

DIARY

Book 478

December 25 - 27, 1941

	Book	Page
Airplanes		
Shipments - British Air Commission report - 12/26/41..	478	102
Appointments and Resignations		
Swope, Gerard: HMJr asks Swope about assisting in Treasury on Procurement - 12/27/41.....		173
a) Memorandum on Division of Procurement prepared in preparation for conference with Swope: See Book 480, page 216		
White, Harry D.: State-Treasury correspondence on responsibility for foreign relations - 12/26/41.....		96
Automobile Workers, United		
See United Automobile Workers		

Birth, Alan		
Editorial Opinion on Foreign Affairs: The Expanding Horizon (Churchill's visit) - 12/26/41.....		89
British Purchasing Mission		
Federal Reserve Bank of New York statement showing dollar disbursements, week ending December 17, 1941..		252

Canada		
Joint Defense Production Committee: Statement of policy for better integration of war production in United States and Canada - 12/27/41.....		212
Capital Funds Committee		
Historical resume' - 12/27/41.....		207
Frank-HMJr conversation - 12/29/41: Book 479, page 75		
Conference; present: HMJr, Bell, Foley, Haas, and Morris - 12/29/41: book 479, page 78		
Sicher memorandum to FDK and proposed answer: book 479, page 91; and Book 480, page 93		
China		
International Settlement occupied by Japanese; staff still has access to banks - 12/26/41.....		110
Yunnan-Burma Highway: November report of traffic - 12/26/41.....		147
Crysler Corporation		
See United Automobile Workers		
Churchill, Winston		
HMJr's impression of - 12/26/41.....		5
Correspondence		
Mrs. Forbush's resume' - 12/26/41.....		79
Cuba		
See Latin America		

- D -

	Book	Page
Defense Savings Bonds		
See Financing, Government		
Defense Transportation, Office of		
Treasury liaison representative: Hayghe, Chief of		
Traffic Division, Procurement - 12/27/41.....	478	218
Dodge Automobile Company		
See United Automobile Workers		

- E -

Exchange Market		
Resumes - 12/26-27/41.....		148,332

- F -

Financing, Government		
Defense Savings Bonds:		
Toecanini, Arturo: Additional broadcasts offered -		
12/26/41.....		37
Field Organization News Letter, No. 32 - 12/27/41..		242
Payroll Allotment Plan: All states urged to push -		
12/27/41.....		246
a) Conference on December 29, 1941:		
See Book 479, page 106		
Federal Reserve Banks urged to appoint as many		
issuing agents as possible - 12/27/41.....		248
Comparative statement of sales during first 22		
business days, October, November, and December,		
1941.....		250
Foreign Funds Control		
Automatic freezing of assets in any territory overrun		
by Axis - Executive Order to cover - 12/26/41.....		115

- J -

Japan		
Ship losses, December 7-26, 1941.....		114

- L -

Latin America		
Cuba:		
Freezing Control Measures: Report from American		
Embassy, Havana - 12/26/41.....		122
Lend-Lease		
Report for week ending December 27, 1941.....		240

* Progress report - 12/26/41..... 41-A

- M -

	Book	Page
Martinique		
Office of Coordinator of Information report summarized by Kamarck - 12/27/41.....	478	288
Military Reports		
Reports from London transmitted by Campbell - 12/26-27/41.....		149,156,333
War Department bulletin:		
Employment of German antitank regiment on non-tank missions - 12/26/41.....		161,165
Martinique: Office of Coordinator of Information report summarized by Kamarck - 12/27/41.....		288

- P -

Philippine Islands		
Manila Clearing House asks that FDR take immediate action to protect bank reserves: Discussion at 9:30 meeting - 12/26/41.....		11
a) Conference of Treasury and Interior representatives - 12/26/41.....		51
Procurement Division		
See Appointments and Resignations		

- S -

Spain		
Secret instructions as issued to merchant ships - 12/27/41.....		313
Swope, Gerard		
See Appointments and Resignations		

- T -

Toscanini, Arturo		
See Financing, Government: Defense Savings Bonds		
Trucks		
See United Automobile Workers		

- U -

United Automobile Workers		
Dodge representatives confer with HMJr on closing of plants - 12/27/41.....		177
a) Stettinius-HMJr conversation.....		179,183
b) Conference with Stettinius, Young, Cox, and Rowe.....		185
c) Knudsen-HMJr conversation.....		187,202,204
d) Keller-HMJr conversation.....		193
e) McCloy-HMJr conversation on non-military phase - 12/27/41.....		206

United Automobile Workers (Continued)

Dodge representatives confer with HMJr on closing of plants (Continued):

- f) HMJr confers in Patterson's office with representative of Quartermaster General Corps - 12/28/41: See Book 479, page 1
- g) Conference; present: HMJr, Mack, White, Keller, Hutchinson, Vanderzee, Purdy, Rubin, Stephenson, Aurand, Dow, Laws, Stettinius, Young, and Swetz - 12/29/41: Book 479, page 5
 - 1) Industrial Mobilization Plan - Revision of 1939: Book 479, page 43
 - 2) Chrysler price quotation and production schedule, Dodge standard $\frac{1}{2}$ -, $\frac{3}{4}$ -, and 1-ton trucks: Book 479, page 44
 - 3) Patterson corrects certain "misstatements of Kelleher": Book 479, page 53
 - 4) Murray-HMJr conversation: Book 479, page 139
 - 5) Keller (Chrysler) gets 73,000 truck order: Book 480, page 63
- h) UAW-CIO conversion and reemployment program: Book 480, page 44
 - 1) Conference with Murray, Reuther, Pressman, and White - 12/30/41: Book 480, page 42
- i) Resume' of orders for 380,000 trucks by Under Secretary of War Patterson - 1/2/42: Book 481, page 288
- j) Stories of orders as appearing in Detroit News and Times - 1/3/42: Book 481, page 394
- k) Tolan Committee recommendations - 1/6/42: Book 483, page 292
 - 1) Patterson (Under Secretary of War) report on contracts - 1/12/42: Book 485, page 304

White, Harry D.

See Appointments and Resignations

Washington, D.C.,
December 25th, 1941.

Dear Mr. Morgenthau,

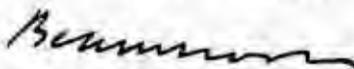
Thank you so much for the beautiful album of records which you have sent me.

I cannot imagine how you know my taste in these things.

But in fact the records are just what I seek for in life. And here I find it, reaching me from you.

May I thank you once more then, and offer you my confident hope and expectation that we may rejoice together in a new year marked by arduous labours and crowned by splendid victory.

Yours sincerely,



Mr. Henry Morgenthau,
2434 Belmont Road,
Washington, D.C.

RESTRICTED

G-2/2657-220; No. 580

M.I.D., W.D.

11:00 A.W., December 26, 1941.

SITUATION REPORTI. Pacific Theater.

Philippines: Enemy forces have probably landed near Batangas, 60 miles south of Manila. The general situation is apparently the same, with heavy fighting continuing in all sectors, particularly in the north-west part of Luzon. The press reports widespread air raids yesterday. Hawaii: There has been no new enemy activity. Hong Kong: According to the press, Japanese Imperial Headquarters at Tokyo announced today that the British Hong Kong garrison had surrendered and that hostilities ceased at 19:30 g.s.t. Malaya: British defense line along Perak River is now in contact with the enemy. The situation in the east is obscure. Wake Island: The Navy announced that Wake probably has fallen. West Coast: Continued hostile submarine activity is reported.

II. Eastern Theater.

Ground: There is an increase in German resistance to continuing Russian attacks. No important changes in front.

Air: Fighters and bombers operating in central and northern sectors raided troop concentrations, and numerous Russian transport columns east of Tikhvin were heavily damaged. On the other hand, Russian press announces a lull in aerial activities due to weather conditions and heavy German aircraft losses.

III. Western Theater.

No further reports have been received.

IV. Middle East Theater.

Ground: British Imperial Forces have captured Bengasi. There is an unconfirmed report that Indian troops have taken Barca. British are continuing their attacks on Bardia and other frontier garrisons which are still in Axis hands.

Air: British aircraft are operating against the retreating Axis forces in western Cyrenaica. German High Command states that German bombers raided Malta yesterday seeking German hits on harbor facilities at Valetta. German air units also attacked British armored corps in Cyrenaica and British aircraft on the ground.

RESTRICTED

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 26, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$150,000,000, or thereabouts, of 76-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 31, 1941, and will mature March 17, 1942, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, December 29, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept

or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 31, 1941, provided, however, any qualified depository will be permitted to make payment by credit for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its District.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

December 26, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Gaston
Mr. Thompson
Mr. Blough
Mr. Schwarz
Mr. Graves
Mr. Kuhn
Mr. Morris
Mr. Haas
Mr. White
Mr. Bell
Mr. Cairns
Mr. Paul
Mrs. Klotz

H.M.JR: Who else gets these reports on the production and delivery of bonds?

MR. BELL: I get them.

(Mr. Paul entered the conference.)

H.M.JR: Sit down, Randolph. Since I have seen this article in Time I am scared of you. I didn't know you were that good.

MR. PAUL: That was what frightened me, what they might have said.

H.M.JR: I hope everybody had a nice day yesterday. I had the pleasure of sitting opposite Mr. Churchill last night and watching him for two hours. Ferdie, I suppose you know, he has a distinct impediment, hasn't he?

MR. KUHN: A lisp.

H.M.JR: Yes, a distinct impediment, and I have never seen a man - he is almost a Sir Frederick Phillips. I mean, he would say practically nothing because he just wasn't

having a good time.

MR. KUHN: No, when he is not having a good time he is disagreeable. When he has got an audience and feels that he can scintillate a little bit he is wonderful.

H.M.JR: Well, he wasn't wonderful. He couldn't have been --

MR. KUHN: Were there a lot of people there?

H.M.JR: Yes.

MR. KUHN: That is probably it.

H.M.JR: Another Toscannini.

MRS. KLOTZ: Stokowski.

H.M.JR: Genevieve Herrick, who sat next to me, said she had never seen a man who has been through what he has been through - he shows none of it in his face. You see him on one side of Mrs. Roosevelt and Beaverbrook on the other, and Beaverbrook's face is a map of his life, but on Churchill's face there is absolutely no --

MR. KUHN: It is very flabby, isn't it?

H.M.JR: No, he looked in good condition. He wasn't flabby. Literally in the pink of health. He looked pink.

MR. BELL: He has a rather boyish face.

H.M.JR: Yes, but no flabbiness on the face.

MR. WHITE: That is what liquor does to a man. He drinks a lot.

MR. PAUL: Does he talk like he sounds on the radio?

H.M.JR: I haven't heard him. What do you mean?

MR. PAUL: Is there that same rather husky quality in

having a good time.

MR. KUHN: No, when he is not having a good time he is disagreeable. When he has got an audience and feels that he can scintillate a little bit he is wonderful.

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H.M.JR: I haven't heard him. What do you mean?

MR. PAUL: Is there that same rather husky quality in

his voice that he has on the radio?

H.M.JR: No, but I was amazed to hear it - no, it was rather soft, but there was a distinct lisp. I didn't know he had it.

MRS. KLOTZ: Does he drink a lot?

MR. KUHN: Always.

MR. WHITE: Oh yes, he is a heavy drinker, but it will get him in the end if he lives long enough.

MR. KUHN: Brandy, isn't it, Harry? (Laughter)

MR. HAAS: That is normal English drinking.

MR. WHITE: I don't know what he drinks, but it is not Coca Cola.

H.M.JR: Is it brandy?

MR. KUHN: I think it is brandy.

H.M.JR: Well, he didn't drink too much last night. It was very funny. He asked three times to be excused after dinner so, he says, "I can prepare those impromptu remarks for tomorrow." It was interesting.

MR. KUHN: He sometimes prepares them in front of a mirror, too.

H.M.JR: With a lisp he might very well do that. There seemed to be great regret - General Dill has always insisted that everybody who reaches sixty must retire. He reached sixty yesterday and he imposed the same rule on himself. The other thing that surprised me, both the remarks that Dill and Churchill made, they seemed very sensitive about the fact that they haven't had any military successes. I sat next to Churchill. After supper I sat next to him all through the movie, so I had - and his remarks - for instance, when they showed pictures of Libya, he said, "Oh, that is

good. We have got to show the people that we can win."

And Dill is very sensitive about Greece and Crete, that it was a mistake; he didn't think they should have gone in, but they did hold up the Germans and gave the Russians more chance. Beaverbrook, on the other hand, is very cocky. It was embarrassing, what he said to me at the house. He came to see us. Well, I am just quoting him. He said that the President and I were the only friends they had right along. Now when they have plenty of friends they didn't need them.

The other thing that Beaverbrook and Churchill said, evidently they repeated the remark I was supposed to have made here, because both of them said, "The one thing that we will never forget, when we didn't have a penny to our name you said, 'the English have got lots of money.' That is a by-word in England. The fact that you said, 'Oh, don't worry about the English; they have got lots of money.'" And both Beaverbrook and Churchill said both the same thing. They said that is a by-word.

Beaverbrook had a funny experience. He went to our old house, although the people out here gave him a new address. He said, "I came to the door and this man opened the door and he seemed to know me and he greeted me by name and said, 'Won't you come in and sit down?'" And then he said a woman came in and talked, and after fifteen minutes she finally had to catch her breath. "I said, 'well, where is Mr. Morgenthau?' She said, 'Oh, Mr. Morgenthau doesn't live here.'" (Laughter) And it was Macneil of Barra, and he just was chuckling.

Last night he said the same thing. He said, "That is one of the funniest experiences I have had. That woman sure could talk." But imagine bringing a man in and asking him to sit down in your house.

MRS. KLOTZ: She would.

H.M.JR: He said, "Sometime I will tell you what she said." But Beaverbrook, with tears in his eyes when he came in and when he left, thanked me for what I had done, in no

uncertain terms. Does he get emotional like that?

MR. KUHN: I don't know.

H.M.JR: Well, he had tears in his eyes. He really was quite emotional about it. I thought you people might like to know. It is quite interesting.

MR. THOMPSON: I have a few personnel cases I would like to go over with you.

H.M.JR: I have no appointments. I was going up on the Hill with Harry White this morning, but I got word we are not due up there until 11:30.

MR. THOMPSON: All right.

H.M.JR: You can stay afterward. Mr. Bell? Bell, did Harry Byrd announce the thing?

MR. BELL: No, he didn't. I called him down at his place in Virginia.

H.M.JR: Did you speak to him?

MR. BELL: I spoke to him about it. He said, "I am sorry, it is out." He put it out before he left. We didn't get it until long after it had been given to the press.

H.M.JR: Is it out?

MR. BELL: No, the report is out. They put it in the paper this morning. But that part you wanted out isn't out. He said, "I am very sorry and I will do everything to correct it." He said to tell you not to worry, that he would see that something was done on that end. There were two things in there. Another was that they lauded you, and the committee was very grateful for all you had done, and you have to sign the report. I think that is very good.

H.M.JR: Is that in?

MR. BELL: That is in, yes.

H.M.JR: Good. I thought you were going to tell me you struck it out.

MR. BELL: I was going to strike it out. I didn't think you wanted to put your signature to it, but it is out and I don't think there is anything you can do about it.

H.M.JR: If anybody calls any of you up and begins to criticize me on the NYA and CCC, tell them to read my original report and send a copy to them, because there is no difference - what the committee did on NYA and CCC and all those was an original report. As to Agriculture, if anybody asks you, the reason I didn't sign it was that I wouldn't go along with the recommendations. They cut ~~everything~~ that was socially any good and they kept everything that had anything to do with keeping prices up. Isn't that about right? That is the way they divided it up. I feel it is up to the Secretary of Agriculture to decide where he can cut. As to the WPA thing, I don't have to apologize for that.

MR. WHITE: They mentioned the Farm Security which, in your speech, is definitely excluded.

H.M.JR: Well, what I did, Harry, I said the Secretary of Agriculture should find ways to cut five hundred million out of the billion two. As to those agencies which get their money through borrowing, and that includes Farm Security, doesn't it, Dan--

MR. BELL: Yes.

H.M.JR: ..I said the committee should make further studies. Is that right?

MR. BELL: Yes, and your letter will be quoted in full in the report.

H.M.JR: It is in the Tribune.

MR. KUHN: The Tribune has it in full, and also Harold Smith's letter.

H.M.JR: I don't think there is anything I have to apologize for. I gather from a little inside dope that some of the NYA people, Aubrey Williams, knew what was coming, and already is on Mrs. Roosevelt's trail. I sent Mrs. Roosevelt a copy of my original report and she read it and acknowledged it, so there is nothing different. If I had not been up there the entire WPA thing would have been thrown out. Dan? And I recommend everybody read Mr. Friendly's article today on the first page of the Washington Post on the Ministry of Supply. It leaves nothing unsaid.

MR. THOMPSON: It is good.

MR. BELL: On October 30th the President sent you Harold Smith's memorandum of October 29th entitled, "The Urgency of Anti-Inflationary Measures at this Time." You turned it over to Harry and there was a question as to whether we should answer it. I think it was intended at that time to sort of jar loose from the Treasury the Social Security report.

H.M.JR: Yes. What was the date of the President's?

MR. BELL: October 30th.

H.M.JR: I would forget about it.

MR. BELL: That is what I wanted to suggest. I think subsequent events makes it unnecessary to answer that.

H.M.JR: I would forget about it.

