold were entered into by the Secretary of the Treasury with the Government of the Union of Soviet Socialist Republics it is suggested that you communicate with the Russian Embassy in Washington in connection with the inquiry of the State Bank of the U.S.S.R. For your information the Treasury Department has forwarded to the Russian Embassy copies of the U. S. Mint reports for these shipments the melting and assaying of which have been completed.

Very truly yours,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

Antony Trading Corporation,
210 Madison Avenue,
New York, N. Y.

AMTORG TRADING CORPORATION
210 Madison Avenue
New York

December 5, 1941

The Secretary of the Treasury
Washington, D. C.

Sir:

We received an inquiry from the State Bank of the U.S.S.R. stating that they have made a number of shipments of gold for deposit for the account of the Secretary of the Treasury, the proceeds of which were to be applied against advances made to the Union of Soviet Socialist Republics.

They state, however, that they received no confirmation from your Department or from the Federal Reserve Bank of the receipt of the gold.

We would appreciate your informing the State Bank of the U.S.S.R., at Kazan, U.S.S.R., of the quantity of the gold received on each steamer, and what amount in dollars for each shipment was credited against the advances made.

If you wish us to reply to the State Bank of the U.S.S.R., please furnish us with the necessary particulars and we will be glad to do so.

Respectfully yours,

AMTORG TRADING CORPORATION

/s/ N. Strigin,

N. Strigin,
Treasurer

MW:EH

Copy:vw:12-10-41

FEDERAL RESERVE BANK
OF NEW YORK

December 10, 1941.

S i r : Attention: Mr. Cochran

We enclose copy of a letter dated December 10, 1941, received today from the Chase National Bank.

Respectfully,

(Signed) D. J. Cameron

D. J. Cameron,
Manager, Foreign Department.

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

Enc.

Copy:ec
12-11-41

C
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THE CHASE NATIONAL BANK
Of The City of New York

117

December 10, 1941

2-10-PL

Mr. L.W.Knoke, Vice President,
Federal Reserve Bank
33 Liberty Street,
New York.

Dear Mr. Knoke:

We are in receipt of instructions from the Amtorg Trading Corporation, New York, requesting us to notify you, as fiscal agent of the United States, that, in accordance with the instructions of the Treasury Department of the United States, we are authorized to deposit forthwith all of the gold arrived on the S/S Transbalt with the San Francisco Mint for account of the Secretary of the Treasury.

According to an exchange of telegrams with our San Francisco representative delivery was taken yesterday of the above-mentioned gold, which was deposited at the San Francisco Mint for account of the Secretary of the Treasury.

Kindly forward copy of this letter to the Treasury Department at Washington.

Yours very truly,

(Signed)

E.C.Funck

E.C.Funck
Second Vice President

js

Copy:ec:12-11-41

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118

San Francisco, California

December 10, 1941

3:00 p.m.

D. W. Bell

Retel fifth we have this day received one hundred and two boxes of Russian gold preliminary weight one hundred ninety four thousand seven hundred eight decimal eighty eight ounces.

HAGGERTY

Copy:vw:12-11-41

Regraded Unclassified

C O P Y

PARAPHRASE OF TELEGRAM RECEIVED

119

FROM: American Embassy, Chungking, China

DATE: December 10, 1941, 10 a.m.

NO. : 498

The following is strictly confidential for the Secretary of the Treasury from Mr. A. Manuel Fox.

1. Stories about Hong Kong are conflicting but it seems definite now that Kowloon and airport have been captured. For several days no planes have left Hong Kong. The first names on priority list were Taylor and Fress.

2. Tomorrow General Secretary and I are leaving for Yunnanfu to make sure that movement of goods into free China will not be delayed by foreign exchange shortage. We expect to be away for a period of a week.

3. Nearly all of my files of correspondence and cables were in the Hong Kong offices of the Board in double locked steel files. Through the American Ambassador I have asked Southard to take possession of my files and handle them.

4. The Board would like to have the Federal Reserve Bank of New York receive the following message:

Iran copy, code and test key were left in Hong Kong; instructions to destroy them in case of emergency were also left. Code and key may be compromised as no confirmation has as yet been received they have been destroyed. Old permanent number has been inoperative since December

8. Please furnish the Board with a new one.

GAUSS

Copy:bj:l2-17-41

TELEGRAM SENT

MA

PLAIN

December 10, 1941

EMBASSY,

CHUNGKING VIA N. R.

292, Tenth.

FOR FOX FROM THE SECRETARY OF THE TREASURY.

QUOTE 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. END
QUOTE

HULL
(FL)

SAME TO CONSUL HONG KONG. 468

FD:FL:VCL

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121

United States Coast Guard

SECRET

WASHINGTON

10 December, 1941.

From: Spagent, Hongkong, China.
To : Secretary of the Treasury.

Standard Oil raises the question of Stabilisation Board approval for shipments of petroleum to China. The Stabilisation Board is now in Chungking, and approval is unobtainable in Hongkong. I respectfully suggest that the National City Bank of New York be informed giving Treasury approval for such shipment to Free China. The shipment involves seven thousand nine hundred forty drums greases and lubricating oils, totalling approximately \$437,000. Approvals of previous shipments have been through appointed Central Bank, but contact now is impossible.

(signed) TAYLOR.

S E C R E T

Note: Date of the dispatch of
this cable is unknown.

Received Washington
1030 G.C.T.
10 December, 1941.

December 16, 1942

Mr. Lacey

Mr. Dietrich

Will you please send the following cable to the American Embassy,

London:

**For Sunday from Secretary of the Treasury.*

Please send at once by air mail pouch all available information on British insurance against damage by air raids. This should include the nature and extent of the liability assumed by the government, arrangements between insurance companies and the government, the various kinds of coverage, the classes of property and goods covered, and premium and contribution rates. To what extent is such insurance undertaken directly by the government? In short, we want a complete description of the war damage insurance scheme, and its operation particularly as it applies to damage by air raids.

Please furnish figures on total coverage, premium and contribution collections, losses and loss payments to date, and the proportion of government contribution in loss payments.

What is the attitude of private insurance companies? State and evaluate any significant criticisms.*

HMV12-16-42

TELETYPE UNIT

TO:

PLM:IN

December 10, 1941

FROM:

LONDON.

5000, Ninth.

For Casaday from the Secretary of the Treasury.

NOTE. Please send at once by air mail pouch all available information on British insurance against damage by air raids. This should include the nature and extent of the liability assumed by the government, arrangements between insurance companies and the government, the various kinds of coverage, the classes of property and goods covered, and premium and contribution rates. To what extent is such insurance undertaken directly by the government? In short, we want a complete description of the war damage insurance scheme, and its operation particularly as it applies to damage by air raids.

Please furnish figures on total coverage, premium and contribution collections, losses and loss payments to date, and the proportion of government contribution in loss payments.

What is the attitude of private insurance companies? State and evaluate any significant criticisms. UNQUOTE.

HULL
(PL)

REPLACEMENT

December 10, 1941

Mr. Livesey

Mr. Dietrich

Will you please send the following cable to Ambassador Vincent, London, 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."

FD:vw:12-10-41

TELEGRAM SENT

MI

PLAIN

December 10, 1941

AMEMBASSY,

LONDON (ENGLAND).

5799, Tenth.

FROM THE SECRETARY OF THE TREASURY.

QUOTE. Thank you for your cable of December 8, 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 wartime excises on goods in short supply. UNQUOTE.

HULL.
(FL)

FD:FL:BMcE

C
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126

SAFE HAND

BRITISH EMBASSY,
WASHINGTON, D.C.,

W.T.1031/63/41

10th December, 1941.

Dear Mr. Dietrich,

I think you will be interested to see the attached memorandum which contains the substance of a report from our Legation in Berne dated 30th October. I am afraid it is not very specific but it does point out how the Swiss banking system can be abused by members of the Axis Governments.

Yours sincerely,

/Sgd/ R. Ritchie.

Mr. Frank Dietrich,
Room 279, U.S. Treasury Department,
Washington, D.C.

WR:TMI

Copy:hmd:12/13/41

"The Berne Manager of one of the leading Swiss Banks, told me yesterday in confidence, that to his personal knowledge every leading member of the Governing groups in all Axis countries have funds deposited in Switzerland. Some of the leaders have fortunes here, and even some of the smaller fry have considerable sums i.e. upwards of half a million Swiss francs. The Swiss Banking system provides well for this since it is usual for accounts to be kept under numbers not names, the key to the account-holders names being kept with the Manager in his safe and never communicated to any third party.

My informant added that most of these accounts were originally opened and kept for months after the War began, in dollars. Later the holders began to change over into Swiss francs. Later still another change occurred and on his advice in the case of his own clients, they began to transfer their accounts into "gold account". This process of change from dollars has had a considerable influence upon the movements of the Swiss franc/dollar cross rate of exchange.

During the past few weeks many of the holders have begun to close this "gold accounts" and to take the actual gold metal which is then deposited in a safety deposit box in the banks. This process according to his advice to his Axis clients gives the maximum of security that can be attained.

It is hoped to obtain more details, and possibly names at a favourable future occasion."

COPY

128

COPY OF INCOMING CABLEGRAM
Sent on December 11, 1941.

Zurich, Dec. 10, 1941.

Federal Reserve Bank of New York

New York

No. 163

Referring pending transfer gold deposit Banco Portugal
Lisbon we received today cable from Lisbon QUOTE Cable us present
position. Considering we think not advisable leave such
transaction pending solution for indefinite
period we prefer cancel same in case it has not
been completed within short time say by end
current week Federal Reserve Bank to be then
advised by both us accordingly. Shall be please
receive your cable views this matter UNQUOTE

Are unable to conceive reason or see justification why
we should be denied so far to utilize our gold reserves deposited
in USA for payments to neutral countries in settlement of their
exports to Switzerland. Shall greatly appreciate your supporting
our application to Treasury and executing earliest Please cable.

Banque Nationale Suisse.

my RCA 130 Eng.
Test correct

Copy:lc:12/12/41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil.

DATE: December 10, 1941, 10 p.m.

NO.: 1979.

Withdrawing of funds from banks in Sao Paulo attempted by Axis nationals have bordered on panic. Brazilians have swamped Axis banks with demands to have their funds withdrawn. A statement clarifying the purpose of the freezing order will be issued by the Minister of Finance. I am confidentially informed that instructions to the Bank of Brazil to tighten control have been issued by him.

CAFFERY

December 10, 1941

My dear Mr. Secretary:

Reference is made to your letter of November 13, 1941 (TA), enclosing for the consideration of this Department a copy of the text of the proposed new trade agreement with Cuba to supplement and amend the agreement of August 24, 1934, as amended by the supplementary agreement of December 18, 1939.

The proposed agreement does not disclose any administrative difficulty which would warrant this Department in objecting to the conclusion of the agreement in its present form.

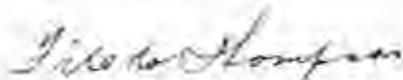
Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of State.



HHE-rhm

TREASURY DEPARTMENT

131

INTER OFFICE COMMUNICATION

DATE December 9, 1941

TO Secretary Morgenthau
FROM Mr. White
Subject: Supplementary Cuban Trade Agreement.

There is attached for your signature a letter giving Treasury approval to the proposed second supplementary trade agreement with Cuba.