MR. BELL: Here is a cable that just came in. I don't know what it means. I don't know whether Harry knows anything about it.

H.M.JR: "Manila clearing house takes it of utmost importance that the President take immediate action in protecting bank reserves."

MR. WHITE: We haven't had any word, to my knowledge, about that. Is this in answer to your cable you sent Thursday night?

MR. BELL: I think this is separate.

MR. WHITE: They wouldn't call that bank reserves, so it must be separate. We will have to look it up.

H.M.JR: Could --

MR. BELL: I take it they may be having some runs on the banks down there.

H.M.JR: How about having - if they could get - how about having - so we do something - let Preston Delano try to get through on the telephone. Don't you think so?

MR. BELL: To his bank examiners there?

MR. WHITE: We also work there through the Interior Department because they are in charge.

H.M.JR: Don't you think to get quick action the thing to do would be to turn this thing over to Preston Delano?

MR. BELL: Preston might be able to get through to the bank examiner on foreign funds and he could look into it and see what it is. I have an idea that they want some money to protect themselves against runs. They have no way of getting the securities over here.

H.M.JR: May I suggest that immediately this is over you and Harry send for Preston Delano.

MR. BELL: Yes, and it might be connected up with the balances we have here and that gold reserve.

MR. WHITE: Might be.

H.M.JR: Well, I would like to know about it.

MR. BELL: All right. It isn't clear.

- 9 -

H.M.JR: Will you do it just as soon as you leve?

MR. BELL: Yes, sir.

H.M.JR: Anything else?

MR. BELL: That is all.

H.M.JR: Harry?

MR. WHITE: Arrangements were completed night before last - Dan Bell signed a rather lengthy telegram - giving instructions to the Philippine authorities under which conditions to destroy the currency. That is, they were to destroy it at once but indicating what witnesses, et cetera, would be present. You may want a few minutes before that meeting--

H.M.JR: Do you think I ought to go to that meeting?

MR. WHITE: Well, they called it very important, but as I look over what they say they are going--

H.M.JR: I have got to go on the Hill anyway.

MR. WHITE: You are going to be there an hour later so I think you might be there.

H.M.JR: Want to go up with me? You are my alternate, aren't you?

MR. WHITE: It isn't necessary, and I don't know what the procedure is. It isn't necessary.

H.M.JR: Where is the meeting?

MR. WHITE: It has been in the Vice President's office hitherto. I presume it is in the same place. Yes, in his office in the Capitol Building.

H.M.JR: Anything else, Harry?

- 10 -

MR. WHITE: That is all.

H.M.JR: Chick?

MR. SCHWARZ: I have nothing.

H.M.JR: George?

George, how are you coming along now with your statistics on payroll deduction?

MR. HAAS: We have got all the preliminary work done and set together. We plan to get the reports from those companies which the state administrators had reported to us, but how good the report is depends upon how rapidly they report. Harold would know how fast they will come in. That is the key to the whole thing.

MR. GRAVES: I think within a couple of weeks we will have a pretty substantial list of companies that we can begin on and that list will grow every day by the addition of new companies reporting.

H.M.JR: Well, Harold, what I would like to have from you, if you could tell somebody, I would like to have it tonight, I would like to have a special report on Defense Savings Bonds, on what they are doing on payroll deduction in Washington and in the field, see. How many people - I mean, I would like a fairly detailed report.

MR. GRAVES: You mean on what steps are being taken, that is what you mean, not just--

H.M.JR: I am not interested - I mean, what are you doing on payroll deduction?

MR. GRAVES: Yes, sir.

H.M.JR: Who is in charge, who do you look to in Washington--

MR. GRAVES: You are asking me now that question?

H.M.JR: No, in the report. In other words, I want to be brought up to date. I take it you have a section on that.

MR. GRAVES: Yes, we do.

H.M.JR: Who handles the companies and who handles labor?

MR. GRAVES: Yes, I will have it.

H.M.JR: Roy?

MR. BLOUGH: Nothing this morning.

H.M.JR: Ferdie?

MR. KUHN: Mr. Secretary, beginning next week Archibald MacLeish will be sending out the Allan Barth reports with his card instead of yours if that is all right with you and this week I would like to put a little note to all the people that you have been sending it to that it will come out beginning with the new year from Archibald MacLeish, but they will be the same in every other respect, to the same list and all.

H.M.JR: Who will pay Barth?

MR. KUHN: Barth is in process of being transferred to their payroll, but they can't get that fixed immediately.

H.M.JR: Has he decided to go over there?

MR. KUHN: Yes.

H.M.JR: Because he hasn't sent that word to me.

MR. KUHN: Oh, I see.

H.M.JR: He was to let me know before the first of January.

MR. KUHN: I will see that he does that.

H.M.JR: All right.

MR. KUHN: But--

H.M.JR: That is all right.

MR. KUHN: Will that arrangement be all right with you, a little note to be attached to these reports over my signature or yours, whichever you--

H.M.JR: Yours.

MR. KUHN: All right.

H.M.JR: Now, I sent you a letter from Walter Toscanini to me which I don't think has been answered.

MR. KUHN: Tarleau was investigating that, trying to find out what it was all about.

H.M.JR: No, no, where he was talking about additional concerts.

MR. KUHN: No, that I haven't seen.

H.M.JR: Oh, yes.

MR. KUHN: At the end of it was something about--

H.M.JR: His father would like to give us open dates.

MR. KUHN: Oh, I didn't know that.

H.M.JR: It came to me, from Walter Toscanini.

MRS. KLOTZ: Last week?

H.M.JR: Oh, it is at least a week.

MR. KUHN: There was one letter about a week ago

- 13 -

from Walter Toscanini which ended with a lot of business about the Banco di Napoli.

H.M.JR: In that thing, though, in that same letter, he says, "My father has the following open dates that he would like to play for you."

MR. KUHN: I will look it up.

H.M.JR: That is the letter, and he said here on such-and-such a date. And it hasn't been - it ought to be answered.

MR. KUHN: I didn't remember that part of the letter.

H.M.JR: Well, that is the important part. I asked that the answer be prepared for my signature.

MR. KUHN: I will do it this morning.

H.M.JR: Harold?

I read this joint memorandum that you people wrote on the two and a half percent interest rate, but I only read it after last night. I thought you might like to know that. So that maybe explains why I wasn't - it took so long to convince me, because I only read your memorandum last night. It was a very good memorandum.

Did you have anything, Dave?

MR. MORRIS: No, sir.

H.M.JR: Herbert?

MR. GASTON: I suppose you get a clearance on that organization of unions, the Union for Democratic Action, that meeting, that you have no objection to my making that speech.

H.M.JR: No.

MR. GASTON: I assume that I will get a clearance

- 14 -

because it is a delegate meeting of labor unions.

H.M.JR: Sure.

MR. GRAVES: Are you going to talk about bonds, Herbert?

MR. GASTON: They asked for a talk about - I thought I would talk about inflation and production and democratic action and so on.

H.M.JR: Randolph?

Excuse me, are you through, Herbert?

MR. GASTON: Yes, I am through.

MR. PAUL: Well, I am getting back to the tax program now. Dick Gilbert is coming over this morning to present OPA views and so on, and I am seeing him this morning.

H.M.JR: Is he - what is his background?

MR. WHITE: I can tell you.

MR. PAUL: Pardon me, Harry probably can tell you.

MR. WHITE: I know him quite well. We were together in his early years at Harvard. He was there for about twelve years, I think, and he - then he worked for me one summer. He went back to Harvard and then came here, I think, with the Department of Commerce for a very brief stay, and then went to Leon Henderson. He is a very competent fellow.

MR. PAUL: Was that Harvard or Harvard Business School.

MR. WHITE: Harvard, and then he also taught, I think, at Fletcher School, which is attached to Harvard. He is a good economist.

- 15 -

H.M.JR: I thought you were going to do some ground work, spade work, with the Bureau of the Budget.

MR. PAUL: Well, I had a long conference with them day-before-yesterday, and I am a little bit uncertain as to whether I should contact them until after you have seen Mr. Smith.

H.M.JR: You mean Wednesday?

MR. BLOUGH: Tuesday.

MR. PAUL: Tuesday, yes. Tuesday afternoon I had a long conference with three men sent over by Smith, Colm - Jones was the head of the delegation, and Colm and Loeffler. I told them in that conference - I didn't show them anything, but I went right through their budget message and told more or less what we thought about this and that item.

MR. BELL: But you did not go over the draft?

MR. PAUL: I didn't show them our draft, of course. I went over their draft. I carefully put away our draft in the desk drawer before they came in the room.

H.M.JR: What do you think we ought to do, Dan?

MR. BELL: I don't think we need to do anything until we hear from the Budget.

MR. PAUL: I have a feeling that you first should have a conference with Mr. Smith before I do anything.

H.M.JR: Well, I am just raising it.

MR. PAUL: Unless they call me up. Then I suppose I can't refuse to see them.

MR. BELL: I would question that unless Smith calls up the Secretary for a conference, because I don't believe he will go over this draft in detail. He will

turn it over to the people who have seen you.

MR. PAUL: They told me they are the three men who worked on it.

MR. BELL: They will want a conference with you, and I should think I would let it go on that basis if that is what they ask for.

H.M.JR: You would wait until we hear from them?

MR. BELL: Yes. I think they will ask for a conference with Randolph.

MR. PAUL: If they asked for one, I should certainly have one.

MR. BELL: Sure.

H.M.JR: And pending that, you are going to begin to develop a tax program?

MR. PAUL: Yes, but I have to hear the ideas of OPA this morning.

H.M.JR: All right.

MR. PAUL: That was Gilbert's suggestion. He said Leon wanted it done.

H.M.JR: Mrs. Klotz, there is somewhere around a letter from the Vice President in which he sent me a copy of a memorandum from Ezekiel.

MR. WHITE: I have it, and am drafting an answer to it.

H.M.JR: I asked you to answer it for me, and you didn't prepare any answer.

MR. WHITE: I think you gave it to me the day before Christmas, and I think the answer is ready.

H.M.JR: A while before. I think we will have to prepare our own answers now.

MR. WHITE: I will look up the date. I may be wrong.

H.M.JR: Anyway, I am going up - Mrs. Klotz, I want to thank him for that and say in confidence, in strictest confidence, I am enclosing herewith a copy of a draft for the budget message which I have sent the President.

MR. WHITE: He has already received one through Milo Perkins.

H.M.JR: How could he when we called them all in?

MR. BELL: Not the latest one, Harry.

MR. WHITE: There are some slight changes but the night before the final draft--

H.M.JR: Bean was here representing him.

MR. WHITE: You remember we were going to get in touch with Milo Perkins?

H.M.JR: Yes.

MR. WHITE: And sent him a draft that very morning. That was the day before Christmas morning, and I asked Milo Perkins to get in touch with the Vice President because I knew the Vice President would be interested in it and that you wanted the Vice President to see it.

H.M.JR: So that went up?

MR. WHITE: So far as I know. He said he would take it up at the first moment he saw him.

H.M.JR: Is there any other draft went out except that?

MR. WHITE: That is the only one I sent.

H.M.JR: Anybody else sent one out?

MR. PAUL: I think he ought to get the latest draft until we change it.

H.M.JR: When you go back to your office, send in the Vice President's letter to Mrs. Klotz.

MR. WHITE: Yes, there is a draft, I am sure, an answer all right.

H.M.JR: Well, whatever you have got, send it in.

MR. WHITE: With the date when I received it.

H.M.JR: We will have to get better service on that. This is not on you, it is Chauncey.

MRS. KLOTZ: I don't know who it is on, but there is something wrong with the system.

MR. BELL: The budget message has kind of clogged up things in the last six days.

H.M.JR: O.K.

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

December 26, 1941

MEMORANDUM FOR THE FILES

Mr. Heffelfinger brought the attached report to my attention on Wednesday, December 24, about noon, pointing out that the last paragraph under Item No. 4 on page 6, regarding publicity activities, was still in this draft report in spite of the fact that Senator Byrd had promised the Secretary in a previous telephone conversation, which was recorded, that he would eliminate this paragraph from the report. Mr. Heffelfinger also called attention to the paragraph on page 9 in which the Committee expresses its appreciation for the cooperation received from the Secretary of the Treasury.

I told Mr. Heffelfinger to get in touch with Senator Byrd's office immediately, asking them to eliminate the publicity paragraph in accordance with Senator Byrd's promise, and that I thought the other paragraph concerning the Secretary might well come out in view of the fact that the Secretary was signing the report. Mr. Heffelfinger was unable to get anybody on Senator Byrd's telephone. He reported this to me, immediately after which I got in touch with the Information operator at the Capital and was advised that I could probably get Senator Byrd at Berryville. In calling his home at Berryville early in the afternoon we found that he was out hunting and would not be back until six o'clock. I left a message for him to call me as soon as he returned.

The Senator called me about 6:30 and when I asked him about his promise to eliminate that paragraph, he said he had gotten from Heywood Bell the information that the Treasury did not feel very strongly about this paragraph. (In talking to Mr. Heffelfinger again about the matter, he said he told Heywood Bell that that paragraph need not be discussed by them in going over the report as the Senator had definitely promised that it would be eliminated.) Anyway, the Senator said the report had been released to the press and there was nothing we could do about it at that late hour. He asked me to say to the Secretary that he regretted this very much as the Secretary had cooperated so completely with him and he would not want to do anything the Secretary did not want done; that it would require legislation to eliminate the bureau and if such legislation is proposed he would do everything in his power to see that the Secretary's position

FOR DEFENSE



BUY
UNITED
STATES
BOND

- 2 -

is made clear; and that further he would do everything to see that the Treasury's publicity activities connected with the Savings Bond program would not be molested.

I reported this to the Secretary this morning at his nine-thirty staff meeting.

swfB

Report to: The President of the United States;

The Vice President of the United States, President of the Senate;

The Speaker of the House of Representatives.

In accordance with Title 6 of the Revenue Act of 1941, Public Law No. 290, 77th Congress, a preliminary report herewith is presented by the Joint Committee on Reduction of Non-Essential Federal Expenditures.

LEGISLATIVE AUTHORITY

This Committee was established pursuant to Title 6 of the Revenue Act of 1941, approved September 20, 1941, which directed it to "make a full and complete study and investigation of all expenditures of the Federal Government, with a view to recommending the elimination or reduction of all such expenditures deemed by the Committee to be non-essential, and to report to the President and to the Congress the results of its study, together with its recommendations, at the earliest practicable date."

PROCEDURE

The Committee has had the benefit of the testimony of the Secretary of the Treasury, a member of the Committee, the Secretary of Agriculture, and various other officials of the Government regarding the possibility of specific savings in existing departments and agencies. It has had before it for study the report of the Director of the Bureau of the Budget, also a member of the Committee, submitted in response to the request of August 28, 1941, from the Senate Finance Committee, as well as other data submitted directly to this Committee by the Budget Bureau. The Committee has received also suggestions of economies from civic agencies, taxpayers' clubs, and private citizens. It has collected, in addition, evidence from its own sources and it has devoted considerable time to a survey of the problems. This report is made on the basis of all the information thus collected.

INITIAL REPORT

Directed to report to the President and to the Congress "at the earliest possible date," the Committee considers it highly desirable to present now a preliminary report. The Committee emphasizes that this report is only its first, and that other departments, agencies, funds, programs, and items will be examined by the Committee and treated in subsequent reports.

This is only a partial report. While the Committee has worked diligently since its organization, the magnitude of the labor involved as well as the vital legislative matters before Congress in recent weeks have prevented due consideration to further reductions and eliminations, which will be reported on later. Subjects considered in this report are limited largely to those established originally as depression measures.

The Committee believes that in view of the improved economic situation and the vital new war conditions the agencies of Government and the members of Congress should have at the earliest practicable time the benefit of conclusions thus far reached by the Committee, and any possible economies which now can be effected should not be deferred.

Before the war, economy in non-essential spending was important. Now it is vital. There is no room for non-essentials in a government stripped for action. Our united purpose is to produce sufficient armament and trained personnel to win this war. Nothing can be permitted to interfere with this objective. The American people are being asked to pay extremely burdensome taxes which will become greater; they are being asked to make great sacrifice and endure hardships. The government should set the example.

The United States Treasury is facing the tremendous task of financing the war. We must decrease its difficulties, not increase them. All non-essential spending must yield to the needs of our defense program.

Strenuous efforts are being made to prevent serious price inflation. To continue consumer subsidies created during depression years without urgent necessity will pour fuel on a disastrous inflation fire.

The Committee believes substantial reduction in non-essential spending would be of material aid in holding down inflationary price increases.

We shall have to draw on all our resources and accumulated wealth, as well as manpower to fight a long war. In addition to equipping our own armed forces and establishing at home our own defenses, we have undertaken to furnish military supplies of every description to all nations fighting the forces of aggression. We must continue this without stint. But it is a colossal obligation.

FEDERAL DEBT

We started this war with a direct Federal indebtedness of about 55 billion dollars.

Today the ultimate cost of the war is unpredictable, but to date we have appropriated and authorized 75 billion dollars for national defense. This is only the beginning. Every dollar now added to the public debt without imperative defense need makes it more difficult for America to meet post-war period problems in both domestic economy and foreign trade.

In this titanic world struggle with totalitarian forces, democracies must not only conquer; they must preserve their democratic system. That means the preservation of solvent government. National solvency — difficult in this emergency and so essential to the preservation of the democratic system — is of no necessary concern to totalitarian governments.