1. The United States concessions to Cuba are as follows:

- a. A reduction in the sugar duty from 0.90 to 0.75 cents a pound, under which the Treasury's revenue loss will be about \$8 - \$10 million in 1942. The United States guarantees Cuba quota treatment at least as favorable as that under the Sugar Act of 1937.
- b. Nineteen other concessions which will result in a revenue loss to the Treasury of about \$1 million in 1942. The most important of the duty reductions are on tobacco, molasses, and chilled beef.

2. Cuba's concessions to us are still under negotiation, including particularly the rice concession which is the most important from our point of view and on which we have not yet reached an agreement with the Cubans.

A Cuban delegation sent here to reach an agreement regarding the sale of Cuba's entire sugar crop left Washington recently without having reached a satisfactory understanding as to price.

3. Changes in the general provisions include the substitution of a new exchange control article almost identical with that in the Argentine agreement recently concluded. The draft Cuban agreement includes an escape clause even broader than that in the Argentine agreement.

1850



DEPARTMENT OF STATE
WASHINGTON

✓
012

In reply refer to
2A

November 13, 1941

Strictly Confidential

Claw

*atg
Morgenthau 11/13*

My dear Mr. Secretary:

There are enclosed two copies of the draft text (dated November 10, 1941) of the proposed new trade agreement with Cuba to supplement and amend the agreement of August 24, 1934, as amended by the supplementary agreement of December 18, 1939.

The enclosed draft text is complete with the exception of Article I which relates solely to concessions to be accorded by Cuba to products of the United States. No important changes in this text are contemplated. However, in the event that any changes of substance should be necessitated during the negotiations, they would, of course, be submitted to your Department.

It is hoped that the new supplementary agreement will be signed at Habana in the very near future, and I should therefore

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.

- 2 -

therefore appreciate being informed as soon as possible whether your Department has any objection to the draft text of the proposed agreement which is enclosed.

Sincerely yours,

A handwritten signature in cursive script, reading "Will Shue". The signature is written in white ink on a dark background. It features a large, sweeping initial "W" that loops back under the rest of the name.

Enclosure:
Text of proposed
supplementary trade
agreement with
Cuba (2)

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE December 10, 1941

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£54,000
Purchased from commercial concerns	£ 5,000

Open market sterling remained at 4.03-3/4, and there were no reported transactions.

The Canadian dollar discount widened further to close at 11-3/4%, as against 11-5/8% yesterday.

The Argentine free peso continued to improve, closing at a bid rate of .2387, as compared with .2380 bid last night. Other South American currencies, for which closing quotations are reported below, remained unchanged.

Brazilian milreis (free)	.0515
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5275
Venezuelan bolivar	.2630
Cuban peso	1/32% discount

It was reported this afternoon that Swiss francs could be purchased in New York at .2335, if such francs were used in commercial transactions. For other uses, Swiss francs were available at .2360. Swedish kronor could be purchased at .2394. The "commercial" rate for the Swiss franc and the krona quotation were a few points higher than the levels prevailing at the end of last week.

There were no purchases or sales of gold effected by us with foreign countries today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$2,603,000 from Canada to the Federal for account of the Government of Canada, 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¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

The report of December 3, received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$4,135,000, an increase of \$677,000 in the short position since November 26. Net changes were as follows:

<u>Country</u>	<u>Short Position</u> <u>November 26</u>	<u>Short Position</u> <u>December 3</u>	<u>Change in</u> <u>Short Position*</u>
England**	\$1,404,000 (Long)	\$ 393,000 (Long)	+ \$1,011,000
Europe	2,571,000	2,552,000	- 19,000
Canada	406,000 (Long)	460,000 (Long)	- 54,000
Latin America	183,000	98,000	- 85,000
Japan	200,000	160,000	- 40,000
Other Asia	2,382,000	2,246,000	- 136,000
all Others	<u>78,000 (Long)</u>	<u>78,000 (Long)</u>	<u>---</u>
Total	\$3,448,000	\$4,135,000	+ \$ 677,000

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

**Combined position in registered and open market sterling.

CONFIDENTIAL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

back to
March 1941
136

DATE December 10, 1941

TO Miss Chauncey

FROM Mr. Kamarck

OK 1/10/41

Subject: Organization of the file on my memoranda to the Secretary

I should like to have all of the material in which I am interested kept together in one or two drawers and classified under the following subjects:

1. I would like to have all the material which the Secretary receives and on which I work kept together and classified under the following headings:

- a. From the British Embassy
- b. From the British Air Mission
- c. Attache reports from Military Intelligence
- d. Situation Reports from Military Intelligence
- e. Special studies by Military Intelligence

2. I should like to have all of my memoranda classified in the following manner:

- a. Summary of Military Reports
- b. Weekly Military Reports, or, as they are sometimes entitled, simply Military Reports
- c. Monthly Reports on Airplane Bombings
- d. Plane Shipments
- e. Miscellaneous Military Reports
- f. Summaries of Colonel Donovan's material. (These are sometimes indicated as O.C.I. Reports. Sometimes there is no indication)

TREASURY DEPARTMENT

137

INTER OFFICE COMMUNICATION

DATE December 10, 1941

TO Secretary Morgenthau
FROM Mr. Kamarok

Subject: Highlights of O.C.I. Report: "The Problem of German Occupation of Northwest Africa."

Summary

The military and political advantages of occupying Northwest Africa seem to outweigh the probable and even the maximum costs to Germany. Economically, the Germans are probably already getting close to the maximum from these territories.

A British victory in Libya would precipitate action. It is unlikely, even if the British fail in Libya, that the Germans "will break off the chain of actions begun with the dismissal of Weygand, until at least key strategic points in Northwest Africa have been occupied by German troops."

1. Germany would gain considerable military advantages from an occupation of Northwest Africa.

- (a) It would aid the Axis supply lines in the Libyan campaign and cut the British supply lines through the Mediterranean.
- (b) The German counter-blockade of England would be helped.
- (c) The Allies would lose a potential base of attack against Germany

2. Politically, the move also would be advantageous.

- (a) Axis influence among the Moslems and in Latin America would increase.
- (b) All southern Europe would be forced into greater dependence on Germany.
- (c) Giving Tunisia to Italy would help Italian morale.

3. French North Africa is already helping economically; occupation would not appreciably increase this important economic aid.

4. The army of occupation would require nine to fourteen divisions. Should the French in North Africa resist to the utmost, the British estimate that the whole operation could be completed in nine weeks.

5. The occupation would probably be carried out by a movement through Spain to Morocco and through Italy to Tunisia.

RESTRICTED

139

3-2/2657-220; No. 565 M.I.D., W.D. 11:00 A.M., December 10, 1941

SITUATION REPORT

I. Pacific Theater.

Philippines: Japanese air activity continues. Nichols Field bombed lightly on eighth. General MacArthur's communique reports Japanese landings around Aparri and Vigan. Japanese transports attacked by U.S. Air Force. One transport is probably sunk, two damaged, and three more, possibly damaged. Malayan Peninsula: Fighting continues along Malaya coast up into Thailand. British admiralty confirms sinking of battleship "Prince of Wales" and battle cruiser "Repulse" by Japanese air attack. Japanese bombed Sungei, Patani, Singapore, Penang, and airfields in north Malaya. Japanese landed from five transports on the northeast shoulder of the Federated Malay States. Ten Japanese merchantmen were seen ten miles south of the above point. Oahu: Air raid reported, followed by sounding of all clear. Guam: Japanese air attack continues. China: British withdrew from advanced positions on the frontier after Japanese crossed boundary in Hong Kong, December 8. Chinese attack against Japanese near Canton reported.

II. Eastern Theater.

Ground: The Germans and Russians claim local actions only along the general front.

The Russians have recaptured Tikhvin (110 miles east of Leningrad). Fighting at Kalinin and Tula is reported.

III. Western Theater.

No reports received.

IV. Middle Eastern Theater.

Ground: The Axis forces have successfully accomplished a general withdrawal to the westward of Tobruk. While scattered pockets of Axis resistance still exist, the area between Tobruk and Bardia has been generally evacuated. Gambut and El Adem have been occupied by the British. Axis rearguards and air forces have been effective in preventing large-scale British pursuit.

Air: British planes raided Sicily again last night, bombing the city of Trapani. Only minor damage was said to have been caused.

RESTRICTED

December 11, 1941
9:20 a.m.

RE FREEZING

Present: Mr. Foley
Mrs. Klotz

H.M.Jr: After thinking the matter over during the night, I decided that Bernstein's proposal was not only hysterical but impractical, and I have suggested to Mr. Foley on the way down this morning, and he agrees, that we confine our efforts as far as the Japanese are concerned, to those business firms where we have - what is it?

Foley: T.F.R. 300.

H.M.Jr: T.F.R. 300. This is a form that the bank has turned in on an alien concern. Right?

Foley: Yes.

H.M.Jr: My suggestion to Mr. Foley is that we use all of our people to go into these alien institutions, close them up, take their books and examine them. As to the rest of the Japanese population, having brought it to the attention of the Attorney General and Mr. Hoover, the matter is one of subversive activities and espionage, and I feel that I have done what I can when I have drawn it to their attention; and it is up to the Treasury simply to carry out its responsibility under the freezing order.

I want Mr. Foley to immediately, over my name, send a telegram to all banks to renew their efforts to get in to us, as quickly as possible, all of these forms, notifying us of any aliens of any country who are doing business in this

country, but particularly Germans, Italians and Japanese, and get us those in first.

I am asking Mr. Foley to get the orders out to the West Coast as quickly as possible, to confine their effort along the lines as outlined.

Foley: Well, I think we want to go a little farther than the T.F.R. 300.

H.M.Jr: Ed, you can't do that. You can't carry out that order. Carry out that order first and then come in and say first, "Boss, I have got everybody under lock and key. Now I'm hungry and I want some more." Do that first. When you come in and say to me, "Boss, I have done that, now what about these other fellows," see, then I will say, "Swell, Ed, that is a wonderful job." But I don't expect to see you for a couple of weeks!

The other thing for Mr. Foley, somebody with some horse sense should look into the Los Angeles food situation, and if we are stopping Japanese farmers from doing business, I certainly would give them a twenty-four hour permit or permit that is cancellable on twenty-four hours notice, at once, to continue to work their truck farms. It is perfectly asinine to stop those people.

Foley: It is being done, Mr. Secretary.

H.M.Jr: Well, it wasn't last night. Now make sure from what these fellows said now. They were so hysterical they wanted the Army to go out and work the truck farms while they put the Japanese into a concentration camp.

Now, listen, Ed - you (Miss Chauncey) give a censored copy to Mr. Foley, leaving out all the personal remarks, confining it to the order.) This comes ahead of taxes. So get to work and as soon as you have got something - but don't

put a lot of farmers and stop them - I mean, the little fellow who has got a fruit stand or something like that, see?

Foley: Well, we haven't done that, Mr. Secretary.

R.M.Jr: They told me last night that the Los Angeles food supply was threatened.

Foley: No, that the Los Angeles food supply was in the hands of the Japanese, and when we revoked all the licenses of course we affected these wholesalers as well as the little huckster farmer who sold to the wholesaler, where it was operated by the Japanese. And the boys were working all day yesterday on the issuance of some kind of business licenses so the food supply could go on uninterrupted.

R.M.Jr: They didn't tell me that. You and I always call a spade a spade. Find out from Los Angeles. I don't want to begin telephoning myself. Call up and find out how many of these food fellows got into the market this morning, see?

Foley: That is right. We told our fellows yesterday morning when the thing was first brought to our attention to immediately contact the mayor's office and to work with the mayor's office to get the food into the farm markets.

R.M.Jr: Well, find out. I am not going to call up anybody and cross you up on this thing. Now, you see to it. Don't bother coming into my tax meeting this morning. Do you want to send Chuck into it so that he can tell you the story?

Foley: Yes.

R.M.Jr: But get on this and let me know, because I have got to do my bond market next. Are you satisfied?

Foley: Sure, but I think you will find out all this is being done, that what you are doing is curtailing

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what we are doing and that we have done this much.

H.M.Jr: I am not curtailing it, because, according to the men I spoke to last night, they weren't able to even make a dent.

Foley: Well, that is because they were going beyond the T.F.R. 300. That is why I say you are curtailing it.

H.M.Jr: Wait a minute. All I am asking you to do is to do your T.F.R. thing and I say when you have got everyone of those cleaned up, come in and see me.

Foley: O.K.

H.M.Jr: When you have got every T.F.R. business under control you walk in here and I will open up a bottle with you, see?

Foley: All right.

H.M.Jr: No, I am trying to make the thing workable, Ed. I am trying to make the thing workable, and get it off the hysterical basis. I won't say anything to Bernstein; you take care of him. But I am going to do business with you on this thing, not Bernstein.

December 11, 1941
9:32 a.m.

Manley
Kilgore: Mr. Secretary?

HMJr: Yes.

K: This is Manley Kilgore in the OPM Identification Office.

HMJr: Yes.

K: I had a call yesterday from Mr. William Phillips stating that Mrs. Morgenthau had requested that about eight or nine artists should enter defense plants throughout the country and make drawings. I don't know just what the program is, but we handle clearance - I handle clearance for all OPM visitors to defense plants - and I wanted to check with Mrs. Morgenthau on it, and have her know what is required in this case. Do you know anything about it?

HMJr: No, but she is over at Civilian Defense.

K: She's at Civilian Defense.

HMJr: Yes.

K: Well, I could get in touch with her there, then could I?

HMJr: That's right.

K: What would that be? Just call Civilian Defense?

HMJr: Just call Civilian Defense and ask for Mrs. Morgenthau. She's associated with Mrs. Roosevelt.

K: I see, I'll do that. Thank you. I'm sorry I bothered you. I didn't know just how to get in touch with her and I wanted to be definite on my check here before I talked with anybody concerning it.

HMJr: That's all right.

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- K: Because we have a very - I mean, we're trying to keep the procedure confidential.
- HMJr: I'm Mrs. Roose - (Laughs) Mrs. Morgenthau's husband.
- K: Okay. Thank you, Mr. Secretary. Good-bye.

December 11, 1941
9:35 a.m.

RE GOVERNMENT BOND MARKET

Present: Mr. Bell
Mr. Morris
Mrs. Klotz

H.M.Jr: About the Government bond market?

Bell: I don't know what is going to happen this morning. With these two additional declarations of war, I should think they would be pretty well discounted.

H.M.Jr: What declarations? Have they declared war on us?

Bell: Yes, sir.

H.M.Jr: On us?

Bell: Yes, sir. It came over the ticker about nine o'clock, I think, ten minutes after nine, but I think we have got to watch that very carefully.

H.M.Jr: Well, I thought I would start my tax meeting, say, at ten o'clock, and run until ten-thirty, but you or Foley can come in any time, will you?

Bell: You want us to sit in on the tax meeting?

H.M.Jr: Yes. I will call Sullivan now.

H.M.Jr: (The Secretary held a telephone conversation with Mr. Sullivan and arranged for those who would be present at the tax meeting.)

Bell: Randolph Paul is in Washington.

December 11, 1941
9:35 a.m.

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H.M.Jr: (The Secretary held a telephone conversation with Mr. Sullivan and arranged for those who would be present at the tax meeting.)

Bell: Randolph Paul is in Washington.

H.M. Jr:

Yes. Sullivan will take care of having him here for the next tax meeting.

You (Morris) come too. Watch the bond market.

December 18, 1941
9:37 a. m.

Operator: Mr. Foley.

E. H.
Foley: Yes, Mr. Secretary.

HMJr: Let me know how many Japanese firms that you
have TR forms on, will you?

F: Sure.

HMJr: Let me know as soon as you know.

F: Right.

HMJr: And then.....

9:43 a.m.

E. H.
Foley: Pehle is here with me now.

HMJr: Yes.

F: John says that there are somewhere between
two hundred and forty-two or forty-three and
two hundred and fifty Japanese enterprises
that have filed this business inventory form
all over the United States.

HMJr: Yes.

F: He says I can say to you that there's a man in
every one of those business enterprises. Every
single one of them is covered.

HMJr: There is?

F: Yeah. But the little fellow - the little
fellow that filed no form at all - that carries
his money in his pocket, that operates a little
tea house or laundry or a little business is
the fellow that is causing all the trouble.

HMJr: Causing what trouble?

F: Well, the trouble that he is entirely sympathetic with the Japanese effort and that it was through those little fellows that our people believe the Japanese had been operating in so far as subversive activities are concerned, and all the rest of it.

HMJr: Well.....

F: And that's the problem that the boys were - well, that worried you with last night.

HMJr: Yeah, well - was that a belch or a yawn?

F: (Laughs) That was a belch.

HMJr: Congratulations.

F: Sorry.

HMJr: What?

F: Yeah. You knew that war had been declared by Germany.

HMJr: Yeah.

F: And I think we ought to get out this other telegram on the German and Italian enterprises.

HMJr: Well, have you got a clearance from Dean Acheson?

F: Yes, sir. I had that last night.

HMJr: Well, bring it in.

F: All right.

HMJr: Now wait a minute..

F: What?

HMJr: Bring it in and then bring in Pehle also.

F: Right, yeah. We'll come right in.

HMJr: Come right in.

December 11, 1941
9:47 a.m.

HMJr: Hello. Hello.

Colonel
Donovan: Henry.

HMJr: Hello.

D: Henry, this is Bill Donovan.

HMJr: Hello, Bill.

D: I'm sending you over some new memorandum from
our Board of Analysts.....

HMJr: Yes.

D:, this morning.

HMJr: Yes.

D: But I wanted to talk to you about another thing.

HMJr: Yes.

D: In relation to the Irish bases.

HMJr: Yes.

D: It seems to me that instead of trying to do any
conciliating there or any appeal, that we ought
to consider the further reduction of our assistance
to them.

HMJr: Yes.

D: That might very well bring them around.

HMJr: Uh huh.

D: So if you have over there any place, data on
specific commodities and how they might be
reduced, I'd appreciate having it.

- 2 -

HMJr: I'll have it looked into at once.

D: Thanks, Henry.

HMJr: I'll have it looked into at once.

D: And I'll get hold of you.

HMJr: Pardon me?

D: I say I'll get hold of you. There are one or two other things I want to talk to you about, but I'll call you and drop in and see you when you have time.

HMJr: Whenever you want. Just give me a little notice.

D: I will.

HMJr: Just give me a little notice.

D: All right, Henry.

HMJr: Thank you.

December 11, 1941
9:50 a.m.

Operator: Operator.

HMJr: Tell Sullivan I can't get on taxes until eleven o'clock.

Operator: Eleven. Right.

HMJr: Postpone the meeting until eleven.

Operator: All right.

HMJr: Tell Bell, and Dave Morris, and Preston Delano to come in here. Preston Delano is over in Mr. Foley's office.

Operator: Right.

10:01 a.m.

Operator: The Attorney General stepped out for two or three minutes.

HMJr: Well, tell his office I'm very anxious to talk to him, will you?

Operator: Right, I will.

HMJr: Who's there?

Operator: It's a girl on the line. I think it's his secretary, but she said he would only be gone for two or three minutes.

HMJr: Well, just tell him it's urgent.

Operator: Right.

10:13 a.m.

HMJr: Hello.

Operator: The Attorney General hasn't returned to his office, and they're still trying to locate him.

December 11, 1941
9:50 a.m.

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HMJr: Well, just tell him it's urgent.

Operator: Right.

10:13 a.m.

HMJr: Hello.

Operator: The Attorney General hasn't returned to his office, and they're still trying to locate him.

HMJr: Gee.

Operator: They thought surely he'd be back before this.

HMJr: Who's there in his room?

Operator: I have his secretary, Mrs. Johnson, on the line.

HMJr: Let me talk to her.

Operator: Right. Go ahead.

Mrs. Johnson: Hello.

HMJr: Mrs. Johnson.

J: Yes.

HMJr: This is Mr. Morgenthau.

J: Yes, Mr. Secretary.

HMJr: Is the Attorney General in the office or is he out of the office?

J: He's out of the office, but he's in the building; and I didn't know it when you called a few moments ago. He had gone out the other door.

HMJr: Oh.

J: And we hope to have him in just a moment for you.

HMJr: Hello.

J: Yes, I'm here.

HMJr: Well, if I ask Mr. Foley to come over to save time, do you think you could get him in to see the Attorney General?

J: Well, the Attorney General is going to have to leave here very soon. If Mr. Foley came right over.....

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HMJr: Yes.

J:very quickly, he may be able to get the Attorney General before he has to go out of the building on an appointment that's very urgent and.....

HMJr: What time is the appointment?

J: Well, he will leave here around ten-thirty for that.

HMJr: Well, I'll have Mr. Foley start, because I've got a telegram I want to send on the German businesses and I just want the Attorney General to read it before I send it.

J: Uh huh. Well, you have Mr. Foley come right over and we'll tell the Attorney General that he's coming and if Mr. Foley can be here before ten-thirty.....

HMJr: He'll be there before ten-thirty.

J: Yes, Mr. Secretary. Well, we'll see that he.....

HMJr: When he comes in, I'd like to talk to him myself about that and another matter.

J: All right, Mr. Secretary. We'll see that that's done.

HMJr: But Mr. Foley's here now, and he'll be over there in five or six minutes.

J: All right. Tell him to come to Tenth and Constitution Avenue. It will save him time.

HMJr: Come where?

J: Tenth and Constitution.

HMJr: Tenth and Constitution.

J: That's right.

HMJr: Thank you.

J: You're welcome.

December 11, 1941
10:00 a.m.

RE FOREIGN FUNDS

- Present: Mr. Foley
Mr. Bell
Mrs. Klotz
Mr. Morris
Mr. Delano
Mr. Pehle
Mr. Bernstein
- Foley: I have got two lists here (handing lists to Secretary.) This is the list of firms that should be closed, Italian and German firms. This is the one that I cleared with Dean Acheson. Here we list Hamburg-American, Italian -- *exhibit 0*
- (The Secretary held a telephone conversation with Colonel Donovan.)
- Foley: This telegram goes to the presidents to install immediately Treasury representatives - they may be anybody in the Treasury. They are to prevent access to the premises.
- H.M.Jr: This is all the more reason why I want to take a minute.
- Foley: This is the list of the big concerns that have to be kept going, because they have contracts and you can't close them up. But they are just as much German dominated as the - well, that is the problem. *exhibit # 2*
- Bell: Keep them going but put our men in so they know what is going on.
- H.M.Jr: Has Acheson seen this?
- Foley: That hasn't been cleared with Acheson, but we should have some understanding with the Attorney

General. This is putting men in these enterprises to see that their records are not destroyed, to see that their efforts are proper and directed in the right channels, and it goes into the whole problem.

But before we take up that problem, there is one on the problem that is involved in this revocation of the general license and that is closing up these two Italian banks. We talked to Bell and talked to Dave Morris and these other fellows in the Treasury, and they think we should close up these Italian banks and turn them over to the State Superintendent and let him liquidate them, because we believe, now that war has been declared, that there will be runs on these banks, and that in our own interest and in the interest of the depositors they ought to be taken over and liquidated.