Necessary expenditure of billions for national defense has changed abruptly the reasons and advisability for continuing certain agencies, services and functions of government.

Amounts expended for defense soon will be so large as to obviate much of the necessity for spending in relief and other items for which the Committee recommends elimination or reduction.

Judged by national income, estimated at 105 billion dollars, 1942 will be the most prosperous year in American history. This may be compared with the national income of approximately 82 billion dollars in 1929. That is one reason to believe that much of the relief expenditure continued from the so-called depression years now can be eliminated. Continuation of public works and some other types of projects during the war emergency would require diversion of vital manpower and materials from defense to non-defense projects.

The Federal Government alone must pay the cost of national defense. For years the Federal Government has been carrying a heavy load of state and local responsibilities. The Committee believes that during this emergency the states and localities should reassume, where necessary, responsibilities historically theirs.

THE FUTURE PROGRAM

In general, the Committee will continue its investigation as follows:

1. It will continue its examination of all Federal expenditures to determine where further curtailment or elimination of expenditures can be made, in the light of defense needs, increasing industrial production and employment, and other factors.
2. It will examine further and in detail the activities of the departments and agencies of the Federal Government to determine whether all functions performed by departments and agencies are essential under existing conditions, whether duplications and corresponding functions can be consolidated, and the extent to which contraction can be substituted for expansion.
3. It will scrutinize government-owned corporations to determine whether present loan policies are advisable in view of changed conditions, whether loans are being made efficiently, with proper regard to security, repayment and other terms, and whether salaries and expenses of such corporations are reasonable.
4. It will examine purchasing, classification, salaries, transportation, publicity and other items of expense and practices to determine whether they are being administered in an economical manner.
5. It will review all permanent agencies in an effort to determine the necessity and the efficiency of their administration and the advisability of more effective controls.
6. It will review defense expenditures and make recommendations for the elimination of waste and inefficiency in administration.

The Committee's views on these subjects and possibly others will be embodied in subsequent reports.

RECOMMENDATIONS

1. NEW ADVENTURES

The Committee recommends that no new adventures or commitments in public works or costly government programs be undertaken during the period of the war emergency, except those imperatively necessary to national defense.

The Committee cautions against the futility of retrenching in existing non-essential spending and subsequently appropriating for programs or projects that could be deferred until after the emergency.

2. CIVILIAN CONSERVATION CORPS, NATIONAL YOUTH ADMINISTRATION,
OFFICE OF EDUCATION, WORK PROJECTS ADMINISTRATION.

The Committee recommends that the Civilian Conservation Corps, the National Youth Administration, and the national defense training activities of the Office of Education be abolished, effective as soon as possible and not later than July 1, 1942, and that there be established in some suitable agency facilities for training persons for work in defense occupations; this activity to be limited strictly to national defense work and confined to those fields and to numbers to be certified by the Secretary of War and the Secretary of the Navy as necessary for that purpose; also that there be merged in this new program any necessary part of defense training now under the Work Projects Administration as shall be certified by the Secretary of War or the Secretary of the Navy as necessary to national defense; and further that all portions of previously appropriated funds for these agencies now held in reserve by direction of the Bureau of the Budget (totaling 132 million) be covered into the Treasury.

3. WORK PROJECTS ADMINISTRATION.

The Committee recommends that there be appropriated to the Work Projects Administration the sum of not more than \$50,000,000 per month for three months beginning July 1, 1942. Any work now being carried on by the Work Projects Administration for account of national defense after July 1, 1942, should be carried on under the direction of the War and Navy Departments and the amount here recommended for the Work Projects Administration reduced accordingly.

The Committee believes that with defense expenditures constantly increasing, Work Projects Administration appropriations should be on a quarterly basis beginning July 1, 1942, and that as employment increases the quarterly appropriations should be reduced accordingly.

4. CIVIL DEPARTMENTS.

The Committee recommends that every possible retrenchment be made in the administrative costs of the Civil Departments and agencies. There has not been sufficient time for the Committee to investigate fully these administrative costs. This will be done as promptly as possible.

The Budget Bureau report before this Committee estimates that under a plan to reduce Federal non-defense spending 1 1/2 billion dollars, the allotted reduction in regular appropriations to civil departments and agencies would be \$100,000,000. This would reduce total appropriations from \$830,000,000 for civil departments to \$730,000,000.

The cost of publicity activities in the civil departments and agencies is estimated by the Bureau of the Budget to be at least \$30,000,000, and should be carefully reviewed for reductions and eliminations.

5. AGRICULTURE

The Committee at this time considered in detail expenditures by the Department of Agriculture, among the regular departments, because of the large programs and far-reaching activities established within and transferred to that Department during the depression period. The Committee based its study on material furnished by the Secretary of Agriculture, the Bureau of the Budget and its agricultural examiners, and by Department officials who work with the programs and activities. This study will be continued and as a partial report the Committee now recommends:

(a) Elimination of all land purchases by the Department of Agriculture during the period of the emergency.

(b) Review of administrative costs of the Department of Agriculture and elimination of all unnecessary overhead, and especially the wages and overhead incident to the employment of nearly 100,000 AAA committeemen.

(c) Reduction of \$100,000,000 in the appropriation for Exportation and Domestic Consumption of Agricultural Commodities program.

(d) That rates and premiums of the Federal Crop Insurance Corporation be made actuarially sound in a manner to carry losses and that the corporation be made self-supporting.

(e) Abolition of the Farm Tenant program with an annual administrative cost of \$7,122,570 and authorization to borrow \$50,000,000.

(f) Abolition of the Farm Security Administration with \$70,500,000 in direct appropriation and authority to borrow \$120,000,000; its national defense activities, to the extent that they are necessary, to be transferred to some more suitable agency.

(g) Deferment of Rural Electrification expansion to the extent that it conflicts with national defense priorities on materials.

6. FEDERAL HIGHWAYS AND PUBLIC WORKS.

The Committee recommends that during the emergency one half of the Federal highway appropriations and authorizations be deferred, at a saving of \$64,000,000.

The Committee believes all appropriations and authorizations for all public works, including Federal dams, flood control, reclamation projects and public buildings not directly essential to national defense should be deferred until after the emergency.

Such appropriations and authorizations, including highway funds, total approximately 160 million dollars. These items immediately should be reviewed carefully.

7. RESERVES IMPOUNDED.

The Committee recommends that all funds impounded by the Bureau of the Budget from previous appropriations and held in reserve now be covered back into the Treasury.

The Committee recommends that legislation be enacted which would authorize the Director of the Budget to set up reserves out of any future appropriation, at such times and in such amounts as the Director may determine.

8. GOVERNMENT CORPORATIONS.

The Government, more and more, is relying upon the 30 odd Federal corporations for financing both defense and non-defense operations. Most of the funds thus used, amounting to many billion dollars, are not subject now to the usual budgetary and audit control, nor does Congress have control over disbursement of funds through these corporations, except in blanket authorizations. Receipts derived from collections on loans made by these corporations return to their credit. They are subject only to control by the corporations themselves outside of any Congressional jurisdiction.

These corporations already have authorization substantially to obligate the credit of the Government. These obligations constitute an indirect Federal debt to the extent that they are guaranteed by the Federal Government and that they are not met by the institutions themselves.

In addition, if funds impounded by the Director of the Budget were covered into the Treasury by legislative action, as this Committee recommends, there would be immediate savings of \$415,890,061.

These savings specifically recommended are partial in scope and leave a field of economies in which further substantial reductions will be recommended.

In the field for future investigation by this Committee, where no recommendations are as yet made, are reductions in administrative costs of civil departments as referred to above and noted by the Director of the Bureau of the Budget in his report to the Senate Finance Committee. The Committee has lacked time for investigation into many other expenditures which are and will be under study.

The Committee is deeply grateful, especially for the cooperation of Honorable Henry Morgenthau, the Secretary of the Treasury, and Honorable Harold D. Smith, the Director of the Bureau of the Budget, as members of the Committee, and for the expert information which they have made available to the Committee. The Committee is grateful also for the cooperation of the heads and officials of the various departments in the Committee's deliberations.

This preliminary report is based upon the great amount of factual information, testimony, and other documentary evidence which will be incorporated from time to time, in additional forthcoming reports.

Harry F. Byrd, Chairman
(Member, Senate Finance Committee)

Robert L. Doughton, Vice-Chairman
(Chairman, House Committee on Ways and Means)

Henry Morgenthau
(Secretary of the Treasury)
(Subject to qualifications as stated in his letter,
which is attached.)

Carter Glass
(Chairman, Senate Committee on Appropriations)

Walter F. George
(Chairman, Senate Committee on Finance)
(See attached comment)

Kenneth McKellar
(Democratic ranking member, Senate Appropriations Committee)

Clifton A. Woodrum
(Democratic ranking member, House Appropriations Committee)

Thomas H. Cullen
(Democratic ranking member, House Ways and Means Committee)

Allen H. Treadway
(Republican ranking member, House Ways and Means Committee)

John H. Taber
(Republican ranking member, House Committee on Appropriations)

Gerald P. Nye
(Ranking Republican member, Senate Committee on Appropriations, approves Recommendations 1, 2, 3, 4, 6, 7, 8, but makes exception to Recommendation 5.) (See attached comment.)

Senator George's comment:

"In my opinion the defense activities of the NYA and educational activities relating strictly to defense activities in the Bureau of Education should be continued in the agencies respectively unless a substantial saving could be made by combining the two."

Senator Nye's exception:

"I take exception respecting recommendation No. 5, relating to reductions in the Department of Agriculture.

"While I am confident that large savings can be accomplished in that Department, I am not ready to recommend just where and in what amount the savings shall be undertaken, without chance for searching study of the subject of effect in each recommended reduction.

"We must keep agriculture strong and ready for the adjustment that must follow the war. When we let agriculture down during and after the last war, we contributed largely to the economic breakdown which finally encompassed the whole country. We must not repeat that experience."

Congressman Clarence Cannon, Chairman of the House Appropriations Committee participated actively in the preparation of the report, and was unexpectedly called home. The opportunity was not available to present the report to him for signature.

The Secretary of the Treasury
Washington

December 22, 1941

My dear Senator:

I am willing to sign the report of the Joint Committee on Reduction of Non-essential Federal Expenditures subject, however, to my disagreement with the recommendations under "Agriculture." I disagree with the recommendations with respect to "Agriculture" and in lieu of the recommendations contained in the Committee's report, I desire to suggest the following:

"When I appeared before the Committee on November 14, I stated that expenditures included in the Budget under the farm program which was initiated in 1933, after the catastrophic fall in prices in 1932, were designed mainly to meet conditions involving low prices for farm products, surplus production and loss of export markets. Present conditions are radically different from those which the farm program was designed to meet. It is estimated that in 1941 the farmer's

30 -

share of the national income will be 20 per cent greater than in 1932, notwithstanding a reduction of almost 10 per cent in the proportion of the farm population to the total population of the country. Although governmental aid was necessary in order to bring the farmer's net income from three and one-quarter billion dollars in 1932 up to eight and one-half billion dollars or more in 1941, certainly after having reached this goal there does not appear to be any reason to continue spending at the same rate. The farmer is getting his share of the total expenditures made by the Government, as the increase in his net income indicates. In addition, there are substantial benefits that will accrue to the farmer from the lend-lease program.

"In view of all these circumstances I feel at this time that we should make drastic cuts in our agricultural expenditures and I would recommend that the Secretary of Agriculture be required to operate the Agricultural program included in the Budget with an annual appropriation of \$500,000,000 less than authorized for the current fiscal year.

"With respect to that part of the Agricultural program carried on with funds borrowed from the Reconstruction Finance Corporation, I would want the Committee to make a more thorough investigation of these activities before I make any definite recommendation for reductions in the amounts available for this purpose."

"I also raise a question about the recommendation (paragraph 1 of Item No. 7, "Reserves Impounded") to cover into the Treasury all reserves set up by the Bureau of the Budget. Reserves are set up primarily to meet unforeseen contingencies and to avoid deficiencies. Many times these reserves result in large savings. It seems to me that if a general recommendation of this kind is adopted it would defeat the very purpose for which reserves are created."

Sincerely yours,

Henry Morgenthau, Jr.

Secretary of the Treasury

Honorable Harry F. Byrd,
Chairman,
Joint Committee on Reduction
of Non-essential Federal Expenditures,
United States Senate.

Executive Office of the President
Bureau of the Budget
Washington, D. C.

December 23, 1941

My dear Senator:

While I have cooperated with the Committee by making available the facilities of the Bureau of the Budget, in view of my position as head of

- 12 -

the Bureau and my official participation in the preparation of the President's forthcoming 1943 Budget to be submitted January 3rd, I obviously cannot join in a report which may contain recommendations at variance therewith.

Sincerely yours,

Harold D. Smith,
Director.

Honorable Harry F. Byrd
Chairman,
Joint Committee on Reduction
of Non-essential Federal Expenditures,
United States Senate.

December 26, 1941

Dear Mr. Toscanini:

It is wonderful to know from your letter of December 17 that your father will be glad to conduct additional concerts for the Defense Bond program. I know that such a contribution from him will be of the utmost value, and I feel that his spirit of service is a priceless asset to the country.

May I suggest that we arrange one concert in January, one in February, and one in March, in accordance with the dates mentioned in your letter? If your father is willing, we can then arrange with N. B. C. for definite dates, and I shall let you know as soon as possible.

Regarding the Banco di Napoli, your letter has been brought to the attention of the officials in the Treasury who are handling this case.

Thank you again for your generous letter and for all the good will it contained. With these thanks I send my best wishes for the New Year to you and to your father and mother.

Sincerely,

(Signed) E. S. Saranathan, Jr.

Mr. Walter Toscanini,
c/o RCA Manufacturing Company, Inc.
Camden, New Jersey.

FK/hkb
12/26/41

E. S. Saranathan
11/20 to see Mr. Saranathan
follow up

Mr. Foley --

Mr. Sherbondy talked to Mr. Rainey, the man who arranges the savings bonds programs in New York.

Mr. Rainey said that a woman ^{DeVecchi} by the name of ~~Divishi~~, (or something like that,) who has power of attorney to handle Mr. Toscanini Sr's (the conductor) business told MR. Rainey that Mr. Toscanini Sr. didn't want the Secretary to be bothered with the matter and not to pay any attention to his son's letter.

Mr. Rainey was sure it ought to be handled that way in view of this, hence the brief acknowledgment.

39

William S. Rainey
Cred 6-31-4

Margaret Derocchi
for power of attorney for
elder Toscanini
Ours for Mrs.
Toscanini

Mr. Foley --

12-20-41

40

The Secretary read this and asked that it be given to Mr. Kuhn. Mr. Kuhn thought it should go to you since it has to do with foreign funds.

Mr. Kuhn suggested that the reply not be legalistic. Miss Chauncey suggested that the reply be cleared with Mr. Kuhn.

Barnie

s



41
Kulman

RCA MANUFACTURING COMPANY, INC.
A RADIO CORPORATION OF AMERICA SUBSIDIARY
Camden, New Jersey

December 17, 1941

Mr. Henry Morgenthau
U. S. Treasury Dept.
Washington, D. C.

Dear Mr. Morgenthau:

I want to apologize for my lateness in thanking you and your wife for your kind invitation to the party, but I was hoping to see you at the second concert of my father.

I want also to tell you that my father was delighted to conduct those concerts and to have an opportunity to do something for your campaign for National Defense Savings Bonds. As I told Mr. Riney, my father will be glad, if you believe his contribution will be of some value, to conduct more concerts for your program. He already has some engagements with the Philadelphia Orchestra and the New York Philharmonic Orchestra, but he will be free the weeks of January 24 and 31, February 21 and 28, and during all the month of March 1942, as well as the week from March 29 to April 4.

It will be a double pleasure for him to meet again his NBC Orchestra and to contribute in some way to the fight for liberty.

I gave to Mr. Riney a report concerning the unfortunate situation of the Banco di Napoli, and as I told him before presenting this report to you, we got the best information about the two gentlemen who signed it. Our friend the banker, Mr. Lionello Perera, told us that both Mr. Nardoni and Mr. Montefalconi are persons of great integrity and well known to him as good American citizens and deeply convinced anti-Fascists for many years. We all hope you will be able to find a favorable solution to this matter, which is so important for the welfare of a large number of little depositors and small business men. It is not our habit to importune people and ask favors, but we felt it was our duty in this moment to recall your attention to this matter.

With my best regards,

Yours sincerely yours,
Walter Toscanini
Walter Toscanini

"G. O. R C A A L L T H E W A Y"

41-A

Mr. Secretary:

The book of cartoons and the book of advertising in business publications, referred to in the attached memorandum, are much too bulky to be sent to your house. They will be in your office tomorrow morning for your reference.

N.M. Chauncey

December 26, 1941

TO: HAROLD N. GRAVES *H*
SUBJECT: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALE OF BONDS

Actual cash receipts from the sale of E, F and G Bonds for the first twenty business days of December were \$337,948,000, an increase of 66 per cent over the same period in November. Actual sales for the corresponding number of days in November were \$203,589,000, and for the first twenty business days of October were \$201,388,000.

SPECIAL REPORTS ON SALE OF BONDS AND STAMPS

Sale of Series E Bonds in 88 representative post offices shows a continuing increase. Sales for the week of December 8 to 13 jumped 145 per cent over the week of December 1 to 6, and for the week of December 15 to 20 were 211 per cent above December 1 to 6.