H.M.Jr: Who asked you to sign that besides the Treasury?

Foley: Nobody else. That is a Treasury problem.

Pehle: That was cleared with Dean last night.

H.M.Jr: What is this again?

Foley: There are two Italian banks, Banco di Napoli ^{exhib} and Banco di Napoli Trust Company, one in Chicago and one in New York. They are banks of deposit. The question is, we have had people in them for some time, and now we close them up so that there can't be runs on them and these moneys should not be taken out.

H.M.Jr: Who have you talked to about it? Have you talked to Bell?

Foley: Yes. He thinks we should close them up. So does Dave Morris, and Delano. They are not Delano's banks. They are state banks. How much deposit are they, about ten million?

Pehle: Yes, but they have branches all over New York.

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They have been dismissing American employees as business went down and keeping Italian. They are bad actors. One of the managers has already been picked up by the FBI.

Foley: They are looking for the other one.

(Mr. Bernstein entered the conference.)

Foley: Those are the two documents you sign. This revokes the license (handing paper to Secretary.)

Bell: In putting the question to me of closing these Italian banks, I wonder how you and Morris --

Pehle: Well, I talked to Ed and these gentlemen last night and I see nothing else to do but close them. They are about in the same situation as the Japanese that you have stepped into. I understand one in New York is about to close anyhow, as there is no business. It is falling off to nothing. The one in Chicago is a bank of deposit.

Bell: Both banks of deposit.

Foley: There is no difference now, Dan. Before the declaration of war - but there is no difference. Now that war has been declared, I don't think there is any question about it.

Bell: I think you ought to close them.

H.M.Jr: You just got this radio stuff?

Foley: I wouldn't let it turn on that, Mr. Secretary. We were prepared to do it. We discussed the thing yesterday with Dan twice and came to the conclusion that --

Pehle: Thomsen announced this morning that he was waiting at the State Department to hand the notice to Hull as soon as he got in.

(Mr. Delano entered the conference.)

H.M.Jr: How do you feel, Preston? What do you recommend on the Italian banks?

Delano: I think we should close them. Definitely yes.

H.M.Jr: Closed. That is all for the moment. I will excuse you three. I don't want to tie up anybody longer than necessary.

(Messrs. Morris, Delano and Bell left the conference.)

Now we get down to this thing. In calling up the Attorney General, my own feeling is, I want to withdraw my request of last night and tell him that we will go ahead and do the best we can under the freezing. We will do the best we can.

Foley: And the other problem is the problem that has been called to his attention. You feel that you have discharged your duty.

H.M.Jr: I am going to say we are going to go ahead and do the best we can. We have these T.F.R. forms?

Bernstein: The T.F.R. 300, and what is the business form?

Pehle: The T.F.B.E. 1.

Foley: I would say where the inventory giving information as to foreign owned property has been filed with us --

H.M.Jr: Through the banks?

Foley: Through the banks.

H.M.Jr: And we will confine ourselves to that, picking up anything else suspicious we find, but we don't need any help. We will do the best we can.

The alien population and the people who are suspected of being spies - that is his responsibility. We will leave the hundred thousand farmers to Bernstein.

Bernstein:

Before the Secretary calls the Attorney General, if we could just raise the question for the purpose of making a decision - in connection with the Japanese situation, when we issued that public circular the other night, it applied to all Japanese nationals in this country, no matter how long they had been living here. The question that you have to decide is whether you want to go that far dealing with the German and Italian nationals, which means maybe a million people.

H.M.Jr:

You haven't heard my decision this morning. I am going to confine myself to what we can reasonably do well, and that is to close the businesses where we have these business forms and I am not going to deal with any hundred and fifty thousand Japanese or any million German and Italian population. That isn't my responsibility. I am not going to get in on it.

While Ed doesn't want me to say this, I think the whole thing last night, Bernie, that you raised was unnecessary and it is hysteria and the kind of thing I want to keep out of the Treasury. I want to keep that thing out of the Treasury. I just think you lost your head last night, completely lost your head. We have just got to keep our feet on the ground.

Foley:

We wouldn't have to clear this with the Attorney General if it were not for the indefiniteness about who is eventually going to take over and operate these companies, because under our freezing powers we can revoke the general business licenses that have been given each one of these concerns and put a man in each one of

them, as this says. It states here, "No payment, transfer or withdrawal may be effected unless approved by the Treasury representative, to these licenses which have been granted to these people."

So it is entirely freezing, except it is extending into the enterprises rather than doing it from here.

Pehle: This is merely doing for the Germans what we are already doing for the Japanese, only a limited number of German places that are particularly vulnerable, and we can take care of them.

Foley: And that are large and have to be operated --

H.M.Jr: This is German?

Pehle: Some German and some Italian.

May I raise a question while waiting for your telephone call? I think it is important that we take some action to alleviate some of the present situation in the Japanese picture. For instance, we have cut every Japanese in this country off from any payments to him for living expenses. Now we are not trying to starve out a hundred thousand people, and it seems to me we ought to issue a license today so that these people can get whatever they need from banks and do it on the things necessary to make this thing run smoothly.

H.M.Jr: That is horse sense, you know. How much do you want to let them have?

Pehle: Not more than a hundred dollars a month at the most.

Foley: Twenty-five dollars a week.

H.M.Jr: I wouldn't let them have a hundred dollars.

- Foley: Twenty-five dollars a week.
- H.M.Jr: Fix it up. Do I have to sign it?
- Pehle: No, we will get it out. And then there are a number of technical licenses like General License 1, which we don't need to trouble you with, but the effect of not having that applicable to the Japanese is only that you can't get the money into the frozen accounts. You are keeping money out of the frozen accounts, and it doesn't make any sense.
- H.M.Jr: That is all right.
- Pehle: May we survey the situation and restore the licenses that are helpful?
- H.M.Jr: If I did that and said I wanted to do it that way, I want a justification as to why you want to restore it.
- Pehle: Because, for instance, if General Motors owes a dividend to a Japanese in Japan, we would much rather have that money in a bank account than in General Motors.
- H.M.Jr: That isn't very convincing.
- Foley: Well, when General Motors has got it, it is free funds. In a blocked account it is under our control.
- H.M.Jr: Give me something specific.
- Pehle: In any Japanese bank account throughout the country there are checks that were in the process of being collected from American funds going into Japanese funds. Under our general license all those checks payable from free funds and going into blocked funds are paid into the account and frozen. Revoking stopped and interrupted that whole banking process. It will cause a lot of banks coming in for

single transactions and clog up the works.

H.M.Jr: I still want an example other than general confusion. Once this thing gets in there, it takes a law suit to get it out. Supposing a man sold out. Supposing the Japanese alien sold his business to an American son, and that check was deposited.

Pehle: In the Japanese account?

H.M.Jr: Yes.

Pehle: Well, the money is frozen there and we can freeze the business too.

H.M.Jr: Well, the title of the business is passed. Now look, let this particular thing just soak for another day and bring me some other than hypothetical cases why you want it checked. I am personally responsible and I want to hold it. It is much easier to hold a thing in abeyance. It is much easier to stop them than to say how are we going to get that out of there. Granted it is frozen. The title is passed. Let that - he can come back any time today to see me and say, "Mr. Morgenthau, here is a case. There are a hundred like this." I want actual cases, but not your opinion against mine. I can change like that, see? O.K.?

Pehle: Sure.

H.M.Jr: What else?

Pehle: That is all.

H.M.Jr: Let me ask you a question. What do you know about the fellows who are selling food in the Los Angeles market?

Pehle: I know the general situation out there.

- H.M.Jr: Do you know what it is this morning or what it was yesterday?
- Pehle: No, I don't. I know that the amount of crates delivered to the market were being severely cut down because of the declaration of war and the freezing.
- H.M.Jr: Do you know whether that has been fixed so these fellows can operate?
- Pehle: I talked to my man there yesterday, Towson in San Francisco, and they were taking care of the situation. They had a man at Salinas who would look at it and establish the necessary controls.
- H.M.Jr: When you have more information, Ed, come back and bring him with you. Why don't you say this: I meet with you three fellows at 2:15 this afternoon, when you can give me another checkup.
- Foley: Sure.
- H.M.Jr: Make it 2:30. Come in at 2:30, the three of you.
- Foley: Yes, because we won't be able to find out much out there until twelve o'clock.
- H.M.Jr: At 2:30 you will know something.
- Foley: I don't want to create the impression that we don't know that these problems exist and that we are not trying to be practical about them, but we are working on them.
- H.M.Jr: If Mr. Bell or anybody says they want to see me, particularly Mr. Bell, don't hesitate. Let me know. What?
- Foley: I am trying to say I don't want you to get the impression that these are problems we are not aware of and not trying to do something about on a practical basis in so far as food is concerned,

getting food to these people.

H.M.Jr: Ed, you may be aware of them, but what I went through last night certainly wasn't reassuring to my morale.

Foley: That, Mr. Secretary, that we went through last night, was over and beyond the scope of the ordinary Treasury responsibility and activity, but it was information, I think, that you very well should have made available to Mr. Hoover. As Mr. Hoover said, he agreed that is what he wanted to do. Forrestal agreed.

H.M.Jr: And then I suddenly woke up in the middle of the night and found myself in bed with Forrestal and J. Edgar Hoover!

Foley: No time to be thinking about civil liberties when the country is in danger.

H.M.Jr: Listen, no-one except Harold Ickes and myself could want to go further than Harold Ickes and I, so my record speaks for itself. But when it comes to suddenly mopping up a hundred and fifty thousand Japanese and putting them behind barbed wire, irrespective of their status, and consider doing the same with the Germans, I wanted some time to have caught my breath.

I am sure you are on my side. Anybody that wants to hurt this country or injure us, put him where he can't do it, but irrespective - indiscriminately, no. In the first place, we won't do it, so I am trying to be practical about it. I am also trying to be practical about carrying out the Treasury's obligations, and the main thing that I want to do in the Treasury and the reason I am not following the advice, I want Bernstein to know how I feel so that another time he will stop to catch his breath.

We have got the most powerful machine here through this freezing thing, and I want to use it wisely

and do the job that we are supposed to do.

Foley: That is right. We don't want to be too late, too.

H.M.Jr: Well, I haven't slowed you up any.

Foley: No, I am not complaining, Mr. Secretary, just replying as you go along.

H.M.Jr: But there are no facilities. Supposing I would go across the street after thinking this thing over tonight and say to the President, "I think you ought to put every Japanese, every German, whether American citizen or not, into a concentration camp." The President would say, "Where?" It is - the whole thing that I am saying is for Bernstein's benefit, so that we all keep our feet on the ground.

This is what I think, Ed. I thought I would do it this way: "Now look, Francis, I've got a telegram I want to send out. I am sure it is all right, but I don't want to send it unless you initial it. I would like for you to read it. I am sure you will agree." See? Not raise the whole question of do we have the right.

Foley: There is no question about our right. If he says, "Well, Ed, suppose the President wants to put this in Justice," we can do this on a temporary basis. We can work this out and get out of these places when they are ready to take them over.

(The Secretary held a telephone conversation with the Attorney General's secretary.)

H.M.Jr: The Attorney General - she doesn't know where he is. But he has to leave his office at 10:30. So she said if you will come now she will let you go right into his office before he comes. My advice to you is this: Simply say, "We are going to send this, but we want you to know about it." Let them just - you say, "We are willing to

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sit down with you any time, but while you are getting your omnibus bill through we have got to do business, and this does not freeze the situation."

Foley: All right.

H.M.Jr: Just come here with me a moment.

(The Secretary and Mr. Foley stepped out of the room for a moment.)

H.M.Jr: I want to keep one copy here, and when you come back let me know what happened, will you? I will just keep this one copy. When you come back, please come in and see me.

2020120
Salaries and Expenses

Foreign Exchange Control 1942-Allot.1-b

DECEMBER 9, 1941 - 9:58 a.m.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

YOU ARE HEREBY REQUESTED TO REVOKE ALL LICENSES ISSUED IN YOUR DISTRICT TO THE FOLLOWING BUSINESS ENTERPRISES:

HAMBURG AMERICAN LINE,
1215 Washington Boulevard,
57 Broadway,
New York City.

ITALIAN LINES,
New York City.

ROBERT E. HAUTE & COMPANY, INC.
50 Broad Street,
New York City

HAUTE & COMPANY,
50 Broad Street, New York City and
120 North LaSalle Street, Chicago, Illinois.

BERIZZI COMPANY, INC.,
Rockefeller Center, New York City.

UTSCH & COMPANY,
29 Broadway, New York City.

SIMPSON, LANGE & COMPANY,
Dallas, Texas

KNOOP, LANGE & COMPANY,
819 Grovier Street,
New Orleans, Louisiana

COTTON EXPORT TRADING COMPANY, INC.,
606 North St. Paul Street,
Dallas, Texas.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

A. V. PUBLISHING CORPORATION,
178 East 85th Street, New York City

ROBERT C. MAYER & COMPANY,
30 Broadway, New York City

CHEMICAL BANKING COMPANY,
10 East 40th Street, New York City

CHEMICO INC.,
320 Fifth Avenue, New York City

EASTERN TRIGONAL COMPANY,
101 Park Avenue, New York City

PROTINOL PRODUCTS, INC.,
New York City

CREDITO ITALIANO,
2 Wall Street, New York City

BANCA COMMERCIALE ITALIANA,
62 Williams Street, New York City

✓ BANCO DI NAPOLI,
80 Spring Street, New York City

BANCO DI NAPOLI TRUST COMPANY,
80 Spring Street, New York City

BANCO DI ROMA,
15 Williams Street, New York City

✓ BANCO DI NAPOLI TRUST COMPANY,
Chicago, Illinois

YOU ARE INSTRUCTED TO INSTALL IMMEDIATE TREASURY DEPARTMENT
REPRESENTATIVES IN THE ABOVE BUSINESS ENTERPRISES. THESE REPRESENTATIVES
MAY BE NATIONAL BANK EXAMINERS, CUSTOMS OFFICERS, TREASURY INVESTIGATORS,

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

3.

ON 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, PENDING FURTHER INSTRUCTIONS, SHALL 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.

(Signed) H. Morgenthau, Jr.

SECRETARY OF THE TREASURY.

JJL:DS:fm 12/9/41

COPY

From: FOREIGN FUNDS CONTROL 170
2030123
Salaries and Expenses

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Chg. Appropriation
Foreign Exchange Control 1942- Allet. 1-b

DECEMBER 11, 1941.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

YOU ARE INSTRUCTED TO ADD THE FOLLOWING AMENDMENT "THIS LICENSE DOES NOT AUTHORIZE ANY TRANSACTION PROHIBITED BY THE TREASURY REPRESENTATIVE ASSIGNED TO THIS ENTERPRISE. NO PAYMENT, TRANSFER OR WITHDRAWAL MAY BE EFFECTED UNLESS APPROVED BY SUCH TREASURY REPRESENTATIVE." TO LICENSES IN YOUR DISTRICT IN THE NAMES OF THE FOLLOWING BUSINESS ENTERPRISES AS PROMPTLY AS YOU ARE ABLE TO EFFECT THE INSTALLING OF TREASURY REPRESENTATIVES IN SUCH BUSINESS ENTERPRISES.

GENERAL ANILINE & FILM CORPORATION,
Rensselaer, New York
Johnson City, New York
Binghamton, New York
Grasselli, New Jersey
230 Park Avenue, New York City

AGFA RAN FILM CORPORATION,
245 West 55th Street, New York City
Hollywood, California

AJAX TRANSPORTATION COMPANY,
Atlanta, Georgia

GENERAL DYE STUFF CORPORATION,
435 Hudson Street, New York City

HARVARD BREWING COMPANY,
Boston, Massachusetts

SCHERING CORPORATION,
Bloomfield, New Jersey

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

2.

SHERKA CORPORATION, INC.
Bloomfield, New Jersey

PHARKEI, INC.
Bloomfield, New Jersey

SCHLOMANN ENGINEERING COMPANY,
1101 Empire Building
Pittsburgh, Pennsylvania

SPUR DISTRIBUTING COMPANY,
Nashville, Tennessee

UFA FILMS, INC.
1270 Sixth Avenue, New York City

CARLZEISS,
485 Fifth Avenue, New York City

E. LEITZ,
New York City

BOHM AND HAAS COMPANY,
222 West Washington Square, Philadelphia

HEIDELBERG PRINTING MACHINERY CORPORATION,
228 East 45th Street, New York City
300 South Los Angeles Street, Los Angeles

WESTMINSTER INDUSTRIAL CORPORATION,
630 Fifth Avenue, New York City

ERGO MACHINE WORKS,
500 Washington,
Dunellen, New Jersey

AMERLAGENE, INC.
Shreveport, Louisiana

AMERICAN VOITH CONTACT COMPANY, INC.
405 Lexington Avenue, New York City

DELTA PHARMACEUTICAL COMPANY,
Bloomfield, New Jersey.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

ADVANCE SOLVENTS & CHEMICAL COMPANY,
245 Fifth Avenue, New York City

JUNGMANN & COMPANY, INC.,
157 Chambers Street, New York City

INTER-AMERICAN CHEMICALS, INC.,
157 Chambers Street, New York City

B. WESTERMANN, INC.
18 to 20 West 48th Street, New York City

GENERAL CERAMICS COMPANY,
Crows Mill Road, Kearsbey, New Jersey

ASKANIA REGULATOR COMPANY,
1603 South Michigan Avenue, Chicago, Illinois

J. H. LEHMANN COMPANY,
248 West Broadway, New York City

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 BE GUIDED BY THE FOLLOWING GENERAL INSTRUCTIONS:

(1) NO PERSON SHALL BE PERMITTED INTO OR OUT OF THE PREMISES OF SUCH ENTERPRISES WITHOUT APPROVAL OF THE TREASURY REPRESENTATIVE. DO NOT KEEP OUT OFFICIALS, EMPLOYEES AND OTHERS ON A WHOLESALE BASIS BUT MERELY THOSE INDIVIDUALS WHOM YOU HAVE REASON TO BELIEVE TO BE DANGEROUS.

(2) TREASURY REPRESENTATIVES SHALL DETERMINE THE NUMBER AND LOCATION OF BOOKS AND RECORDS AND ACCESS TO OR USE OF SUCH BOOKS AND RECORDS SHALL BE UNDER SURVEILLANCE OF THE TREASURY REPRESENTATIVES. NO BOOKS OR RECORDS SHALL BE DESTROYED, EFFACED, NOR SHALL ANY RECORDS BE REMOVED FROM THE PREMISES WITHOUT THE PERMISSION OF THE TREASURY REPRESENTATIVE.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS;

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(3) NO MAIL SHALL BE DELIVERED TO SUCH ENTERPRISES OR OPENED EXCEPT IN THE PRESENCE OF OR AS AUTHORIZED BY THE TREASURY REPRESENTATIVE WHO SHALL HAVE THE RIGHT TO INSPECT ALL INCOMING AND OUTGOING MAIL.

(4) NO PAYMENTS, TRANSFERS OR WITHDRAWALS OF FUNDS FROM BANK ACCOUNTS OR OTHERWISE SHALL BE PERMITTED EXCEPT WITH THE PRIOR APPROVAL OF THE TREASURY REPRESENTATIVE. APPROVAL SHALL NOT BE GIVEN EXCEPT FOR PAYMENTS, TRANSFERS OR WITHDRAWALS IN THE NORMAL COURSE OF THE LEGITIMATE BUSINESS OF THE ENTERPRISE. APPROVAL FOR NORMAL EXPENDITURES SHALL BE GIVEN PROMPTLY.

(5) NO CHANGES IN PERSONNEL SHALL BE MADE WITHOUT THE PRIOR APPROVAL OF THE TREASURY REPRESENTATIVE.

(6) AS SOON AS SUFFICIENT TREASURY PERSONNEL FOR THE PURPOSE IS MADE AVAILABLE THE TREASURY REPRESENTATIVE AND HIS STAFF SHALL BEGIN A CAREFUL STUDY OF ALL BOOKS, FILES, CORRESPONDENCE, AND ALL OTHER RECORDS. THE OBJECT OF SUCH A STUDY WILL BE TO DETERMINE WHAT TRANSACTIONS, RELATIONSHIPS, ACTIVITIES AND PERSONNEL OF THE BUSINESS ENTERPRISE ARE OPPOSED TO THE NATIONAL INTEREST.

(7) ANY TRANSACTIONS, RELATIONSHIPS OR ACTIVITIES OPPOSED TO THE NATIONAL INTEREST SHALL BE PROHIBITED BY THE TREASURY REPRESENTATIVE. APPROPRIATE MEASURES SHALL BE TAKEN WITH REFERENCE TO PERSONNEL WHOSE CONTINUED EMPLOYMENT IS OPPOSED TO THE NATIONAL INTEREST.

(Signed) H. Morgenthau, Jr.
SECRETARY OF THE TREASURY.

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General License 47 and General License
47A are for Italian banks.

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Salaries and Expenses - Foreign Exchange Control, 1942. Allet. 1-2.

DECEMBER 10, 1941.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS :

THE FOLLOWING GENERAL LICENSES HAVE BEEN REVOKED TODAY,
DECEMBER 10, 1941:

(None take in annexed)

COPIES OF SUCH DOCUMENT ARE BEING AIRMAILED TO YOU.

YOU ARE REQUESTED TO HAVE COPIES OF THIS DOCUMENT 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.

ACTING SECRETARY OF THE TREASURY.

Sgd. at 10:00 a.m. - 12-11-41.

CODE 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 131.47 and .47A.

TREASURY DEPARTMENT
Office of the Secretary
December 29, 1941
//

**REVOGATION OF GENERAL LICENSE
NO. 47 AND GENERAL LICENSE NO. 47A
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.***

General License No. 47 and General License No. 47A
are hereby revoked.

(Signed) H. Morgenthau, Jr. *Sgd at 10:00*
Secretary of the Treasury *amr. - 12-11-41*

* Part 131; - 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, Ex. Order 8832, July 26, 1941, and Ex. Order 8963, December 9, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

December 11, 1941
10:18 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Francis Biddle: Hello. Henry.

HMJr: Yes.

B: You called me, yes.

HMJr: Yes, I did. I hope you had a successful visit wherever you were.

B: Well, I'm right with these boys just polishing off this legislation.

HMJr: Yes. Now, two things. On this call of last night, see?

B: Yes.

HMJr: On second thought, I brought the situation of the Japanese to your attention and Mr. Hoover's attention.

B: Yeah.

HMJr: But I feel we're simply - all that we can possibly do is to go ahead with those businesses belonging to aliens where these forms have been turned in to us by banks.