Stamp sales reported from 85 post offices for the week of December 8 to 13 showed a gain of 91 per cent over December 1 to 6, while the week of December 15 to 20 showed a rise of 355 per cent over sales for the first week of this month.

12/26/41 *W*
1424

SPECIAL REPORTS ON SALE OF BONDS AND STAMPS (Continued)

Chart showing the upward trend in the sale of Series E Bonds is attached.

NEWSPAPER CARRIER REPORT

A total of 270,000 newspaper carrier boys of 823 newspapers are now selling Defense Savings Stamps to customers on their routes. So far, more than 5,000,000 stamp albums have been distributed by their Defense Savings Agents.

BOWLING TOURNEYS

With Defense Savings Bonds as prizes, bowling tournaments are now being conducted by newspapers in seventeen cities, and arrangements are under way to hold similar tournaments in eighteen other communities. The prize money, in Bonds, will run into hundreds of thousands of dollars.

Cities where Defense Bond Duck Pin Bowling tourneys are now in progress are Washington, D. C.; Richmond, Virginia; Norfolk, Virginia; Miami, Florida; Atlanta, Georgia; Columbia,

BOWLING TOURNEYS (Continued)

South Carolina; Spartanburg, South Carolina; Winston-Salem, North Carolina; Raleigh, North Carolina; Durham, North Carolina; Roanoke, Virginia; Baltimore, Maryland; Hartford, Connecticut; Woonsocket, Pawtucket and Providence, Rhode Island.

Arrangements for similar tourneys are now being completed in Lawrence, Lowell, Fall River and Taunton, Massachusetts; Burlington, Vermont; Bristol, Waterbury, New Haven, Bridgeport, New Britain, and Stamford, Connecticut; Martinsburg, West Virginia; Frederick, Maryland; Winchester, Virginia; Lynchburg, Virginia; Charlottesville, Virginia; Greensboro, North Carolina; Asheville, North Carolina; Macon and Columbus, Georgia; and Jacksonville, Florida.

Clippings from several of these cities and a copy of "The Duckpin World", bowlers' newspaper, are attached.

RADIO

A "Radio Minute Man Campaign" - one minute talks over all local stations, on all commercial network programs, and on foreign language, farm and women's broadcasts - is set to begin January 10. The general campaign calls for eight national

RADIO (Continued)

leaders to make one minute speeches on nationwide commercials daily. This is to be supplemented by the talks of local celebrities over each of the nation's 862 radio stations. These talks, beginning on January 10, will continue to be broadcast indefinitely.

Defense Bond Pay Roll Allotment copy is being carried this week on the coast-to-coast network programs of sixty-two commercial sponsors.

Nationally famous dance orchestras, on regularly scheduled late night broadcasts, are dedicating two programs each night to the Defense Savings Program. These broadcasts, heard over the Columbia Broadcasting System, reach a large audience of young Americans. Among band leaders cooperating are Benny Goodman, Guy Lombardo, Vaughn Monroe, and Harry James.

Special Christmas Defense Savings copy was broadcast over 182 commercial network programs.

SPORTS

Joe Williams, Sports Editor of the New York World-Telegram and Scripps-Howard newspapers, has been appointed to head up a sports division of the Defense Savings Staff. Details of this activity will be given in later reports.

PRESS

Results from telegrams, telephone calls and personal visits to all editorial cartoonists, comic artists and editorial writers of newspapers and magazines are being received daily.

First issue of the Defense Savings Newspaper - a four page, full-size publication with pictures and stories of activities of the staff - is in production and will be off the press January 2, 1942.

Another packet of "War Needs Money" copy, supplementing the supply sent last week, was mailed to all newspapers - daily, weekly, foreign and labor.

A proof of four cartoons being sent to all daily newspapers is attached.

Women's Home Companion Magazine is devoting its editorial page in the January issue to the Defense Savings Program. (Advance copy is attached).

Editors of the American Home and Mademoiselle magazines have advised the Treasury that they plan use of feature articles in forthcoming issues.

LABOR PRESS

Replies from labor papers assuring they will run the Pay Roll Allotment advertisement are being received in large numbers.

BUSINESS PUBLICATIONS

Special "Defense" issues are being published by various business publications. (Sample tear sheets from "Music Trade Review" and "Billboard" are attached.)

First meeting of the recently created House Magazine Editors Defense Bond Committee will be held in Washington, D. C. on December 30. The purpose is to develop plans for intensifying promotion of the Defense Savings Plan, with special emphasis on pay roll allotment.

The American College of Surgeons advises that after receiving our first house organ release they decided to publish a special "Defense Bulletin".

NATION-WIDE DEFENSE DOLL TOUR

With Miss Audrey Kargere as lecturer, this tour will open on February 2 at the Jordan Marsh Department Store in Boston, Massachusetts. More than forty leading stores in major cities

-7-

NATION-WIDE DEFENSE DOLL TOUR (Continued)

already have booked this presentation. The display features doll miniatures of famous people.

MOTION PICTURES

Arrangements are being completed with Walt Disney to have his company produce twenty-six short subjects with Defense Savings themes.

Leon Schlesinger's personal contribution to the campaign, "Bugs" Bunny singing "Any Bonds Today?", is ready for distribution.

Campaigns, outlined similarly to the successful Buffalo Defense Savings undertaking, have been arranged for Hagerstown, Maryland; Sarasota, Florida; Louisville, Kentucky; Indianapolis, Indiana; Des Moines, Iowa; and Seattle, Washington.

"OUR AMERICA"

This new publication is now printed and being distributed to 20,000,000 homes. (Copy attached).

-8-

MAIL ORDER DIVISION

The Mail Order Division reports total sales as of December 24 - \$12,748,097. This represents sales results in the following classes:

- First Industrial Mailing - In 91 days has produced \$3,240,638.
- Second Industrial Mailing - In 34 days has produced \$1,609,128.
- First Customer Mailing - In 81 days has produced \$4,148,160.
- Regular Purchase Distribution - In 39 days has produced \$372,153.
- Acknowledgement Distribution - In 46 days has produced \$196,369.
- Enclosures for Outside Advertisers - In 26 days has produced \$22,519.
- Second Customer Mailing - (894,000 newly available names) - In 14 days of pulling has produced \$651,408.
- First Prospect Mailing - In 27 days has produced \$2,095,325.

CARTOONS

Attached to this report is a large book containing 101 original cartoons prepared especially for the Treasury Department.

FARM PUBLICATIONS

A special campaign to reach farmers has been started. Beginning right after the first of the year, advertisements and special news releases will be sent to 200 farm publications with total circulation in excess of 16,000,000.

A meeting of prominent leaders in the farm publication field is being arranged in Chicago or Washington in January.

SPECIAL

Walter D. Fuller, President of the Curtis Publishing Company, (Saturday Evening Post, Ladies Home Journal, Country Gentlemen, and Jack and Jill), writes as follows: "It seems desirable that we should talk over the ways in which we might be able to utilize our publications for intensifying the promotion of the Defense Savings Program." A meeting is being arranged.

BUSINESS PUBLICATIONS (Addition)

To date 592 publications have agreed to run monthly page advertisements on pay roll allotment, beginning in December or January issues. These publications represent a circulation of 5,918,005.

41-K

BUSINESS PUBLICATIONS (Continued)

Attached is a large book containing actual full-page ads as run in thirty-five business publications in December.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Twenty-one Business Days of December, November and October 1941
 (October 1-24, November 1-27, December 1-24)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	December	November	October	December over November	November over October	December over November	November over October
	Series E - Post Offices	\$ 73,206	\$ 35,014	\$ 32,864	\$ 38,192	\$ 2,150	109.1%
Series E - Banks	<u>153,483</u>	<u>65,947</u>	<u>63,369</u>	<u>87,536</u>	<u>2,578</u>	<u>132.7</u>	<u>4.1</u>
Series E - Total	226,688	100,961	96,233	125,727	4,728	124.5	4.9
Series F - Banks	22,389	17,160	17,571	5,229	- 411	30.5	- 2.3
Series G - Banks	<u>116,098</u>	<u>96,408</u>	<u>95,948</u>	<u>19,690</u>	<u>460</u>	<u>20.4</u>	<u>.5</u>
Total	<u>\$365,174</u>	<u>\$214,529</u>	<u>\$203,753</u>	<u>\$150,645</u>	<u>\$ 4,776</u>	<u>70.2%</u>	<u>2.3%</u>

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

December 26, 1941.

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

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

UNITED STATES SAVINGS BONDS
 Daily Sales - December 1941
 On Basis of Issue Price
 (In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
December 1941									
1	\$ 2,976	\$ 3,904	\$ 1,333	\$ 7,220	\$ 12,458	\$ 6,880	\$ 1,333	\$ 7,220	\$ 15,434
2	1,229	2,592	623	5,750	8,964	3,821	623	5,750	10,193
3	1,510	2,734	870	5,289	8,893	4,244	870	5,289	10,403
4	2,411	4,036	726	7,530	12,292	6,447	726	7,530	14,703
5	2,015	4,805	1,152	12,357	18,314	6,820	1,152	12,357	20,329
6	1,001	2,293	656	2,776	5,725	3,294	656	2,776	6,726
8	3,282	4,764	1,011	3,810	9,585	8,046	1,011	3,810	12,866
9	1,828	3,877	601	4,996	9,475	5,706	601	4,996	11,304
10	1,651	3,566	491	2,612	6,668	5,217	491	2,612	8,320
11	1,909	4,763	719	3,423	8,905	6,672	719	3,423	10,814
12	2,773	5,012	658	3,768	9,437	7,785	658	3,768	12,211
13	2,767	5,030	584	2,120	7,734	7,798	584	2,120	10,501
15	7,185	11,679	1,022	4,462	17,162	18,864	1,022	4,462	24,347
16	2,113	3,956	893	1,901	6,750	6,069	893	1,901	8,863
17	4,164	9,750	1,180	6,327	17,257	13,914	1,180	6,327	21,421
18	5,382	11,630	1,337	6,826	19,793	17,012	1,337	6,826	25,175
19	5,995	10,205	1,172	5,214	16,591	16,201	1,172	5,214	22,586
20	4,091	11,890	1,270	5,921	19,081	15,981	1,270	5,921	23,172
22	10,916	23,269	2,490	8,067	33,826	34,185	2,490	8,067	44,742
23	4,393	10,642	1,972	6,831	19,445	15,035	1,972	6,831	23,838
24	3,613	13,085	1,629	8,900	23,613	16,698	1,629	8,900	27,226
Total	\$ 73,206	\$153,483	\$ 22,389	\$116,098	\$291,969	\$226,688	\$ 22,389	\$116,098	\$365,174

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

December 26, 1941.

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

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

December 26, 1941
11:17 a.m.

HM Jr: Hello.

Harold
Ickes: Henry?

HM Jr: Yes.

I: I understand you have taken into protective custody the Sheherazade - that big French tanker which is down in Mobile being repaired.

HM Jr: It's news to me.

I: You do that, don't you, when it's done?

HM Jr: No, that's Coast Guard and -

I: And it's operated by Navy now?

HM Jr: That's right. Do you want me to find out for you?

I: Well, what I - I understand further that they have not taken the French tankers in the North Atlantic service into protective custody, and there is some thought that we are going to continue to supply the North African Colonies - French Colonies. Do you know anything about supplying them with oil?

HM Jr: No, but I will ask Herbert Gaston, who watches that for me -

I: To let me know.

HM Jr: - to let you know promptly.

I: I see that you have rebuked the Free French for capturing Miquelon.

HM Jr: (laughter)

I: Yes.

- 2 -

HM Jr: I tell you - I went up there over Christmas and directed that personally.

I: I - I thought I saw your hand in it.

HM Jr: What?

I: I thought I saw your hand in it.

HM Jr: Now when I go down and take the other one down there off Cuba, would you like to go with me?

I: Yes. Well, we're working it out pretty comfortably now - some nice long conversations and we love to talk.

HM Jr: Oh, yes. And we still supply them.

I: Still supply them.

HM Jr: And that group down there - whatever that island is called - they out-Fascist the Fascists down there.

I: That's right.

HM Jr: Yes.

I: Henry, that story that Stone busted in PM about that nice big delivery to Spain apparently raised Hell with the State Department.

HM Jr: Oh, did it?

I: Well, they shut off for a while. Now I was wondering - can you get me by your grapevine - you can do better than I - whether we are shipping anything more to Spain and the French Colonies in North Africa, and so on, and so forth?

HM Jr: Sure.

I: Thanks a lot.

HM Jr: What?

I: All right.

HM Jr: Okay.

I: Goodbye.

HM Jr: Thank you.

47

From Carl B. Spaeth
Director, American Hemisphere Division
Board of Economic Warfare

Minutes of the Meeting of the Board of Economic Warfare
December 27, 1941

A meeting of the Board of Economic Warfare was held in the Vice President's office in the Capitol Building at 11:30 a.m. on December twenty-sixth.

The meeting was attended by the following members of the Board:

The Vice President, Chairman of the Board
The Secretary of the Treasury
The Secretary of War
The Attorney General
The Secretary of the Navy
The Secretary of Agriculture
The Secretary of Commerce
Honorable Dean Acheson, representing the Secretary of State
The Coordinator of Inter-American Affairs

In addition the following persons were present:

Mr. Milo Perkins, Executive Director of the Board of Economic Warfare
Mr. Laurence Duggan, Adviser on Political Relations, Department of State
Mr. Emilio G. Collado, Special Assistant to the Under Secretary of State
Mr. Leo T. Crowley, Department of Justice
Mr. Carl B. Spaeth, Director of the American Hemisphere Division, Board of Economic Warfare

The Vice President requested consideration of the resolution, copies of which had been sent to members of the Board, relative to the satisfaction of the essential requirements of the other American Republics. The Secretary of Commerce stated that it should be clear that the resolution does not constitute a specific commitment, but is merely a statement of policy and principle. The meeting agreed that the resolution does not constitute a promise to deliver any specific quantity of goods.

After discussion, the resolution was adopted unanimously as follows:

WHEREAS, the President, in his letter of April 5, 1941, to Mr. Knudsen and Mr. Hillman, declared that:

"In the interest of Hemisphere defense, therefore, it now appears desirable to give the vital requirements of these (other American) Republics such priority as may be necessary to maintain their industrial and economic stability, provided that there should be no prejudice to the national defense program of this country."

and

WHEREAS, the Subcommittee of the Committee on Appropriations of the House of Representatives in reporting on its trip to South and Central America in the late summer and early fall of 1941 has declared that:

"The committee is definitely of the opinion that South and Central America are not being given the proper priorities consideration that they should be extended in terms of the needs of our national and hemispheric defense The feeling of the committee, therefore, is that an intensive study should be made of the needs of each country for our raw materials and manufactured goods and that we accommodate our neighbors in every way possible up to the point where such accommodation would definitely deprive ourselves of absolutely essential national-defense commodities."

and

WHEREAS, the Board of Economic Warfare has worked out a procedure in collaboration with the Supply, Priorities and Allocations Board pursuant to which authoritative analyses of minimum essential Latin American requirements have been and are being made in cooperation with all of the interested agencies of this Government, and

WHEREAS, the new danger to our sources of supply in the Far East renders it more than ever imperative that the economic stability of the other American Republics be maintained so as to enable them to continue and increase their production of strategic and critical materials, and

WHEREAS, nine of the other American Republics have declared war against all of the Axis powers, two have broken off diplomatic relations with all Axis powers, six have stated that they do not regard the United States as a belligerent, three have

officially declared that they will pursue a policy of solidarity with the United States in accordance with Inter-American agreements, and several of them are making available strategic bases for the military defense of the Hemisphere, and

WHEREAS, all of the American Republics have adopted some form of economic control in support of Hemisphere defense, including control over the export of strategic materials, freeing of funds of Axis nationals, the seizure and utilization of immobilized Axis ships, and the elimination of Axis influence from airlines and other vital communications and industrial systems, and

WHEREAS, the economies of the other Republics can in fact be kept stable by providing them with an extremely small part, less than 3%, of our normal productive capacity, and

WHEREAS, the economies of the other Republics are extremely sensitive, based frequently upon a single commodity or industry, and lack the capacity for developing substitutes or changing methods of production, and have no defense contracts to absorb the shock of dislocation in industry, it is hereby resolved that

1. It is the policy of the Government of the United States to aid in maintaining the economic stability of the other American Republics by recognizing and providing for their essential civilian needs on the basis of equal and proportionate consideration with our own.
2. The requirements of these needs in respect of essential industries and services in the other Republics for repair, maintenance and operation supplies shall be given equal consideration with our own in relation to their comparable importance.
3. The Department of State, through its representative at the Conference of Foreign Ministers to be held in Rio de Janeiro during January, 1942, be, and it hereby is, authorized to announce the foregoing statement of policy on behalf of this Government.

December 27, 1941

Memorandum for the Secretary's files

There was a meeting in Mr. D. W. Bell's office on December 26, 1941 attended by Messrs. White, Delano and Bernstein for the Treasury, and Messrs. Burlew, Ely and MacDonald for the Department of Interior, for the purpose of discussing the following cable which the Navy Department transmitted to the Treasury:

"Manila Clearing House considers of utmost importance for public interest that the President take immediate action on question of protection bank reserves."

The meaning of the cable was not clear. It was thought that the Manila Clearing House was not familiar with the instructions that we had sent to the High Commissioner earlier this week; and that the cable related to the currency and other reserves held in the Philippines and belonging to the banks.

It was decided that the Treasury would draft a cable to Sayre explaining to him that his powers under the Trading with the Enemy Act were sufficient to deal with the bank reserves situation. The Treasury also mentioned that it might be desirable for the President to give authority to Sayre to deal not only with currency, etc. but with respect to stores of goods such as sugar, and other surplus material that might otherwise fall into the hands of the Japanese. It was agreed that the initiative on this latter matter should be taken by Interior and that if Interior thought it appropriate it should prepare a cable for the President to send to Sayre.

The Treasury prepared a memorandum and cable, copies of which are attached and marked No. 1. Both documents were cleared over the telephone with Assistant Secretary of State Acheson and Assistant Secretary of Interior Burlew and were then sent by Mr. Bell to Secretary Morgenthau at the Cabinet meeting. At around 3 o'clock Secretary Morgenthau called Mr. Bell from the White House and said that the matter was discussed with the President and the Cabinet. The Secretary gave Mr. Bell a message, a copy of which is attached and marked No. 2. The cable was redrafted in accordance with the request of the President and was delivered to Mr. Ely of Interior at 3:30 p.m. with the request that it be sent out immediately. Copy of this

- 2 -

cable is attached and marked No. 3.

In view of the request of the Navy that the incoming cable from the Manila Clearing House be kept secret, the first paragraph of the outgoing cable was redrafted so as to paraphrase the cable from the Manila Clearing House and Mr. Ely stated that this would meet the requirements of the Navy. Mr. Ely also felt that in view of the situation in Manila where code books might have been destroyed or might not be available to Mr. Sayre it would seem preferable to send the cable straight rather than in code. He said that sending the cable in code simply meant that it took the Japanese a little longer to find out the contents and that only in sending the cable in cipher could the Japanese not find out the contents and that to send it in cipher would entail very long delays. Mr. Bernstein told Mr. Ely that in view of what Mr. Ely stated the Treasury would have no objection to the cable being sent straight. Attached and marked No. 4 is the cable as sent to Mr. Sayre.

SWB

TREASURY DEPARTMENT

53 No. 1

INTER OFFICE COMMUNICATION

DATE December 26, 1941

TO Secretary Morgenthau

FROM Mr. White

SWB

The attached cable to Sayre in the Philippines makes clear to him that the authority given to him last Wednesday includes specifically power to destroy assets and other reserves held in banks, etc., in the Philippines. The cable is drafted so that you are acting simply as the conduit for the President.

The Legal Division thinks there is legal authority for the action described in the cable. However, you should recognize that the destruction of such property where adequate records may not be maintained is of such an extraordinary character as possibly to give rise to many claims against the United States, and criticism that the action was arbitrary. Accordingly, it would be most desirable that you clear this matter with the President and the Cabinet, making clear the important policy decision involved.

Mr. Burlew of the Interior Department at this noon's meeting seems to think that the fall of Manila is simply a matter of days. It may therefore be desirable to send this cable today if possible.

Burlew and Acheson approved Cable.

DRAFT OF CABLE FROM SECRETARY OF TREASURY TO BE TRANSMITTED TO UNITED STATES HIGH COMMISSIONER TO THE PHILIPPINES - 12/26/41

We have received the following cable from Manila:

"MANILA CLEARING HOUSE CONSIDERS OF UTMOST IMPORTANCE FOR PUBLIC INTEREST THAT THE PRESIDENT TAKE IMMEDIATE ACTION ON QUESTION OF PROTECTION BANK RESERVES."

Cable No. 725 sent to you on December 24 gives you full and ample authority to take any and all steps you deem appropriate to take over for safekeeping and destruction any reserves or assets in or with banks, brokers, safe deposit companies, insurance companies or elsewhere, including any form of currency, coin, bullion, securities, drafts, checks, negotiable paper, etc. This authority is by no means confined to property owned by enemy nationals but extends to such property no matter who is the owner.

As indicated in Cable No. 725 you do not have to wait for further or specific instructions from Washington.

In particular you are fully authorized by the President to take whatever steps you deem necessary to prevent such assets and reserves from falling into the hands of the enemy. This is the primary purpose and should be carried out whether or not records are kept.

The President will very shortly issue an order freezing assets in the United States belonging to residents and business institutions in those portions of the Philippines that are overrun by the enemy.

This is an important question of policy.
SWB

NAVAL MESSAGE

NAVY DEPARTMENT

Phone Extension Number	Addressee	Message Precedence
From COM 16	SECNAV	PPPPPPPP
Date 26 DEC 1941		
FOR Coderoom GERMAN		
Decoded by PURDY		

261035 CR 0817

MANILA CLEARING HOUSE CONSIDERS OF UTMOST IMPORTANCE FOR
PUBLIC INTEREST THAT THE PRESIDENT TAKE IMMEDIATE ACTION ON
QUESTION OF PROTECTION BANK RESERVES.

(NOTE: REPRODUCTION OF THIS MATERIAL IN ANY FORM NOT AUTHORIZED
EXCEPT BY SPECIFIC APPROVAL OF THE SECRETARY OF THE NAVY)

SECRET

Sent on Dec 24, 1941
56

Proposed Text of Cable to Sayre from
Secretary of the Treasury.

Re your telegram of December 19, 1941 on enemy property:

On December 18, 1941 the President approved the First War Powers Act, 1941 (Public No. 354, 77th Congress). Sections 301 and 302 of Title III of such Act read as follows:

[Here take in text of Sections 301 and 302 of
attached Act]

You will note that these sections amend section 5(b) of the Trading with the enemy Act of October 8, 1917, as amended, pursuant to which freezing control has been administered.

With the approval of the President, and for the purpose of dealing with the Philippine situation, all of the powers and authority conferred upon the President under the above-quoted provisions of law are hereby delegated to you in so far as the Philippines are concerned.

In addition, I am allocating \$100,000 from the appropriation entitled "2020120, Salaries and Expenses, Foreign Exchange Control, 1942" to cover your initial expenses in carrying out this program. Please forward to me at once an estimate of the amount of funds (by month) that you feel you will need during the next three months.

- 2 -

It will of course be necessary for you, in cooperation with the military and Commonwealth Government authorities, to formulate a program for dealing with this emergency situation. We will be glad to cooperate with you and offer advice and suggestions on any points you may care to raise but we do not want you to feel that you must wait for instructions from Washington. You will be advised from time to time as plans are developed for dealing with enemy property.

The powers conferred by the statute are very broad. Congress expects that complete records will be established and maintained with respect to property seized or otherwise received in your custody. Please be guided accordingly.

You are authorized to take any steps you deem appropriate to make public the authority herein conferred on you.

12/26/41

No. 2

Message phoned by the Secretary to Mr. Bell
from the White House during Cabinet meeting.

58

The President says that if they have the time they should destroy securities, money, etc., before competent witnesses, but if they have not got the time, they should either try to move the securities, etc., to the Isle of Corregidor, and if they haven't the time, go ahead and destroy them.

The Secretary said that in recommending this he would rather have a lot of law suits than have one dollar fall into the hands of the Japanese.

Governor McNutt said that the currency of all United States banks have always been held in the banks at Corregidor.

CABLE FROM SECRETARY OF TREASURY TO BE TRANSMITTED TO UNITED STATES
HIGH COMMISSIONER TO THE PHILIPPINES - 12/26/41

We have received the following cable from Manila:

"MANILA CLEARING HOUSE CONSIDERS OF UTMOST IMPORTANCE
FOR PUBLIC INTEREST THAT THE PRESIDENT TAKE IMMEDIATE ACTION
ON QUESTION OF PROTECTION BANK RESERVES."

Cable No. 725 sent to you on December 24 gives you full and
ample authority to take any and all steps you deem appropriate to
take over for safekeeping and destruction any reserves or assets
in or with banks, brokers, safe deposit companies, insurance
companies or elsewhere, including any form of currency, coin,
bullion, securities, drafts, checks, negotiable paper, etc. This
authority is by no means confined to property owned by enemy nationals
but extends to such property no matter who is the owner.

As indicated in Cable No. 725 you do not have to wait for further
or specific instructions from Washington.

In particular you are fully authorized by the President to
take whatever steps you deem necessary to prevent such assets and
reserves from falling into the hands of the enemy.

The President states that if you have the time you should destroy
such assets and reserves before competent witnesses and make records,
or take the property to Corregidor, but that if there is not sui-
ficient time, you should nevertheless destroy such assets and re-
serves, whether or not records are kept. The primary purpose is
to keep the property from falling into the hands of the enemy.

The President will very shortly issue an order freezing assets in the United States belonging to residents and business institutions in those portions of the Philippines that are overrun by the enemy.

COPY

UNITED STATES HIGH COMMISSIONER MANILA
UNITED STATES NAVY VIA CORREGIDOR
DECEMBER 26, 1941 - NO. 727

Following from Secretary of the Treasury:

We have received cable from Manila Clearing House urging President to take immediate action on question of protection bank reserves.

Cable No. 725 sent to you on December 24 gives you full and ample authority to take any and all steps you deem appropriate to take over for safekeeping and destruction any reserves or assets in or with banks, brokers, safe deposit companies, insurance companies or elsewhere, including any form of currency, coin, bullion, securities, drafts, checks, negotiable paper, etc. This authority is by no means confined to property owned by enemy nationals but extends to such property no matter who is the owner.

As indicated in Cable No. 725 you do not have to wait for further or specific instructions from Washington.

In particular you are fully authorized by the President to take whatever steps you deem necessary to prevent such assets and reserves from falling into the hands of the enemy.

The President states that if you have the time you should destroy such assets and reserves before competent witnesses and make records, or take the property to Corregidor, but that if there is not sufficient time, you should nevertheless destroy

such assets and reserves, whether or not records are kept. The primary purpose is to keep the property from falling into the hands of the enemy.

The President will very shortly issue an order freezing assets in the United States belonging to residents and business institutions in those portions of the Philippines that are over-run by the enemy.

Message 572, dated 12-28-41, for Swope, dictated over the telephone to Miss Gilland at 2:50 p.m., 12-29-41, by Mr. Ely of the Interior Department.

"I am following the procedure which was outlined in your telegrams Nos. 719, 720 and 727, as follows:

"I brought to Corregidor 15 boxes which were packed in the presence of my agent and which the Commonwealth Treasurer certified to contain \$2,041,300.00 in United States paper currency and affidavit listing checks on the United States Treasury held by the Commonwealth Treasurer which totaled \$10,205,151.15, as well as lesser amounts of United States currency, Treasurer checks, and securities which were the property of private parties. Gold Bullion was accepted without liability.

"The above was all deposited in the Philippine Treasury reservation at Corregidor in Vault No. 4."

SAYRE.

December 26, 1941

Dear Henry:

Thank you for sending me the memorandum by Mr. Ezekiel outlining the conclusions of the group that met on the tax policy and budget message.

On the whole, it seems to me that we here in the Treasury are in general agreement with the appraisal outlined in that memorandum, but I do have some reservations with respect to the merits of the second of the two suggestions for tax policy enumerated in the memorandum. However, we have come to no definite conclusion on that point and it is one of the proposals now receiving careful study in the Treasury.

In strictest confidence, I am inclosing herewith copy of the final draft of the budget message which I have sent the President.

Sincerely yours,

Honorable Henry A. Wallace,
Vice President of the United States.

65 DEC 24 1941

4:10 PM

Final Draft

FINANCING THE WAR

Victory in this war will demand expenditures on a scale for which there is no precedent in our history. Victory will call for sacrifices — real and stern sacrifices — on the part of every American, irrespective of occupation or income. If we are to furnish the weapons to the men who are doing the fighting, we shall have to exert all our strength, and we shall have to mobilize every possible dollar of our income.

The resources we need for victory will be supplied, whether guns or dollars. The task is huge, but it is within our powers.

Until this job is done, we will not talk of burdens — of tax burdens or debt burdens. Instead we will talk of opportunity — the opportunity to have a real part in the fight to preserve our freedom.

This is the spirit in which the American people will want to approach the problem of financing the war.

- 2 -

Let me state briefly the basic objectives which I think should guide us in the formulation of a fiscal program for the war.

1. The revenue of the Government must be greatly increased to meet war expenditures. The maximum possible portion of the war cost must be met from taxation.

2. Inflation must be curbed.

3. The financial cost must be equitably distributed.

4. During wartime the Government must absorb all undue profits.

5. More flexibility should be introduced into our fiscal measures during the emergency.

6. Our fiscal policy must be directed toward the achievement of the utmost war production.

TAXES

1. The Need for Additional Taxes

In the past 18 months this Nation, while building up its defenses, laid the foundation for a mighty structure of arms production.

- 3 -

In the fiscal year 1941 defense expenditures amounted to \$6.3 billion. We expect to spend upon our war efforts \$22 billion in the fiscal year 1942 and \$50 billion in the fiscal year 1943.

In the fiscal year 1941 Federal net receipts were \$7.6 billion. If there are no changes in our tax structure, such receipts are expected to be \$11.9 billion in the fiscal year 1942 and \$16.5 billion in the fiscal year 1943.

Thus it is estimated that, if no new taxes are enacted, the net deficit will be \$16 billion for the current fiscal year, and \$40 billion for the fiscal year 1943.

In these estimates allowance is made for only a moderate rise in prices. Any considerable rise in the level of prices would greatly increase the deficit.

Such disparity between estimated revenue and estimated expenditure is far too great. We must have additional taxes.

2. The Menace of Inflation

Additional taxes are needed to combat inflation.

As we approach full utilization of our productive resources any considerable rise in prices would be an unqualified evil. Inflation is a source of grave social

- 4 -

injustice. It undermines morale and impedes war production. The hardships of inflation strike at random without consideration of equity or ability. Once it has acquired momentum, inflation is extremely difficult to control, and it will leave a heritage of post-war difficulties that will haunt us for decades. Every consideration of national welfare calls for its prevention.

The way to prevent inflation is to prevent people from engaging in the futile effort to buy more goods than can be produced. This requires a comprehensive and integrated program of anti-inflationary measures, in which increased taxes and increased savings are essential parts. Another part of such a program might be expansion of the social security system, which at a later date I intend to recommend for other and more basic reasons. Price control, allocations, rationing, and the regulation of consumer credit are other parts of such an integrated program.

All these controls are interrelated. The devices of price control, allocation, and rationing will be more effective if taxes and savings are increased. Similarly, the effectiveness of the fiscal devices in

- 5 -

preventing inflation will be greater if price control and controls over the quantity of goods available for sale are used.

3. Equitable Distribution of Taxes

With far heavier taxes the need for equity in the tax system becomes more urgent.

In this war it will be necessary to tax more heavily all sections of the population who are above the subsistence level. All able to do so will have to contribute. But the fact that large additional taxes have to be imposed makes it more imperative than ever to follow the principle of taxing according to ability to pay.

I have frequently pointed out that there are numerous loopholes in the present tax structure which ought to be closed. Because some taxpayers use these to avoid taxes, other taxpayers must pay more than they should. We can no longer tolerate these loopholes.

Our tax laws contain a number of unintentional technical inequities and unfair discriminations. These are always objectionable, but with taxes at necessary wartime levels, it is urgent that the Government should, to the greatest extent possible, provide relief from them.

- 6 -

4. Prevention of Undue Profits

It is not necessary to allow unreasonable profits in order to secure maximum production with economical business management. Under conditions of a wartime economy, the country cannot tolerate undue profits. Wherever these occur, they should be recaptured.

5. Flexibility in the Tax System

The rate of war expenditure, the size of the national income, the course of prices, and the extent and effectiveness of allocations and other controls cannot be accurately estimated far in advance. It is therefore impossible to determine now precisely how much additional taxes should be collected during the next 18 months. This is true even though there can be no dispute that the needs will be great. It is, accordingly, important that the Congress realize the unusually tentative character of all estimates here presented, and that it give consideration to the desirability of introducing into its tax legislation provisions which will make possible quick adjustments in the timing of tax rates and collections during a period when rapid changes in the fiscal and economic situation are occurring.

- 7 -

6. Relation of Production and Victory

In wartime when the life of the Nation is at stake sound fiscal policies are those which will help win the war. Sound war taxation not only must contribute to defraying the cost of weapons, but it should facilitate their production in every possible way.

In a war economy, labor, materials, and facilities must be shifted from the production of civilian articles to the production of weapons and war supplies. Taxes can aid in speeding these shifts by cutting non-essential civilian spending. The differing effects of various taxes, not only upon the demand for goods but also upon the production process itself, should be carefully considered when tax legislation is drafted.

BORROWING

The expenditure program set out in this budget will make necessary not only substantially increased taxes but also greatly increasing borrowings. These borrowings will be facilitated by the voluntary purchase of defense savings bonds on the part of a multitude of patriotic men and women who will cheerfully set aside some of their current income for their country. These borrowings will be facilitated also by

- 8 -

the circumstances which are necessarily associated with a change from a peace to a war economy.

The achievement of the all-out war production program will require drastic curtailment by allocations and other controls of new investment in non-defense plant and equipment; it will require deferment of replacements and even maintenance in these lines; it will require still further curtailment of production and consumption of many consumers goods. These measures will cut non-defense expenditures - both public and private - by many billions of dollars. This drastic curtailment of non-defense expenditures will add correspondingly to the private funds available for investment in Government securities.