B: Yes.

HMJr: See?

B: Henry, could I call you back on this? The only reason is, I have to be at the White House and I'm a little late now.

HMJr: Yeah. Now one thing. Now the other thing, Foley is on his way over.

B: Yes.

HMJr: This won't - and I've got to get out a telegram on these German firms.

B: Yes.

HMJr: And I wanted to show it to you.

B: Yeah.

HMJr: Now, won't you be able to - he'll be there in a minute or two. Hello.

B: Well, I've got an appointment with the chief at ten-thirty, and I don't.....

HMJr: Well, will you take my word for it on this thing?

B: You mean this is just freezing funds. The.....

HMJr: It's to freeze people like the Axis - the General Aniline and so forth and so on.

B: Well, tell Ed just to show it to Frank Shea, would you mind? You see, Frank is on his committee.

HMJr: Well.....

B: I'm sure it will be all right.

HMJr: And as to who's going to run it eventually, this doesn't have anything to do with it.

B: Oh, I understand. We've adopted your suggestion in the over-all bill for the powers of the President coming back, you see.

HMJr: Oh.

B: You re-wrote it a little bit, and we've adopted that.

HMJr: Well, when you catch your breath, give me a ring.

B: All right, Henry.

B: Yes.

HMJr: This won't - and I've got to get out a telegram on these German firms.

B: Yes.

HMJr: And I wanted to show it to you.

B: Yeah.

HMJr: Now, won't you be able to - he'll be there in a minute or two. Hello.

B: Well, I've got an appointment with the chief at ten-thirty, and I don't.....

HMJr: Well, will you take my word for it on this thing?

B: You mean this is just freezing funds. The.....

HMJr: It's to freeze people like the Axis - the General Aniline and so forth and so on.

B: Well, tell Ed just to show it to Frank Shea, would you mind? You see, Frank is on his committee.

HMJr: Well.....

B: I'm sure it will be all right.

HMJr: And as to who's going to run it eventually, this doesn't have anything to do with it.

B: Oh, I understand. We've adopted your suggestion in the over-all bill for the powers of the President coming back, you see.

HMJr: Oh.

B: You re-wrote it a little bit, and we've adopted that.

HMJr: Well, when you catch your breath, give me a ring.

B: All right, Henry.

December 11, 1941
10:25 a.m.

Sidney Hillman: Sidney speaking.

HMJr: Good morning.

H: How are you?

HMJr: Fine.

H: I think this is the time for a program for greater - a campaign for labor to participate in all the stamps and bonds.

HMJr: Yes.

H: I think they'll give a great deal of results.

HMJr: Good.

H: And I think, you know, that if you want to assign someone - I'll assign some people from here to go over with your groups, and see, you know, what can be done to really bring that situation in right now effectively.

HMJr: Well.....

H: I think it can be done, because there is a very fine response from labor throughout the nation.

HMJr: I'll have one of my men call on you. We have some people who just.....

H: I mean, they just - any time in the next week, you know, will be all right; and then I'll assign someone to work it out - help him work it out with you.

HMJr: Fine. I'm delighted you called. It's just the kind of help we need.

H: I know; but I mean, this is the time that I think it ought to be done - in a proper organized manner - so that if people - so that they really participate effectively.

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HMJr: Good.
H: All right.
HMJr: Thank you.
H: Good-bye.

December 11, 1941
11:00 a.m.

RE TAXES

Present: Mr. Sullivan
Mr. Paul
Mr. Buffington
Mr. Blough
Mr. Tarleau
Mr. Viner
Mr. Kuhn
Mr. Kades
Mr. White

H.M.Jr: Good morning. Hello, Jake. I am sorry I had to change all around so. Now we have got three wars on our hands. I suppose in this extra time you have been able to work out a complete tax bill.

Paul: I have got it complete, yes, down to the last item.

H.M.Jr: Wonderful. I would like to start the discussion where I left it off the other day, namely, on: Can I give any assurances to the forty-eight states who are meeting with us in Jake Viner's city on Tuesday that for - oh, sometime between now and the first of July we want to give a real try to the people of America that they will buy Defense Savings Bonds on a volunteer basis, see, and that between now and the first of July or the first

- 2 -

of May we won't do anything through the legislative way to make it, you see.

Paul: That is, you won't have any compulsory saving until then.

H.M.Jr: Well, compulsory saving or--

Sullivan: Tax at the source.

H.M.Jr: Tax at the source.

Paul: So that they could plan on their 1941 tax payments through the first half of 1942 and nothing else being taken from them and the rest is available for savings, is that your idea?

H.M.Jr: Yes, and to give you the benefit of what I thought, I accused myself of being intellectually dishonest, but some of the people said I was the opposite, and that is this. I realize we have got to increase the taxes on everybody, but the only suggestion that I am making is, one, that we continue to do it through the present method, that is, through the four quarterly payments or monthly payments or what ever it is, but that we don't say to these people in '42, "While you are paying your '41 tax, one, that either we are going to have compulsory savings or that we will get a law through taking some of your money at the source, or, three, have you pay part of your '43 tax bill in '42."

Paul: '43 or '42 taxes?

H.M.Jr: They are '43 taxes in '42.

Paul: What we would ordinarily pay in '43?

H.M.Jr: Yes. I think that covers - isn't that--

- Sullivan: No, I don't think it does quite, sir. I think there is one important point which we discussed which must be decided before Tuesday and that was whether or not--
- H.M.Jr: Must be decided before tomorrow.
- Sullivan: Yes. But that question was whether or not at Chicago you would definitely commit yourself to refraining from asking Congress for any withholding at the source tax for a definite period of time. Speaking for myself, I think that is both unwise and unnecessary. I think that recent events have provided sufficient stimulus to this drive so that the heat is turned on, and you can get what you need or get what you want, and I think that in times like this, it might be dangerous to commit yourself even for three months.
- H.M.Jr: Well, that is you.
- Sullivan: That is my opinion, yes. Now, I also think, sir, that your decision as to whether or not you should ask for any type of a tax at the source would depend very largely on the way in which the campaign went. It would depend not only on the amount of money you receive but on the places from which it came and the people from which it came.
- In other words, you might get as much money as you had hoped to get, but if you weren't getting it from the sources you hoped to tap, you still might need some sort of a tax at the source.
- H.M.Jr: Have you finished your thought?
- Sullivan: I have.
- H.M.Jr: Now, Randolph, are you ready to talk?

- Paul: Well, this is newer to me. I would like to hear some of the other expressions before I express my opinion.
- H.M.Jr: Roy, do you want to say something?
- Blough: Well, I wrote up a little memorandum if you would like to--
- H.M.Jr: Supposing you read it out loud to everybody.
- Blough: I have copies I can pass around if you wish.
- H.M.Jr: Well, still read it, will you, Roy?
- Blough: All right.
- Blough: The purpose of this was to sort of give something on paper to talk about, not that it gives even any final point of view of my own.
"1.--"
- H.M.Jr: Excuse me just one second.
- "Stimson confirms the sinking of a twenty-nine thousand ton battleship Haruna by Army bombers."
- Kuhn: It is an old ship, 1913.
- H.M.Jr: Well, that is the - the place is the northern coast of Luzon.
- "Determined resistance by American forces has confined Japanese landings on Luzon to the vicinity of Aparris at the extreme northern tip of the island."
- So far the only people that are doing business are the Army, that is the amazing thing. Go ahead.
- Paul: I think Roy was going to read this.

H.M.Jr: All right. We will have to get used to these interruptions.

Blough: "1. The prevention of substantial price rises appears to require withdrawals of purchasing power on the scale discussed a month ago. Recent events and a review of the original basis figures have served to reinforce this opinion."

In other words, as far as I am concerned, I don't see that we were in any substantial error a month ago, especially as things have turned out.

"2. The political prospects of promptly withdrawing a large amount of purchasing power through taxes collected at the source seem much less promising than they did a month ago. The people, or at any rate the Congress, apparently would rather risk the price rises than pay the additional taxes at this time."

That is based on some reports of conversations with Congress in the last few days, although others seem to conflict with that, and I don't know.

Paul: Is it based on conversations after the war started?

Blough: Yes.

"3. Truly voluntary saving and investment in government securities is much to be preferred to compulsory saving, but so-called voluntary saving, which is in reality compelled by ostracism and other social and economic pressures, is less equitable and less desirable than compulsory saving. Taxation has the advantage over all forms of borrowing that it is not a postponement of the fiscal problem."

I am wondering if we didn't call this compulsory saving but called it tax savings accounts or something like that whether it wouldn't sound a lot better.

"4. Voluntary investment in government securities would remain an important part of a fiscal program if there were in effect a "collection at source" tax or even compulsory saving, since many people would be in position to invest amounts in addition to those taken compulsorily. Accordingly the voluntary savings program should be vigorously prosecuted whatever other fiscal measures are undertaken.

"5. The amount which can be raised as voluntary savings (other than through objectionable economic and social pressures), while substantial, is limited and is not likely even to approach an amount sufficient to offset the inflationary pressures of huge deficits, and accordingly it is believed that some measures in addition to voluntary saving will be found necessary to withdraw purchasing power. It stands to reason that a plan of voluntary saving through payroll deduction would not raise as much money as such a plan plus a tax withheld at source (whether or not the tax was returnable as savings) because the very circumstances which cause people to protest against taxes (or compulsory savings) withheld at source would cause them to keep down the amounts saved through voluntary payroll deduction if there were no tax.

"6. A question of crucial importance is whether a collection at source tax could be passed through Congress more quickly if it were requested at the time the tax bill was started, perhaps in January, than if it were requested only when the bill was in its final stages, perhaps in May. Some competent observers believe that it could not be passed more quickly if requested in January. If this is a correct

forecast, the following procedure might prove acceptable.

H.M.Jr:

Here is an interesting letter from one R. L. Doughton.

"Dear Henry:

"This is just to say that since our emergency has recently been so greatly accentuated and multiplied, I feel our Committee is ready to go into action at any time and will be pleased to have any suggestion or request you may care to make relative to how our Committee can most appropriately render helpful service. This letter is not written by direction of the Committee, but only as an individual thought.

"With very kind personal regards, I am

"Yours sincerely."

Did you know this was coming?

Sullivan:

No, but I feel that a complete accord is in the air. I am having lunch with Stamm and we are going to smoke the pipe of peace and all that sort of thing. I think we can really go to town.

H.M.Jr:

It is a nice letter.

Sullivan:

I had a similar one from him.

H.M.Jr:

Well, my inviting him for lunch didn't hurt any.

Sullivan:

Oh, it helped a great deal.

H.M.Jr:

Go on.

Blough:

"If this is a correct forecast, the following procedure might prove acceptable.

"a. Prosecute the savings bond program vigorously, but say nothing about tax plans except that it is hoped the results of the savings bond program will be so satisfactory that other special measures to withdraw purchasing power will not be required.

"b. Tell the Committee on Ways and Means and the Senate Finance Committee that although income taxes should in any event be increased on 1942 incomes, request for collection at source will be held in abeyance pending the results of the payroll deduction campaign of the savings bond program.

"c. If, by the time the Senate Committee on Finance is ready to report the tax bill, it is apparent that the voluntary system is not withdrawing an adequate amount as indicated by changes in the cost of living and other criteria, request can be made for the collection at source method, either at rates in the income tax bill before Congress, or at other rates."

H.M.Jr: Harry, who is Eugene Casey, Executive Assistant to the President?

White: I haven't heard of him.