With adequate funds available for investment in Government securities and with the effective operation of a program of allocations and rationing, we can finance our war effort without danger of disruptive inflation and without departing from our low interest rate policy.

TO:

The Secretary ⁷³

Returned by
Stenotype Reporter

F. J. ...

... B ...

From: MR. FITZGERALD

OFFICE OF THE VICE PRESIDENT
WASHINGTON

74

December 19, 1941

The Honorable

The Secretary of the Treasury

Dear Henry:

Enclosed is a memorandum sent me by Ezekiel
which has in it some suggestions you might want to
turn over to your tax people.

Sincerely yours,

H. A. Wallace

H. A. Wallace

Enclosure

26 December 1941.

Lieutenant William E. Sinton,
United States Coast Guard,
Washington, D. C.

Sir:

The Secretary of the Treasury, acting for the President, has awarded you the Distinguished Flying Cross, in recognition of your extraordinary achievement and outstanding performance of duty while participating as the pilot of the Coast Guard airplane, V188, in an aerial flight on 3 October, 1941.

The Department takes great pleasure in commending you for this distinguished service.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

File to Mr. Thompson

71771C

December 26, 1941

Aviation Chief Machinist's Mate Lonnie Bridges
United States Coast Guard
Washington, D. C.

Sir:

The Secretary of the Treasury, acting for the President, has awarded you the Distinguished Flying Cross, in recognition of your achievement and outstanding performance of duty while participating in an aerial flight of the Coast Guard Airplane V-188 on October 3, 1941.

The Department takes great pleasure in commending you for this distinguished service.

Sincerely yours,

(Signed) H. Hergenthan, *SH*

Secretary of the Treasury

File to Mr. Thompson

nmc

December 26, 1941

Aviation Chief Machinist's Mate Edmund T. Preston
United States Coast Guard
Washington, D. C.

Sir:

The Secretary of the Treasury, acting for the President, has awarded you the Distinguished Flying Cross, in recognition of your achievement and outstanding performance of duty while participating in an aerial flight of the Coast Guard Airplane V-188 on October 3, 1941.

The Department takes great pleasure in commending you for this distinguished service.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

File to Mr. Thompson

nmc

26 December 1941.

**Radioman 1st Class S. J. Brodman,
United States Coast Guard,
Washington, D. C.**

Sir:

The Secretary of the Treasury, acting for the President, has awarded you the Distinguished Flying Cross, in recognition of your achievement and outstanding performance of duty while participating in an aerial flight of the Coast Guard Airplane V-168 on October 3, 1941.

The Department takes great pleasure in commending you for this distinguished service.

Sincerely yours,

**[Signed] H. Morgenthau, Jr.
Secretary of the Treasury.**

File to Mr. Thompson

nmc

MEMORANDUM FOR THE SECRETARY

December 28, 1941.

Mail Report

The week's mail, considerably lighter because of the holiday, follows the pattern of last week's mail in every particular. There are the same expressions of loyalty, the same generous contributions from children's pennies up to large checks from individuals and organizations, and the same suggestions for selling bonds and raising funds. There are many complaints that bonds are not available; many letters saying that the name should be changed to Offense or Victory Bonds; and a great many letters saying that the buyers would rather not have any interest, or suggesting a new type of bond which does not carry interest. As for outright gifts, we have not kept a record of the amount received in the Correspondence Division, inasmuch as such gifts are going to other offices and our count would not be complete. The largest check so far has been over \$5,000; the largest personal donation, \$1,000.

A number of telegrams have come in from banks in regard to the misunderstanding as to the Government seizing savings deposits. Almost all of these have asked for a reply by telegram, while others have asked for a general statement to be issued through the press, particularly over the syndicate wires which carried the original alarming news item.

A few sample quotations from the letters follow:

Comments on Present Emergency Accompanied
by Contributions

A. Samuel Biedermann, Atlantic City, N. J. * * * Enclosed herewith you will please find my check for \$25.00. Please send me a \$25.00 Bond, Series E. The balance of \$6.25 you will apply to Uncle Sam's war fund to help bring about a victorious conclusion.

Dessie Pl Spandler, Prin., Coraopolis, Pennsylvania, Junior High School. The six hundred pupils and teachers of our school have voted to forego the pleasure of our annual Christmas ice cream treat and the exchange of gifts in our classrooms. As a result you will find enclosed a check for \$100 as our gift to our beloved country to be used toward the purchase (the rivets, perhaps) of a bomber. We intend to frame whatever acknowledgment you may send to show that we have had a share in helping our nation in its time of need.

Dr. John K. Ormond, Birmingham, Mich. As a contribution to National Defense I am returning herewith 15 Adjusted Service Bonds, Serial Nos. 27,689,274 - 288. Please cancel these Bonds or record them as contributed to the Treasury.

Gilbert M. Tuoni, San Francisco, California. Since May it has been my privilege to buy Defense Saving Bonds. * * * I want to say that now it is not myself I have in mind. It is America that occupies my thoughts, even though I am still an alien. Today I have bought the enclosed \$50 Defense Saving Bond in your name, so the Country may make the best use of it toward ultimate victory.

William Henry Kidston, Palm Springs, Calif. I am making a lot of Christmas gifts so I don't see why I shouldn't make my Uncle Sam one. I take great pleasure in sending to you, as his representative, the enclosed check. (\$500) I hope it helps give them Hell.

Charles L. Gerlack, House of Representatives, Washington, D.C. * * * As their contribution to National Defense, the employees of the Perkasio Company donated their entire earnings for one work day. The Company furnished an equal sum, the total amounting to \$5,212.52, for which check is enclosed, payable to your order.

E. C. Berkeley, Supt. of Mines, Van, West Virginia. I am enclosing herewith a check for \$2,282 on the Cleveland Trust Company, Cleveland, O., payable to the Treasurer of the U. S. This is a donation for National Defense, made from "fine" money assessed against members of the U. S. Mine Workers of America, Local 633, Van, W. Va., for striking in violation of their contract. This disposition was made by agreement of the Commissioners of the Kanawha Operators Assn., and the Commissioners of the United Mine Workers, District 17, Charleston, W. Va.

Alva Squires, West Plains, Mo. As secretary of the West Plains Softball Assn., I have been authorized to send to you, as secretary of the United States Treasury, \$50 which we wish to donate in the National Defense cause. Although our treasury boasts a balance that is by no means large, nevertheless, we do have this slight surplus which we feel may help in the annihilation of the Axis Powers. It is our understanding that this money is a donation -- we do not expect it to be returned to us in the form of Bonds or Stamps. Also it is our sincere hope that it will be put to good use, in any form your Dept. sees fit, in bringing about American safety.

GENERAL COMMENTS

A. J. Calderwood, Traer, Iowa. * * * I am a farmer on 320 acres of land in Tama County, Iowa, in fact, was born on said farm over 60 years ago. My payment this year from AAA is nearly \$900 for changing three rows of corn to soybeans. Farmers in general, not connected with the setup, do not want the A.A.A. in any form. The administration is too expensive. In Tama County alone, there are well up to seventy-five persons doing a one-man job. There are a lot of things we need and want more than A.A.A. payments, and one thing in particular is money to enter the offensive in this war. Prices of farm commodities are high enough so that no intelligent farmer needs help.

Dr. A. H. Butler, El Paso City-County Hospital, El Paso, Texas. I have instructed the Chief Clerk of the Veterans' Bureau to pay my pension check of \$60 a month into the United States Treasury until further notice.

Irving Wiesen, Wiesen-Hart Press, Cincinnati, Ohio. Accept with our compliments the enclosed samples of our "Remember Pearl Harbor" designs. (Stamps and Stickers) ONE-HALF OF NET PROCEEDS TO GO TO U. S. O.

Jake Novich, Novich Company (Plate Glass), St. Louis, Mo. * * * And in conclusion I wish to say that some of the obscure politicians on the Capitol Hill ought to learn by now to line up 100% behind our beloved Commander and Chief, The President of the United States, who, with the help of God and his guidance, will lead us to complete victory. And if they would hear the voices of the masses of people on the streets as a whole, there would be no Number One or First Committees for the accommodation of our common enemies, and to some degree, the trouble in Pearl Harbor would never occurred.

- 4 -

Walter S. Smith, Brooklyn, N. Y. On Dec. 10th I received a form letter from the Treasury Dept. requesting I purchase Defense Bonds. On Dec. 10th, using self-addressed folding envelope enclosed in appeal, I mailed to the Secretary of the Treasury a \$75 personal check on Brooklyn Trust Co., requesting a \$100 Bond be mailed to me. This Dec. 23rd I have not received the Bond nor have I received word from you relative to having received the check. Investigate kindly. On appeal form I requested you send me a subscription form quarterly. I hereby rescind this order as I can procure far better service from my bank or the Post Office.

Bette Davis, Hollywood, Calif. (Telegram) Last May I wired President Roosevelt regarding a plan to raise funds for the U.S.O. Mr. Early replied, referring me to Mr. Dewey. No action has been taken yet. Now I feel since our entrance into the war, every channel for revenue is needed more than ever. My plan is briefly, that actors equity American Federation of Radio Artists and Screen Actors Guild members charge for autographs and photographs. Some workable plan should be devised whereby revenue from sale of these autographs and photographs be donated to the Government for defense. Naturally I would be willing to aid in any way I could in setting up such a procedure. I do feel that if it were a request from the Government, all organizations would cooperate to the fullest extent.

FAVORABLE Comments on Bonds

O. P. Johnson, Supt., Duplin County Schools, Kenansville, N. C. I am happy to report that each of Duplin County's 9,800 school children and teachers, both white and negro, are proud possessors of a Defense Stamp or Bond. We are 100% in this and assure you our full and continued cooperation.

Doris Andrus, Oklahoma City, Okla. Thank you for reminding me about the Bonds, but Pearl Harbor is the only reminder that should be needed. I lost my job this week, and as I am the sole support of a seven-year old girl, I can't say that I will be able to buy another Bond for awhile. But rest assured that when I am working again, I will do so, and thank God for the privilege.

C. H. Reinhardt, Jr., Treasurer, Weehawken Trust Co., Union City, N. J. We think that you would like to know of an incident which happened during the past week. In connection with the sale of Defense Bonds in our bank, we required a sign for the window where the bonds were sold. We called upon Kushner Brothers, 4821 Bergenline Ave., Union City, N.J., who made the sign and refused to accept any payment, saying they wish to make that contribution to the Defense Program.

Herman Munves, N. Y.C. I honestly feel it is most unpatriotic on the part of we Americans who are not in active service, to accept any fee, bonus, or interest rate for the mere use of any such idle money we may have. I feel that if you were to call upon the people of this country, that you would be pleasantly surprised to find thousands who would be glad to offer the use of their funds without asking for any interest. Why not issue a "Freedom Bond", or a "Confidence Bond"? I for one, am quite ready to immediately send you my check for \$5,000 and authorize you to apply the interest of \$125, which accrues on the Income Bond, Series F or G, towards the purchase of such essentials that are on the priority list.

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UNFAVORABLE Comments on Bonds

Mrs. Ruth Holland, Brooklyn, N. Y. After reading your plans for Defense Savings, I thought you might be interested to know what little cooperation you are getting from the Postmaster in the Red Hook section of Brooklyn. My small son decided it would be a grand idea to give all his friends Defense Stamps in a Christmas album, so he went to the P. O. to get the stamps and albums. The Postmaster was very irritable and gave him the common Postal Savings card - which is anything but attractive. My son came home very disappointed, so I took them back myself and was informed by the Postmaster that the P.O. was not interested in Christmas or any other holidays. I was compelled to make a trip downtown to satisfy my son. I have already purchased a Bond for each of my family and was delighted with my son's idea. I really think our Postmaster should be reminded he is still in U.S.A.

Nora MacLaren, N.Y.C. Last Sat. I stood before a great mural in the Grand Central Station - there was a sailor, a soldier, but the marine was not there. When I returned to town, I telephoned an executive with the New Haven Road and I complained that the marine was absent from the great picture. His answer was, "Don't blame us - blame your Government - they ordered it".

James Filbin, Bank Clerk, Los Angeles, Calif., sends a clipping speaking of Senator Lee's "draft wealth" Bill proposing compulsory loans with property liens, if necessary. "The Above is hurting sale of Defense Bonds. It lost me three sales today. Several old people showed much alarm over forced home incumbrance. A public statement by you will help our Bond sales."

Miss Margaret Phillips, Scranton, Pa. I purchased \$350 worth of Defense Bonds, naming 8 members of my family as beneficiaries. This week, each member whom I designated as a beneficiary, received from Washington a letter thanking them for purchasing the Bonds. They had nothing to do with it, and knew nothing about it. Besides, you addressed them all to me. Wouldn't one letter to the buyer have been sufficient in these days of important curtailment of waste?

T. L. McCready, N.Y.C. As matters stand now, the U. S. is obliged to finance the war -- a war which may last for many, many years. We must finance England, Russia, China, Australia, South America, possibly Free France, Dutch East Indies, and the U. S. A. The financial outlay may conceivably run into trillions. Under these circumstances, I feel that we should be extremely cautious as to what we promise the buyer of our Bonds. I feel that it is dangerous to offer to redeem these Bonds in cash. I feel it is dangerous to make them carry such a high rate of interest. It is dangerous to put any due date on the Bonds whatever, unless we issue the Bonds in Series dated so as to mature at intervals of 25 or 50 years after the termination of the war. I feel that 2% interest is adequate, and I believe that our reliance should be not so much on the cupidity of investors as on their patriotic feelings.

Harry H. Pond, President, The Plainfield Trust Co., Plainfield, N. J. We have been very active in the sale of Defense Bonds, and have sold, to date, about \$1,310,000. This incurs considerable expense, as it requires the attention of practically one man, besides stenographic service, etc., etc., as well as a considerable amount of postage covering the numerous reports to the Federal Reserve Bank of New York. The postage on a single consignment of reports costs almost up to \$1. per piece. We are glad to perform this service and are doing all within our power, through advertising and personal work, to further the sale of Defense Bonds. However, do you not think it would be fair for us, and others, to be supplied with franked envelopes?

Mrs. Jean Morrow, Oshkosh, Wis. I received the enclosed letter yesterday, and want to tell you not to write again in any way, because I bought Bonds in secret to my husband. If I receive any more letters concerning them, I will be forced to cash them immediately. I purchased these without being reminded by anyone, and I will get more when I can, but DON'T send any letters to me as I will have to give them up right away. Its "my own" way of saving, and if he knows it, he will want them cashed. Please don't send any more!

C. W. Browne, Breskin Publishing Corp., N.Y.C. * * *
My youngster is saving all the money he can to buy Defense Stamps. He will take a dollar's worth of dimes or small change into the Post Office at Tuckahoe, N. Y., where the clerk with a very crabbed disposition will resent taking small change, and order him curtly next time to bring it in in paper money. I understand this clerk has treated other people in the same manner. You can appreciate the situation. Here is a boy of 13, bubbling over with patriotic ardor, saving what to him is big money, foregoing the usual expenditures dear to a boy's heart - then when he goes in to make his purchase, he gets a wet blanket thrown over his high spirits by a Government employee who ought to be one of the leaders in the cooperative attitude.

An American Citizen - Philadelphia, Pa. * * * Employees of the Utility Dress Company, at Juniper and Vine Streets, Philadelphia, Pa., are being threatened at the point of losing their jobs if they do not buy the Bonds from the firm after January 1, 1942. There is a sign, placed near the time clock, that definitely states this fact. * * * All loyal Americans wish and desire to buy Bonds because they are Americans; they form America; they love America. They do not want to be forced into buying Bonds at the threat of losing their livelihood. * * * Many wanted to buy Bonds today for cash and were refused. They must wait and buy on the plan forced by the employer.

A. J. Prieur, Santa Paula, Calif. * * * About 4:45 p.m. today I had the pleasure of escorting my two young sons to the local Post Office to exchange their savings and defense stamps for a Defense Bond. The radio has been encouraging this practice among children, and you should be able to appreciate their pleasure in feeling they were DOING THEIR BIT. The reception they received at the Post Office, is something else. * * * The oldest boy (11 years) had a pouch containing about \$2.75 in change and stamps. This he gave to the postal clerk who emptied the pouch on the counter at his window, and on seeing the change, (pennies, nickels, dimes), indignantly informed the boy he could not take this change - that the change would have to be wrapped. * * * There was no rush at the window, no one was waiting for service. The action of the clerk was

called to the attention of Mr. McIver, the Postmaster who did not seem to get the idea or appreciate the reaction to the boys. I took the boys to a local store where there was considerable retail business going on, (a different condition than that which existed at the Post Office), and the clerk very courteously counted the change and supplied the stamps.

Herbert Lee, Santa Cruz, Calif. I tried hard to listen through the two Sat. night radio concerts put on by the Treasury Dept. to sell defense bonds and stamps! It occurs to me that delightfully soothing as they were to highly cultured lady millionaires, who find themselves paying 50% income taxes, they are hardly the type of program to cause the average American to rush out and buy defense bonds and stamps. Do you think so? * * * Both programs (Toscanini concerts) were throughout, of the same highly artistic musical type. The last selection on Sat., December 13th, for twenty minutes revolved around that plaintive southern melody, "Going Home" -- a faithful darkie on his deathbed, "going home". * * * Is that the kind of music to arouse the average American at such a time as this to buy his country's bonds? * * * Is it not the function of great music to express in great crises the great emotions of common men and women? * * * I suggest the playing of Elgar's Pomp and Circumstance; Tschaikovsky's March Slav (Particularly now that this Russia is inflicting on the German aggressors of today what she did to Napoleon in 1812); Wagner's Overture to Tannhauser; and Onward Christian Soldiers, a hymn we used to sing in the San Francisco Presidio as soldiers in 1917. I'd like to see that sort of program tried. Mr. Taylor might begin by saying, "The program tonight is different. It has been suggested by an average American, not a musician's musician. We want our listeners to keep tuned to this program and then send postal cards to the Secretary of the Treasury, Washington, D. C., to tell him how they liked it, particularly, did it make you want to go out and buy all the Defense Bonds and Stamps you can afford".