H.M.Jr: Isn't that the fellow that ran from Maryland and was defeated?

White: The agricultural fellow?

H.M.Jr: Yes.

White: Would you like me to find out about him before he comes?

H.M.Jr: I will find out at the White House.

(The Secretary asked the White House operator for information concerning Mr. Casey.)

H.M.Jr: He is very close to the Vice President. The note says, "Executive Assistant to the President."

White: Is he the fellow that made that trouble on the Hill on that agricultural bill a few months back?

H.M.Jr: Yes.

All right.

Blough: "7."

H.M.Jr: I wish I had a title.

Blough: "If, on the other hand, careful canvassing of the political situation indicates that this procedure would materially delay passage of a provision for collection at source, or that failure to ask for such a provision early in the session would make likely the passage of a sales tax, it is suggested that collection at source be asked for in the original Treasury tax statement."

H.M.Jr: What were you reading, "c"?

Blough: That is the last page, number seven.

H.M.Jr: Read it again.

Blough: "If, on the other hand, careful canvassing of the political situation indicates that this procedure would materially delay passage of a provision for collection at source, or that failure to ask for such a provision early in the session would make likely the passage of a sales tax, it is suggested that collection at source be asked for in the original Treasury tax statement."

H.M.Jr: Now, Roy, when did you join the State Department? Tell me what you think.

Blough: Well, what I think--

H.M.Jr: Tell me what you think. My God! You sound like an aide memoir to the Japanese.

Blough: I guess I spent too long writing it.

H.M.Jr: Too long thinking about it. Tell me what you think, my God!

Blough: It seems to me you are going to have to have this collection at source tax before very long because I don't think voluntary saving of the kind which you would want to support is going to produce the desired results.

Now, you may be able to get along for a while with the voluntary program, and you might be able to get a whole lot of money with the type of voluntary program that would be nasty and that would be worse than any tax program with savings.

H.M.Jr: But you are for - now, which are you for, withholding tax or forced savings.

Blough: Oh, as to the choice between those, that is a matter of timing and so on. I am not worried about that.

H.M.Jr: Which are you for now?

Blough: Now? Well, I am for withholding tax now.

H.M.Jr: Withholding tax?

Blough: Yes.

Paul: That is as against voluntary savings, I think.

Blough: I am not against voluntary savings, but I am saying don't tie your hands now. If Congress

seems to be opposed to withholding tax or compulsory savings now, work at this bond program very hard and tell the Committee that they should raise the income taxes and if this bond program doesn't do the work you will come back before the tax bill gets through and ask to have the withholding tax or compulsory saving, whichever you prefer, put through. That is essentially what I would like to see done.

H.M.Jr: Do you think the same thing?

Sullivan: Yes, he said exactly what I said. Isn't that right, Roy?

Blough: In part. It is on paper here, at any rate.

White: Roy, I didn't quite understand. I thought you shifted at the last minute. Is it your thought that you should ask now for a compulsory saving? If it is turned down, then you have other alternatives?

H.M.Jr: No, he didn't say that. I will tell you what he said, as I got it. He said, "Go along for a while and withhold this and see how things go," but that I shouldn't make any public commitment.

Blough: Well, a little more than that. .

Viner: He said no public negative commitment.

H.M.Jr: No public commitment one way or the other.

Blough: I would do this. I would first find out what your chances are of getting compulsory savings or withholding tax program now. If they are bad or if they be delayed until the tax bill would go through anyway, which won't be until June, probably, or May--

- H.M.Jr: Yes, but don't use compulsory savings and withholding tax in the same breath because they are two different principles.
- Blough: Well, collection at source, then, put it that way.
- H.M.Jr: All right.
- Blough: Whether you keep it or whether you give it back, collections at source, compulsory collections at source through taxes.
- H.M.Jr: Are you satisfied, Harry, with it where he stands?
- White: I am afraid I am not, but it may be that I just didn't hear the whole thing.
- H.M.Jr: Do it again. I would like you to because Sullivan says they stand together and they say they don't. Find out, go ahead.
- White: Maybe one question will clarify my own understanding. Do I understand you to feel that you would ask now for a withholding tax or would you merely make inquiries as to the chance of obtaining a tax at the source, leaving until later the actual request if necessary?
- Blough: I would ask George and Doughton whether if we held off a little while in asking for this collection at source, whether it would delay our finally getting it, whether we would get it just as soon if we didn't ask for it now, but told them that we might have to ask for it later in the spring and that we were going to try this bond program as hard as we could and if it didn't look like we could get enough that way, then we were going to ask for it and if they said, "Well, if you do it that way you will get it as quickly as if you asked for it now, anyway," then I would certainly do it that way.

if they would say it will delay it three months if you do it that way, I would ask for it now.

White: In other words, you would like it by March 1 or April 1 in any case, but the question as to whether you would ask for it now depends on whether they can give you adequate promises that it doesn't matter whether you ask for it now or not, you are not going to get it before April 1.

Blough: Yes, if they could say, "If you ask for it now, we will get it for you by April 1," I would say, "Take it," but if they say you would get it maybe in May or June and if you wait until April to ask for it, you will get it then any way, I would wait until April and try this bond business out first.

White: I see. In other words, if there is a three and four months' distance between the time you ask and the time you get it, in their opinion, you would ask for it now?

Sullivan: You see what is involved, Harry, is a tactical situation. In the past, if you haven't told the whole story to the House and then inject it in the Senate, when it comes back in conference, the House, which is very jealous of its prerogative, is very hostile to anything new that has been put in in the Senate.

Now, I think what Roy has in mind is this, that if we can give Doughton a warning that we may have to do this in the Senate, but we are not sure, and he says, "Well, that is all right, if as time goes on you find out that voluntary savings aren't doing the job, then put it in in the Senate, and I will see that it is all right with my Committee," then you haven't lost any time.

Isn't that what you had in mind, Roy?

Blough: That is right.

White: May I ask just one more question, then. Supposing you had asked for it now and supposing in view of the war situation which has greatly altered the political situation, you could get it within the month, would you ask for it?

Blough: I would ask for it, not at fifteen percent, but I would ask for it.

White: You would ask for a withholding at source?

Blough: Collection at source plan, whether it be tax or compulsory savings.

White: Then in any case you would ask for it if you think you could get it now, but if not, you don't see any particular virtue in asking for it now, if you think you could get it later?

Blough: And there is a chance that the bonds might do it, but I doubt it.

White: I don't want to ask any more questions. I am still not clear. It seems to me you are saying that if you thought you could get it now, you would ask for it now.

Blough: That is right.

White: But if you don't think you could get it now, but could get it in May, you would still ask for it now if you felt there was a four months' lag. In other words, you want the tax as soon as you can get it.

Blough: If I am not going to be able to get the tax now anyway, I would rather wait and see what can be done with the bonds.

White: Unless you feel there is a lag between the time of your asking and the time of your getting it.

Blough: But if it would postpone this tax another four months, I haven't enough faith in the voluntary system to justify that further delay.

White: I think I understand him. As I would sum up his view, if he doesn't mind, he would like the tax as soon as he can get it, but the wisdom of asking for it now or three months from now depends upon whether they say you can't get it now anyhow, and if you ask for it after you have demonstrated the failure of the other, we will give it to you quickly. In that event, you would say there is no use of asking for it now. If, on the other hand, they say no matter what you do there is going to be a three months' delay, then you are in favor of asking for it now even though you know you can't get it now.

Blough: Yes.

Sullivan: There is one more thing to be said for Roy's position here, Harry. Whatever withholding tax is requested now could be a small tax and perhaps if it is only five percent and it doesn't come any where near meeting the fiscal requirements, at least it gives the Bureau two or three or four months in which to organize the set-up and acquaint industry with what they have to do so that then when the time comes to put on a higher rate which will do the job, not only the machinery, the administrative machinery, is all established, but the people who have to do the withholding are familiar and it is merely a matter of changing the rates.

Paul: What do you think, Jake?

Viner:

Why, I have two or three ideas on this. The first one is that I think the Treasury Department must make up its own policy and not let Doughton do it. The Treasury ought to make up its mind what it thinks the Treasury needs and push hard for it regardless of Doughton's position.

Secondly, it is my guess that you are underestimating Doughton, that he may be ahead of you and not be scared and not be testing out political currents now, and he may be willing to go far ahead, and you may even have to hold him back. Don't assume they are not going to cooperate with you now. It is unfair to them. I think their whole attitude will change if you can persuade them that this is in the interest of the country. I think they will go ahead. The second thing is, however, what do you want, what ought you to want?

H.M.Jr:

That is what I am waiting for. I am getting a little fed up on sitting around and arguing about procedure. I want somebody in the Treasury to say, "Boss, this is what we ought to have," and stand up and defend it.

Viner:

On that I say--

H.M.Jr:

So that I can make up my mind.

Viner:

In spite of all that has been done, I don't believe it is humanly possible for anybody to know now the extent of taxation that will be necessary in the fall of 1942 to take care of the situation then. I think it is important to get the withholding tax machinery into operation at once, even if it is a half a percent tax, I would say get it into effect now so you develop the organization and the machinery, the administration, so that any raising of the rate will become a routine thing and that the machinery will all be set, so I would push for that as soon

as you can get it for a withholding tax. I would certainly not push now for a fifteen percent tax. I am not even sure about a five, but I repeat again the proposition I made before, don't think you can plan your tax program now for a year ahead or eighteen months ahead and therefore you have got to find some way of getting flexibility into it, and one of the ways is by telling them, we want this withholding tax, we will make it one percent or two or three percent now, we want the right to raise it. Or if you don't think you can get that, we want to warn you, Congress, that you will suddenly be asked to raise it, to take effect at the first of the next month, at any time during the course of the year.

H.M.Jr: Let me ask you this, Jack. Somebody certainly in the Treasury ought to know their own mind by now. Are you in your own mind - have you made up your mind that the principle of the withholding tax is something that you want to recommend to me as a principle?

Viner: It will be no trouble for me. I would say that unless there were overpowering administrative objections in a quiet normal time, I am always for it. In an emergency time like this I see nothing that can be said against it.

H.M.Jr: Well, at least you are for the withholding tax.

Viner: Yes, even on the ordinary income tax, altogether aside - in other words, am I for withholding as a means of collecting an income tax? and I say, "Yes, as far as you can carry it. It is a better way of collecting a tax.

White: I don't think that is meeting quite what the Secretary has in mind.

Viner: I mean, am I in favor of an additional one.

White: Are you in favor of the kind of withholding tax which was being discussed by ten or fifteen percent--

Viner: Wait a minute, remember what I have just said.

White: Yes, with that qualification.

Viner: It may be that by next December we will want the twenty-five percent. At this time, I would say I would be opposed to fifteen. I think I would be opposed to ten because I don't think now we can know that in, say, February or March, the economic situation will be such that a tax of that level would be justified, but I would want to be able to move fast to a higher rate as needed, and some tax I think you do need. You do need more taxes than you have got on the tax law now, so I would say you need some more immediately, but not fifteen percent more. That is too abrupt and it is not clear yet, as I see the economic picture, that that would not be excessively deflationary in the first part of 1942 but I don't - I suspect it might be too mild.

H.M.Jr: I would like to hear from Tarleau.

Paul: I would like to hear from Tarleau and White. We may as well canvass this thing fully and get it decided. Could we conduct a little seminar while you are out?