J. S. Forbush

TREASURY DEPARTMENT

89

INTER OFFICE COMMUNICATION

DATE December 26, 1941

TO Ferdinand Kuhn, Jr.

FROM Alan Barth

EDITORIAL OPINION
ON FOREIGN AFFAIRS:
THE EXPANDING HORIZON

Alliance

Prime Minister Winston Churchill's arrival in Washington gave dramatic emphasis to the budding editorial awareness that we are engaged in a world war. This awareness, although often vigorously expressed, appears to have been until now, on a somewhat formal or theoretical level of consciousness. Mr. Churchill's visit translated it into bread-and-butter reality.

The Chicago Sun refers to the visit as a token of "the unity of the United States and Great Britain in war, and the larger unity of all the nations united against Axis aggression." For the first time, the press as a whole seems to be saying with real conviction that what happens at Hong Kong or in North Africa or on the Russian front intimately and immediately concerns the United States. The editorial writers are beginning to grasp the tremendous implications of a conflict which has the entire planet as its locale.

This understanding has made them a good deal more receptive to the proposition of a joint allied command. They recognize now that the war will demand strategic choices, that weapons are simply not available for adequate action on all fronts at once. They perceive that the utilization of available strength must be coordinated to be effective.

Most American commentators, of course, prefer to see the direction of affairs in American hands. They are prone, these days, to recite evidences of British blundering. It seems probable, however, that their awareness of the need for coordination will lead them to endorse a division of authority in separate sectors between the British and ourselves. As far as the Russians and Chinese are concerned, there appears to be no inclination to do more than send them materiel and let them conduct their own operations.

Overconfidence

Press reaction to the Pacific fighting has described a parabola. From a wringing of hands immediately after the attack on Pearl Harbor, sentiment rose sharply to an expectation of easy victory over the Japanese. It was not until the middle of the past week that the newspapers began to realize that further serious reverses were almost certainly in store for the British and American Far Eastern forces. Now, suddenly, the downswing has set in.

It was not only in respect to the Far East that the press fostered a high degree of optimism. Its news and editorial pages also proclaimed a Nazi disaster in Russia, encouraging a popular belief that the war might be won much more easily than at first expected. With very few exceptions, commentators gloated uncritically over the indications of a serious Nazi defeat. The removal of von Brauchitsch, the appeal to the German people for winter clothing, news of which could have come over the airwaves only by special permission of the German copyright owners, were heralded here with small discount.

With rumors that the French fleet has been delivered into German hands and with news of large-scale Japanese landings in the Philippines, a wave of apprehension has commenced. Having encouraged the public to anticipate good news, the press is now treating it to dire forebodings. Editorial writers have scarcely started their task of promoting public understanding that allied resources are limited.

Currently, they foresee a grave threat to Singapore in the Pacific and a probable Nazi grab at the Azores in the Atlantic. A discordant choir of journalistic strategists counsels both the concentration of American materiel for the defense of Britain's Far Eastern stronghold and the seizure of the Azores, Cape Verdes and Martinique.

Future

Winston Churchill's visit has revived editorial thoughts about collective security in the post-war reorganization of the world. Anglo-American collaboration continues to be regarded as the essential nucleus for the future maintenance of peace. Expressing the prevailing view -- a view which Mr. Churchill himself has now voiced in ringing terms -- Walter Lippmann declares: "The great mistake of our lives -- from which flow all the awful consequences we now face -- was that having won the other war together with the British, we dissolved the partnership, went our separate ways and even became rivals."

But even under the stress of present circumstances, there is still a minority which cautions against the hands-across-the-sea philosophy. The parochial imperialism of those who masked but lately under the misnomer of isolationism is perhaps best illustrated by the Patterson papers -- The New York Daily News and The Washington Times-Herald. Suggesting a merger of Canada with the United States, they reason: "After this war, we are likely to find Russia the most powerful nation in Europe. To the west of us, we may face some powerful Asiatic coalition run either by Japan or by China. In the new world which we all hope for, it will be a fine piece of insurance to have Canada and the United States lined up side by side in a close union for defense of the North American way of life."

The depth of our new national unity may be gauged from these contrasting points of view.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 26, 1941

TO Ferdinand Kuhn, Jr.
FROM Joseph Melia

EDITORIAL OPINION
ON DOMESTIC ISSUES:
LABOR HOLDS SPOTLIGHT

Discussion of the military aspects of the war continues to overshadow domestic issues in the nation's press. Only the so-called "labor problem" is successfully competing for editorial attention with the dramatic war events in the Far East, Russia, and Libya. There is relatively little comment on price control legislation, taxation measures, or non-defense spending; Mr. Hoover's testimony and the Senate Banking Subcommittee's report on price control created only a flurry of editorial interest. Nor is much attention being given at this time to the prospect of rationing civilian goods, although the possibility is emphasized by the orders banning the sale of tires and cutting the production of automobiles.

Labor: Issue No. 1

Controversies over the rights of labor during the war are still far from being settled. This is evidenced, for one thing, by the mixed reception given the "for the duration" labor-management agreement. Another indication is the newspaper denunciation of the West

Coast welders for "traitorously" striking. Still another is the joyful assertion by editorial writers that the Supreme Court's decision in the Virginia Electric & Power case is a precedent-making free-speech victory for employers.

The "no strike or lockout" provision of the labor-management agreement is widely acclaimed. But newspapers are generally skeptical of the two other clauses -- the one promising peaceful settlement of all disputes, and the other establishing a War Labor Board with power to resolve finally any management-labor disagreement.

These last two provisions -- along with the absence of any clause freezing the status quo of the closed shop -- are interpreted as meaning that conflicts involving closed or union shop issues or jurisdictional disputes can be mediated and finally arbitrated by the Board. With very few exceptions, the press bitterly assails the giving of any such power to a government agency. The President's denunciation of the closed shop during the time of the captive coal mine strike is widely quoted to bolster the argument that new closed or union shop agreements should be outlawed for the duration.

Look To The Future

Newspapers are anxiously awaiting the appointment by the President of the new Board's personnel and the announcement of its policy. Editorial comment at this time indicates that too many

New Deal, "pro-labor" appointments will probably be a signal for an instantaneous attack. And if an over-all policy to discourage unions from striving for closed or union shop agreements is not quickly established, the present temper of the press forecasts the probability of an increasingly loud demand for revision of the Wagner Act or for passage of legislation similar to the Smith or Ball Bill.

Another factor that may influence the attitude of the press toward legislation restricting labor is the extent of future strikes. War-time emotions and the labor-industry conference have, temporarily at least, allayed labor unrest in the United States. But there is no certainty that the rapidly rising cost of living, increased income taxes, and high industrial profits will not eventually result in an outbreak of strikes. If this should happen or if for any reason labor leaders fail to keep the rank and file in line, the press, as indicated by its reaction to the welders' strike, will very likely increase pressure for passage of stringent legislation restricting labor.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 110.71/89

December 26, 1941

My dear Mr. Secretary:

Your letter of December 15 transmitting a copy of Treasury Department Order No. 43 regarding the responsibility of Mr. Harry D. White in matters with which the Treasury Department has to deal having a bearing on foreign relations is being brought to the attention of the interested offices of the Department. I am sure that they will be glad to cooperate in all appropriate ways with Mr. White.

Sincerely yours,

A large, handwritten signature in cursive script, reading "Cordell Hull".

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

December 15, 1941.

My dear Mr. Secretary:

I enclose a copy of an order which I have today issued designating Mr. Harry D. White, an Assistant to the Secretary, to assume full responsibility in matters with which the Treasury Department has to deal having a bearing on foreign relations.

Sincerely,

(signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Sent by special messenger 12-15-41 at
9:50 a.m.

WNT:js

WNT EHVjr DWS HDW

COPY

December 15, 1941.

TREASURY DEPARTMENT ORDER NO. 43.

On and after this date, Mr. Harry D. White, Assistant to the Secretary, will assume full responsibility for all matters with which the Treasury Department has to deal having a bearing on foreign relations. Mr. White will act as liaison between the Treasury Department and the State Department, will serve in the capacity of adviser to the Secretary on all Treasury foreign affairs matters, and will assume responsibility for the management and operation of the Stabilization Fund without change in existing procedures. Mr. White will report directly to the Secretary.

H. MORGENTHAU, JR.
Secretary of the Treasury.

C O P Y

Treasury Department
TELEGRAPH OFFICE

99

DN3 18 GOVT CG

FROM CINCAPAC

1941 DEC 26 AM 9 03

ACT SECY OF THE TRSY

PLEASE ACCEPT MY SINCERE THANKS FOR YOUR KIND AND
ENCOURAGING MESSAGE

ADMIRAL NIMITZ

855AM

H MORGENTHAU JR PERSONAL

DEC 24, 1941

ADMIRAL CHESTER W. NIMITZ
COMMANDER-IN-CHIEF, PACIFIC FLEET
HONOLULU TERRITORY OF HAWAII

I AM MORE THAN PLEASED AT THE ADDITIONAL RESPONSIBILITY AND
HIGH HONOR WHICH THE PRESIDENT OF THE UNITED STATES HAS GIVEN
TO YOU AND I WANT TO WISH YOU ALL POSSIBLE CHRISTMAS JOYS
AND A VICTORIOUS NEW YEAR

HENRY MORGENTHAU JR

H MORGENTHAU JR PERSONAL

DEC 24, 1941

ADMIRAL CHESTER W. NIMITZ
COMMANDER-IN-CHIEF, PACIFIC FLEET
HONOLULU TERRITORY OF HAWAII

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HIGH HONOR WHICH THE PRESIDENT OF THE UNITED STATES HAS GIVEN
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AND A VICTORIOUS NEW YEAR.

HENRY MORGENTHAU JR

TREASURY DEPARTMENT

101

INTER OFFICE COMMUNICATION

DATE December 26, 1941

TO Secretary Morgenthau
 FROM H. D. White
 Subject: British financial developments.

The following items, culled from reports received recently from Mr. Casaday, may be of interest to you:

1. Two recent wage increases of importance.
 - a. \$1.00 a week increase to women engineering workers.
 - b. Recommendation by Central Agricultural Wage Board for increase from \$9.60 to \$11.20 minimum per week for farm workers.

2. Government expenditures are running about 10% higher than the budget estimates, and revenue about 25% higher. The excess profits tax especially is yielding far more than had been expected.

3. Savings are on the increase.

Weekly "small savings" (corresponding to our defense stamps, baby bonds, postal savings and savings banks deposits) averaged \$44.8 million in October, as compared to \$42.8 million in September and \$38.4 million in August. Concern has been expressed in the British financial press because "small savings" have not yet reached the \$60 million a week figure estimated by the Chancellor of the Exchequer as necessary to "fill the inflationary gap".

"Large savings" (corresponding to our ordinary government bonds) averaged \$126.8 million per week in October, as compared to \$28.8 million in September and \$104.4 million in August.

4. Trend of prices:	Wholesale prices index	Cost of living index
August, 1939	100.0	100.0
October, 1940	145.5	123.9
October, 1941	157.5	128.4

During 1941, wholesale prices have risen slowly (from 152.4 in January), and living costs have been largely stabilized by widespread price controls and price subsidies.

5. The note circulation continues to rise. It has been suggested that this may be explained in part by blackouts and the petrol shortage, which render it difficult for small traders, farmers, etc. to get to their banks frequently.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 12 - Aircraft Shipped -
for the week ended December 23, 1941.

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

December 26, 1941

STATEMENT NO. 12
 AIRCRAFT DESPATCHED FROM THE U. S.
 WEEK ENDED DEC. 23/41

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
<u>CESSNA</u> -50	Canada	---	---	---	8
<u>BRUNNAN</u> Vertlett II	By H. M. S.	---	32	---	---
<u>LOCKHEED</u> Hudson III	Australia	Melbourne	8	---	---
Hudson IV	"	"	13	---	---
Hudson III	U. K.	U. K.	---	4	---
Hudson III	Canada	---	---	---	10
<u>NORTH AMERICAN</u> Mustang	U. K.	U. K.	1	---	---
Harvard II	Canada	---	---	---	17
TOTAL			54	4	35

British Air Commission
 December 26, 1941

DEC 26 1941

My dear Mr. Ambassador:

I wish to refer to the agreement dated October 10, 1941, relative to the purchase of 903,000 fine troy ounces of gold by the Secretary of the Treasury from the Government of the Union of Soviet Socialist Republics, against which an advance of \$50,000,000 was made on October 11, 1941.

I take pleasure in enclosing for your information two copies of the assay report of the United States Mint at San Francisco giving an analysis of the gold which arrived on the SS **TRAVENNER** and deposited by your Government on December 10, 1941, for the account of the Secretary of the Treasury.

You will observe from the enclosed report that the alignment after melting and upon assay was determined to contain 196.675, 341 fine troy ounces of gold and to have a value of \$6,613,636.93. After the deduction of the amount of \$17,226.69 representing the mint charge of \$19.80 plus the 1/10% handling charge of \$17,038.09, the net value of the gold was \$6,196,408.04. This amount of gold has been applied by the Treasury against the amount of gold agreed to be purchased by the Secretary of the Treasury under the agreement of October 10, 1941.

Sincerely yours,

(S:Grod) D. T. BULL

Acting Secretary of the Treasury.

His Excellency
Nathan Litvinoff,
Ambassador of the Union of Soviet
Socialist Republics.

Enclosure.

T9170114-23-41

O
P
I

TREASURY DEPARTMENT
United States Mint Service
San Francisco, Calif.

December 17, 1941.

Secretary of the Treasury,
Treasury Department,
Washington, D.C.

Attention - H. Merle Cochran

Dear Sir:

I am enclosing copy of a letter which I have today handed to the Federal Reserve Bank with check - also ten copies of Memorandum Form 42-2.

Hoping you will find everything in order and assuring you that I am glad of the opportunity of serving you at any time, I am,

Respectfully,

/s/ F. J. Maggerty
Superintendent.

Copp;vw;12-22-41

Office of Superintendent
United States Mint

TREASURY DEPARTMENT
United States Mint Service
San Francisco, Calif.

December 17, 1941

Federal Reserve Bank,
San Francisco, California.

Gentlemen:

There was on December 10, 1941, delivered to the U.S. Mint, San Francisco, 194,708.88 ounces of gold which arrived in San Francisco on the SS "Transhalt" for the account of the State Bank of the U.S.S.R. Moscow. We were instructed by telegram from D. W. Bell, Acting Secretary of the Treasury (copy of which is attached) to instruct the Federal Reserve Bank of San Francisco to transfer by telegram to the Federal Reserve Bank of New York, for credit of the Secretary of the Treasury, Special Account, and to include in the telegram the number of -

Fine Ounces	194,675.341
Dollar Value	\$ 6,813,636.93
Mint Charges	\$ 194.80
Net Amount	\$ 6,813,442.13

for which latter amount we are delivering you our check.

The amount of one-fourth of one percent (1/4%) handling charge is \$17,034.09.

Yours very truly,

/s/ F. J. Haggerty
Superintendent

Copy: 12/22/41:hmd

UNITED STATES MINT
SAN FRANCISCO, CAL.

BULLION DEPOSIT - MEMO REPORT

107

Mint Form 42R

Account Number 3060

Date Dec 10, 1941

Memo Required by Depositor 10

Silver Price or Class

SOURCE DATA

FEDERAL RESERVE BANK OF SAN FRANCISCO
ON ACCOUNT OF FEDERAL RESERVE BANK OF NEW YORK
FOR DEPOSIT TO THE SECRETARY OF THE TREASURY, SPECIAL ACCOUNT.

(Supt's Vault)

State
County
Mine

RUSSIA

Lot	Description of Deposit	Assay Number	WEIGHTS				ASSAY CERTIFICATE FINENESS			Refining chg.-cts. per oz.	FINE GOLD		SILVER		
			Before Melt Ounces	Dec	Alter Melt Ounces	Dec	Gold	Silver	Base		Ounces	Dec	Ounces	Dec	
5	5/7/35	20	9195		7795.32		7800.86	999.8	(000.2)		7799.299				
	1/1/40	20	96		7769.26		7802.11	999.8	(000.2)		7800.549				
	10/1/40	20	97		7814.22		7728.24	999.8	(000.2)		7726.694				
	1/9/41	20	98		7654.52		7278.96	999.8	(000.2)		7277.504				
	1/7/40	20	99		3884.20		3784.54	999.8	(000.2)		3783.783				
	1/1/41	20	9200		7498.70		7151.36	999.8	(000.2)		7159.927				
	1/7/41	20	01		7615.54		7641.10	999.9	(000.1)		7640.335				
	1/1/41	20	02		7679.96		7575.52	999.9	(000.1)		7574.762				
	1/7/41	20	03		7672.31		7609.45	999.9	(000.1)		7608.689				
	1/7/41	20	04		7601.81		7574.32	999.8	(000.2)		7573.305				
	1/7/41	20	05		7583.14		7198.19	999.8	(000.2)		7196.750				
										Total			Total		

RECEIVABLE BY CHECK
EXCEPT AS NOTED

NOTE - THIS REPORT IS FOR THE INFORMATION OF THE DEPOSITOR AND IS OF NO OTHER VALUE.