H.M.Jr: I wish you would. I am going to stop it and you might just as well go ahead in your own rooms, so you can come back. What I want you to come back with is for you two fellows (Paul and Sullivan) and say, "Now look, here is the side for and here is the side against. We went into this whole thing and here is the thing," and Paul, as long as you have come down in this new capacity, that is what I want you to do.

Paul: All right. Why don't we adjourn now and meet this afternoon?

H.M.Jr: Look, let me just keep you here long enough so I can say I have got a meeting going on here while I go out and speak to this fellow. (Laughter.) Harry, what do you think?

(The Secretary left the conference temporarily.)

- White: There is a great deal of force in what Jake says with respect to, a, not knowing whether any withholding tax - let's confine ourselves. We are not talking about savings versus taxes, although that does affect the rate, and we are not talking about a different method of collecting income taxes, which are not in force. We are talking about additional taxation at the source, withholding at the source, such as we were discussing earlier.
- Paul: Now, that is what I am not clear about. Are you discussing --
- White: You indicate what you are discussing and I will give you my views, because I have got pretty definite views.
- Paul: Are you talking about that supplementary tax scheme or are you talking about withholding part of '42 --
- White: I see. That is both.
- Viner: I was talking about both.
- White: Then I feel this. We ought to go forward as rapidly as we can with that list of supplementary taxes that was in that - I forgot, whether it was that B or C list. You remember there was a long list of various taxes. That ought to go forward in any case. But with respect to that additional tax of withholding at the source, I feel that it is already January - almost January. You are in a war. I think you could get anything you want. But I do feel that there is no certainty how much you will need or whether you will need it, and I am wondering whether this isn't possible. If it isn't possible I have a second alternative. Isn't it

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possible to get a bill passed in which the authority is granted to the Secretary of the Treasury to impose a withholding tax, set the rate, if you like, five - some low rate; ten percent. Let's say five percent. It doesn't matter. We will discuss that later. To be imposed when the Secretary of the Treasury feels that conditions warrant it so that he has all the flexibility. You have everything ready and the only thing that you are waiting for is to see how the tax program goes, what happens to prices and others.

H.M.Jr: Can I interrupt this now? Excuse me.

White: I am through.

H.M.Jr: I am ready again at three o'clock, but one of the principle things that I have you down here for, Paul, is to - I don't want to sit in these kind of meetings, you see, until everybody has aired himself out and is finished. Then you can come in and say, now, with the people present - and simply say, "Now look, Mr. Morgenthau, this is the situation, and if you want to ask anybody any questions, they can explain their own positions. We are here today, as far as this - this is what we are here to recommend." Or you, Paul, after listening to anybody, "I, Randolph Paul, recommend it."

Paul: You are right, but you understand that I have had nothing but a telephone conversation about this, and I think we can have a set-up for you at three o'clock which we will present precisely and you will be able to decide them. We can get together now.

H.M.Jr: Do you want to cancel lunch with me in order to work with them?

Paul: No, I don't think we need to do that.

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- H.M. Jr: Then if you will do that as soon as you get that thing settled, I want to go right into the excess profits thing next.
- Paul: All right.
- H.M. Jr: But I would like you to come in and you can say it in front of the people or - simply say, "Look, this is what I recommend here and this is why," see, and then these other people can listen and if any of them want to have a chance to state a minority position, they can state their own position. That is fair enough.
- Paul: I will give you some recommendations and dissents at three o'clock.
- H.M. Jr: Yes, and let the other people be here as an audience. But I don't want to do this. You don't blame me, do you?
- Paul: No, I don't. I think it is a waste of motion.
- H.M. Jr: It is a waste of motion. Come in at three o'clock and say, "Well, I am ready," or "I am not ready," but at least have an opinion yourself. Is that crowding you too much?
- Paul: No, we won't be crowded.
- H.M. Jr: This isn't a new thought.
- Paul: This is a broad policy question.
- H.M. Jr: And as much more as we can get between now and noon tomorrow because with this letter from Doughton - we will talk some more.

Ray Blough
Dec 11-1941

December 10, 1941

MEMORANDUM FOR THE SECRETARY

Subject: Voluntary savings campaign and collection of income taxes at source.

1. The prevention of substantial price rises appears to require withdrawals of purchasing power on the scale discussed a month ago. Recent events and a review of the original basic figures have served to reinforce this opinion.
2. The political prospects of promptly withdrawing a large amount of purchasing power through taxes collected at the source seem much less promising than they did a month ago. The people, or at any rate the Congress, apparently would rather risk the price rises than pay the additional taxes at this time.
3. Truly voluntary saving and investment in government securities is much to be preferred to compulsory saving, but so-called voluntary saving, which is in reality compelled by ostracism and other social and economic pressures, is less equitable and less desirable than compulsory saving. Taxation has the advantage over all forms of borrowing that it is not a postponement of the fiscal problem.
4. Voluntary investment in government securities would remain an important part of a fiscal program if there were in effect a "collection at source" tax or even compulsory saving, since many people would be in position to invest amounts in addition to those taken compulsorily. Accordingly the voluntary savings program should be vigorously prosecuted whatever other fiscal measures are undertaken.
5. The amount which can be raised as voluntary savings (other than through objectionable economic and social pressures), while substantial, is limited and is not likely even to approach an amount sufficient to offset the inflationary pressures of huge deficits, and accordingly

it is believed that some measures in addition to voluntary saving will be found necessary to withdraw purchasing power. It stands to reason that a plan of voluntary saving through payroll deduction would not raise as much money as such a plan plus a tax withheld at source (whether or not the tax was returnable as savings) because the vary circumstances which cause people to protest against taxes (or compulsory savings) withheld at source would cause them to keep down the amounts saved through voluntary payroll deduction if there were no tax.

6. A question of crucial importance is whether a collection at source tax could be passed through Congress more quickly if it were requested at the time the tax bill was started, perhaps in January, than if it were requested only when the bill was in its final stages, perhaps in May. Some competent observers believe that it could not be passed more quickly if requested in January. If this is a correct forecast, the following procedure might prove acceptable.

- a. Prosecute the savings bond program vigorously, but say nothing about tax plans except that it is hoped the results of the savings bond program will be so satisfactory that other special measures to withdraw purchasing power will not be required.
- b. Tell the Committee on Ways and Means and the Senate Finance Committee that although income taxes should in any event be increased on 1942 incomes, request for collection at source will be held in abeyance pending the results of the payroll deduction campaign of the savings bond program.
- c. If, by the time the Senate Committee on Finance is ready to report the tax bill, it is apparent that the voluntary system is not withdrawing an adequate amount as indicated by changes in the cost of living and other criteria, request can be made for the collection at source method, either at rates in the income tax bill before Congress, or at other rates.

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7. If, on the other hand, careful canvassing of the political situation indicates that this procedure would materially delay passage of a provision for collection at source, or that failure to ask for such a provision early in the session would make likely the passage of a sales tax, it is suggested that collection at source be asked for in the original Treasury tax statement.

December 11, 1941
11:05 a.m.

HMJr: Hello.

E. J. Flynn: Hello, Henry, how are you?

HMJr: I'm all right.

F: That's fine.

HMJr: I wanted to tell you that I'm appointing your brother to that position.

F: Well, that's wonderful. Thank you very, very much.

HMJr: Well, I just thought I'd like to tell you.

F: Yeah. Well, that's grand and I appreciate it very much. I tell you, I don't know whether you noticed the telegram that I sent to Joe Martin.....

HMJr: No, I didn't.

F:in which I suggested that the facilities of the entire Republican and Democratic parties be placed at the disposal of the Government.

HMJr: Yes. Well, that's good. I say, that's good.

F: Now, that gives a force of about a hundred and eighty something thousand people on either side.

HMJr: Yeah.

F: Now, one of the ideas that I suggested in the telegram was that they could assist in the sale of war savings stamps and bonds.

HMJr: Good.

F: Now, I'm going to have either Charlie Michelson or Jack Ewing.....

HMJr: Yeah.

F:take the matter up with the Treasury Department.....

HMJr: Good.

F:and then take it up with the - to work out some system under which this can be done.

HMJr: Yeah.

F: You see what I mean?

HMJr: Good.

F: I think it'll be effective, don't you?

HMJr: Very.

F: And they'll get in touch with somebody over there - either you or someone else - to work out the medium and the method through which it can be done.

HMJr: Tell them to see Harold Graves, will you?

F: Who.

HMJr: G-r-a-v-e-s.

F: Tell them to see Graves.

HMJr: Yeah.

F: All right, I'll do that.

HMJr: Thank you.

F: All right, fine, Henry.

HMJr: Good-bye.

F: Good-bye.

ASSISTANT SECRETARY OF THE TREASURY

December 11, 1941.

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

Davis of the Democratic National Committee reported to me this morning that he had talked to Ed Flynn at Oklahoma City. Flynn asked us to send the John Flynn nomination on to the White House. I asked Davis whether Flynn wanted us to contact the Senators and he said "No, I assume that he has taken care of that. He said send the nomination on over." This is being done.

MSG.

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December 11, 1941.

MEMORANDUM

TO: Secretary Morgenthau
Through: (1) Mr. Sullivan
(2) Mr. Thompson

FROM: Mr. Gaston

Attached hereto are the reports of the Investigating Agent, the Agent in Charge and Commissioner Helvering on the investigation of Leo J. Mullen, who was recommended by Chairman Flynn for Collector of Internal Revenue in the 2nd District of New York to succeed the late James J. Hoey.

No recommendation has been received from either of the New York Senators, although the Investigating Agent reports that Senator Wagner vouches for Mr. Mullen's character and integrity.

It is to be noted that Commissioner Helvering does not recommend Mullen's appointment, but states "I am transmitting the report for such attention as may be deemed advisable."

The second collection district of New York is probably the most important in the United States. It returns the largest volume of collections.

The report portrays a man of good character, of indifferent educational background, of mediocre capacity and without apparent qualifications for the position for which he has been proposed. I do not believe it would be a good appointment.

Attachments. *h o - 7* 

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BY REGISTERED
MAIL TO
LAD

New York, N.Y.

Treasury

DEAR MR. PRESIDENT:

UNDERSTAND NAME OF LEO J. MULLEN
WAS PRESENTED FOR CONSIDERATION AS COLLECTOR
OF INTERNAL REVENUE, SECOND DISTRICT NEW
YORK, AND SUGGEST INVESTIGATION OF FOLLOWING
ITEMS:

DID HE SERVE IN FIRST WORLD WAR?
WHY NOT?

WAS UNDER OBSERVATION FOR MENTAL
CONDITION.

ADMITTED TO BAR AFTER YEARS OF TRYING.
NEVER PRACTISED LAW.

WAS

EMPLOYED ONLY AS ADJUSTER FOR LAW
FIRM HANDLING ACCIDENT CASES; IN OTHER WORDS,
AMBULANCE CHASER.

BROTHER OF GENERAL SESSIONS JUDGE
JOHN A. MULLEN, WHO ACCUMULATED NEARLY
A MILLION DOLLARS OUT OF LAW PRACTISE
OBTAINED THROUGH ~~OR~~ ~~BY~~ ~~MEANS~~ ~~OF~~ ~~HIS~~ ~~CONNECTIONS~~
EXCLUSIVELY.

SECRET

LEO J. MULLEN

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FAVORABLE REPORT.

Failed to file returns for years 1934 to 1937 but in 1938 filed delinquent returns for years 1936 and 1937. In 1941 filed delinquent returns for 1934 and 1935.

Now owns 200 shares of Standard Brewing Stock but said that he was planning to get rid of it.

Jullen

Am