VALUES		CHARGES				Total
GOLD	SILVER	Melting	Refining	Handling		
\$	\$	\$	\$	\$	\$	\$
		Bars	Cash	Check		\$
						NET VALUE

UNITED STATES MINT
SAN FRANCISCO, CAL.

BULLION DEPOSIT - MEMO REPORT

108

Mint Form 42R

Sheet #2

Date Dec 10, 1941

Memos Required by Depositor 10

Silver Price or Class

SOURCE DATA RUSSIA

FEDERAL RESERVE BANK OF SAN FRANCISCO
OR ACCOUNT OF FEDERAL RESERVE BANK OF NEW YORK
FOR CREDIT TO THE SECRETARY OF THE TREASURY, SPECIAL ACCOUNT

State
County
Mine

Sheet #2	Description of Deposit	Assay Number	WEIGHTS				ASSAY CERTIFICATE FINENESS			Refining chg.-cts. per oz.	FINE GOLD		UNCES SILVER	
			Before Melt Ounces	Dec	After Melt Ounces	Dec	Gold	Silver	Base		Ounces	Dec	Ounces	Dec
15	25/28 Bars	20 9206	7617.51		8012.10		999.8	(000.2)			8010.497			
"	29/32	20 07	7479.40		7912.87		999.8	(000.2)			7911.287			
"	33/36	20 08	7513.14		7621.70		999.8	(000.2)			7620.175			
"	37/40	20 09	7585.87		8008.62		999.8	(000.2)			8007.018			
"	41/43	15 9210	5720.78		5552.79		999.9	(000.1)			5552.234			
16	1/4	20 11	7502.89		7276.43		999.9	(000.1)			7275.702			
"	5/8	20 12	7569.70		7330.58		999.9	(000.1)			7329.846			
"	9/12	20 13	7739.92		7588.18		999.8	(000.2)			7586.662			
"	13/16	20 14	7607.30		7610.59		999.8	(000.2)			7609.067			
"	17/20	20 15	7555.84		7428.67		999.9	(000.1)			7427.927			
"	21/24	20 16	7647.91		7604.26		999.9	(000.1)			7603.499			

PAID BY CHECK
REPT AS NOTED

NOTE - THIS REPORT IS FOR THE INFORMATION OF THE DEPOSITOR AND IS OF NO OTHER VALUE.

Total Total

V A L U E S		C H A R G E S				Total
GOLD	SILVER	Melting	Refining	Handling		
\$	\$	\$	\$	\$	\$	\$
		Bars	Cash	Check		\$
						NET VALUE

UNITED STATES MINT
SAN FRANCISCO, CAL.

BULLION DEPOSIT - MEMO REPORT

109

Mint Form 42R

Lot No. 8060 Date Dec 10, 1941

Memo Required by Depositor 10

Silver Price or Class

SOURCE DATA RUSSIA

Delivered to: FEDERAL RESERVE BANK OF SAN FRANCISCO
(ON ACCOUNT OF FEDERAL RESERVE BANK OF NEW YORK, FOR CREDIT TO THE SECRETARY OF THE TREASURY, SPECIAL ACCOUNT)

State
County
Mine

No.	Description of Deposit	Assay Number	WEIGHTS				ASSAY CERTIFICATE FINENESS			Refining chg.-cts. per oz.	FINE GOLD		UNCES SILVER	
			Before Melt Ounces	Dec	After Melt Ounces	Dec	Gold	Silver	Base		Ounces	Dec	Ounces	Dec
16	Boxes 25/28 Bars 20	9217	7647.73		7927.08		999.8	(000.2)			7925.494			
"	29/32 20	18	7634.85		7851.62		999.8	(000.2)			7850.049			
"	33/36 20	19	7652.99		7917.36		999.9	(000.1)			7916.568			
"	37/41 25	9220	9664.17		9908.71		999.9	(000.1)			9907.719			
			194,708.88		194,706.71									

NOTE: - THIS REPORT IS FOR THE INFORMATION OF THE DEPOSITOR AND IS OF NO OTHER VALUE.

Total 194,675.341

PAID BY CHECK
REPT AS NOTED

VALUES		CHARGES			Total
GOLD	SILVER	Melting	Refining	Handling	
\$ 6,813,636.93	\$	\$ 194.80	XXX	\$ 17034.09	\$ 17,228.82
					\$ 6,796,408.04
					NET VALUE

Treasury Department **110** ✓
Division of Monetary Research

Date Dec. 26, 1949

To: Secretary Morgenthau

There is an inside note containing information about Japanese occupation of the International Settlement and their treatment of the banks. The information is not important, but the last sentence in the letter explains why I am sending it to you.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

1601 V STREET N. W.
WASHINGTON, D. C.

December 26, 1941

Dear Dr. White:

I am in receipt of a telegram from Chungking stating that the following telegraphic news has drifted in concerning the situation in Shanghai:

"1. The Japanese army occupied the International Settlement on the eighth. The vaults of the four Government Banks were sealed after examination. The enemy forced the Banks to make and hand over copy of the daily statement, lists of depositors of one hundred thousand dollars and over, and also British and American depositors of ten thousand dollars and over, and a table showing the names of the personnel of the Banks and their living quarters. The same treatment was accorded to the Shanghai offices of the Bank of China Nanking and Chekiang branches. The staff still had access to these offices.

"2. On the ninth the Shanghai Municipal Council, in accordance with the wishes of the Japanese, announced that the Banks should continue to function.

"3. On the tenth the Shanghai Municipal Council announced that all banks should reopen in order to raise funds for the enemy. The Nanking branch Shanghai office was ordered to reopen first because it had large assets available. The Shanghai branch and the Chekiang branch offices were ordered to suspend business temporarily, the former pending a complete examination of its accounts and the latter because of its inadequate assets.

"4. On the 11th all the Chinese and foreign banks, with the exception of the Central Bank and the Farmers Bank, reopened and transacted business. The Japanese sent men to supervise the reopening of the Banks and the business was limited to paying current deposits on which a limit of five hundred dollars per person was set. After the business day, the vaults were again sealed by the Japanese."

Please keep this absolutely confidential to yourself and the Secretary because we would like to maintain this channel of information.

Yours sincerely,



T. V. Soong

Dr. Harry D. White
Treasury Department

13-26-41

To Honorable Harry Morgenthau
From W. Randolph Burgess

You will be interested in the following cable from
our people in Shanghai:

"We have received following cable from Mackay,
Shanghai. Quote. Advise Hart bank continues
under control of Japanese inspector. Stop.
Limited withdrawals for wages salaries personal
requirements only business permitted. Stop.
Our cash position excellent and can pay off
depositors hundred percent. Stop. Request
Hart Advise all families XMAS greetings all
well. Love. Unquote."

The National City Bank
of New York
ESTABLISHED 1818

New York Dec. 26, 1941.

OFFICE OF
THE VICE CHAIRMAN
OF THE BOARD

Dear Henry:

Cables to-day show that our staff in Shanghai, Singapore, and Manila are all well and comfortable. We also hear through Kid that our three men in Tientsin are living comfortably in bank apartments by courtesy of Japanese headquarters. No word from Hongkong since the capture.

Sincerely yours,



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

WMB:H

TREASURY DEPARTMENT

114

INTER OFFICE COMMUNICATION

DATE December 26, 1941

TO Secretary Morgenthau
 FROM Mr. Kamarok
 Subject: Japanese Ship Losses

Japanese Ships Sunk or Damaged from
 December 7 to December 26

	<u>Sunk</u>	<u>Damaged</u>
<u>Battleships</u>		
By U.S. Forces	1	1
<u>Cruisers</u>		
By U.S. Forces	1	-
By Dutch Forces	-	<u>2</u>
Total	1	2
<u>Destroyers</u>		
By U.S. Forces	3 + 1 probable	-
By Dutch Forces	<u>1</u>	-
Total	4 + 1 probable	-
<u>Submarines</u>		
By U.S. Forces	4	-
<u>Seaplane Tenders</u>		
By U.S. Forces	1 probable	-
<u>Minesweepers</u>		
By U.S. Forces	1	-
By ? , Japanese admit	-	1
<u>Transports, Supply Ships, and Auxiliaries</u>		
By U.S. Forces	5 + 1 probable	6
By British Forces	2	2
By Dutch Forces	<u>13</u>	<u>2</u>
Total	20 + 1 probable	10

December 26, 1941.

MEMORANDUM FOR THE PRESIDENT:

Annexed is an Executive Order which amends the outstanding "freezing control" Executive Order so as to apply the same control to Hong Kong property in this country. This order also provides for the automatic freezing of the assets of any other territory in case it should be occupied or overrun by the military, naval or other forces of the Axis - as for example the Philippines.

This document has been cleared with the Secretary of State and the Attorney General.

/s/ D. W. Bell

Acting Secretary of the Treasury.

Cleared with Secretary Morgenthau
over the telephone.

(init.) DWB

Record - 12/26/41.

EXECUTIVE ORDER NO.

- - - - -

AMENDMENT OF EXECUTIVE ORDER NO. 8389
OF APRIL 10, 1940, AS AMENDED

By virtue of the authority vested in me by Sections 3(a) and 5(b) of the Trading with the enemy Act of October 6, 1917 (40 Stat. 415), as amended by Title III of the First War Powers Act, 1941 (Public No. 354, 77th Congress), and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do hereby amend Executive Order No. 8389 of April 10, 1940, as amended, in the following respects:

(1) By changing the period at the end of subdivision (1) of section 3 of such Order to a semi-colon and adding the following new subdivision thereafter:

(m) June 14, 1941--
Hong Kong.

(2) By amending paragraph B of section 5 of such Order to read as follows:

- 2 -

B. The term "United States" means the United States and any place subject to the jurisdiction thereof, and the term "continental United States" means the states of the United States, the District of Columbia, and the Territory of Alaska; provided, however, that for the purposes of this Order the term "United States" shall not be deemed to include any territory included within the term "foreign country" as defined in paragraph D of this section.

(3) By substituting the following in lieu of subdivision (iii) of paragraph D of section 5:

(iii) Any territory which on or since the effective date of this Order is controlled or occupied by the military, naval or police forces or other authority of such foreign country;

(iv) Any person to the extent that such person is, or has been, or to the extent that there is reasonable cause to believe that such person is, or has

been, since such effective date, acting 118
or purporting to act directly or indirectly
for the benefit or on behalf of any of the
foregoing.

Hong Kong shall be deemed to be a foreign country
within the meaning of this subdivision.

Franklin D. Roosevelt

THE WHITE HOUSE,

December 26, 1941.

sub

TREASURY DEPARTMENT
Office of the Secretary
December 26, 1941

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

1. General License No. 57 is hereby revoked.
2. The offices within Hong Kong and occupied China of banks named in Schedule A of General License No. 58, shall, as of the date hereof, cease to be appointed banks, and, as of the date hereof, such offices shall also cease to be generally licensed nationals within the meaning of General Licenses Nos. 59, 60, or 61, and such general licenses are to such extent hereby revoked.
3. General License No. 13 is hereby amended in the following respects:
 - (a) The word "Hong Kong" is deleted from subdivision (a) of paragraph (1) thereof; and
 - (b) The words "Hong Kong" and "Penang" are deleted from subdivision (b) of paragraph (1) thereof.
4. Subparagraph (a) of paragraph (3) of General License No. 53 is hereby amended in the following respects:
 - (1) A semicolon is substituted for the period at the end of item (x) thereof; and
 - (2) The following proviso to all of the provisions of subparagraph (a) is added at the end thereof:

"Provided, however, that the term 'generally licensed trade area' shall not include any territory which is controlled or occupied by the military, naval or police forces or other authority of Japan, Germany, or Italy, or allies thereof."

D. W. BELL

Acting Secretary of the Treasury

* This public circular affects Parts 130 and 131 and will be included in appendices to those parts. Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, Ex. Order 8963, December 9, 1941, and Ex. Order 8998, December 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
Office of the Secretary
December 26, 1941.

GENERAL LICENSE NO. 78
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

A general license is hereby granted licensing any transaction which is prohibited by the Order solely by reason of the fact that it involves property in which Hong Kong, or any national thereof, has at any time prior to December 26, 1941, but not on or since December 26, 1941, had any interest.

This general license shall not be deemed to authorize any transaction, if (i) such transaction is by, or on behalf of, or pursuant to the direction of Hong Kong, or any national thereof, or (ii) such transaction involves property in which Hong Kong, or any national thereof, has at any time on or since December 26, 1941, had any interest.

D. W. BELL

Acting Secretary of the Treasury.

*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, Ex. Order 8963, December 9, 1941, and Ex. Order 8998, December 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, December 27, 1941

Press Service
No. 29-30

The President last night issued an Executive Order freezing Hong Kong assets in the United States. This action was taken as the result of the fall of Hong Kong into Japanese hands. Under the new Executive Order all financial and trade transactions in which Hong Kong interests are involved are brought under the control of the Government and criminal penalties for any violations are imposed.

The new Executive Order also provides for the automatic freezing of the assets of any other territory in case it should be occupied or overrun by the military, naval or other forces of the Axis.

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DEPARTMENT OF STATE

Washington

In reply refer to
S. 40.51 Frozen Credits/4812

December 26, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith airmail despatch no. 3148 of December 18, 1941 from the American Embassy at Habana, and its enclosures, a copy of the Embassy's note no. 918 of December 17, 1941 to the Foreign Office, regarding the administration of the freezing control measures under existing war conditions.

Enclosure:

From Habana, no. 3148,
December 18, 1941.

Copy:mas:12/30/41

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No. 3148

Habana, December 18, 1941

AIR MAIL

Subject: (Department's circular telegram of December 15,
1941, 10 p.m., regarding administration of
(freezing control measures under existing war
(conditions

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

With reference to the Department's circular telegram of December 15, 1941, 10 p.m., requesting the Embassy to call the appropriate Cuban authorities' attention to the administration under existing war conditions of the freezing control measures which were placed in effect by our Government in June 1941, I have the honor to enclose a copy of the Embassy's note No. 918 of December 17, 1941, to the Foreign Office, summarizing the contents of the Department's telegram under reference and expressing the hope that in the interests of Western Hemispheric defense, similar measures may be adopted without delay by the Cuban Government.

With reference to that part of the telegram suggesting that measures be adopted by Cuba to prevent all business, financial or trade transactions with Germany, Italy or Japan, the Department's attention is invited to the Embassy's air mail despatch No. 3143 of December 18, 1941, enclosing a copy and translation of Cuban Decree No. 3366 of December 15, 1941, which, inter alia, prohibits the exportation of all means of payment to countries at war with Cuba. The Department will recall, moreover,

- 2 -

that Cuban Decree No. 3343 of December 12, 1941, subjected to the supervision of an Enemy Property Custodian all business, financial and trade transactions in Cuba engaged in by alien enemies and froze all funds in Cuba belonging to such aliens (Please see despatch No. 3119 of December 16, 1941). A number of Italian, German and Japanese nationals suspected of inimical activities have been taken into custody and the Cuban Government can, in the Embassy's opinion, be relied upon to take whatever steps may be considered necessary to control any enemy alien activities considered dangerous to the defense of the Western Hemisphere. In fact, Decree No. 3343 appears in some ways to provide for more drastic action than the measures set forth in the Department's telegram of December 15.

In further connection with Decree No. 3343, the Cuban Government has issued two additional decrees, No. 3382 and No. 3384, both of December 16, 1941, and promulgated in Official Gazette No. 719 of December 17, 1941, appointing Mmanuel Perez Benitoa, the Subsecretary of National Defense, as Enemy Property Custodian, and creating the Office of Enemy Property Custodian, to be located in the Ministry of the Interior. According to Decree No. 3382, Dr. Mariano Domingo Morales del Castillo, Civil Service Commissioner, has been appointed Assistant Custodian, and his services, as well as those of Mr. Perez Benitoa, are to be gratuitous.

Respectfully yours,

GEORGE S. BISHOP, JR.

Enclosure:

Copy of note No. 918
of December 17, 1941

File No. 651
ASW/cd

A true copy of the signed original.

Copy: hnd: 12/30/41

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Enclosure to despatch No. 3148
of December 18, 1941, from the Embassy at Habana

(COPY)

URGENT

No. 918

Habana, December 17, 1941

Excellency:

Pursuant to instructions from my Government, I have the honor to bring to the attention of Your Excellency's Government the following information regarding the administration under existing war conditions of the freezing control measures which were placed in effect by my Government in June 1941, affecting German and Italian activities in the United States.

As Your Excellency's Government is aware, the above mentioned freezing control measures place under the control of my Government all financial, business and trade transactions in which Germany or Italy or any blocked national of Germany or Italy has any interest, by prohibiting such transactions unless they are licensed. Among other things, payments, transfers and withdrawals are not allowed from any account in banking institutions if Germany or Italy, or any blocked national of Germany or Italy has any interest in such account, except as so authorized. All business, financial or trade transactions between the United States and Germany and Italy are, of course, prohibited.

The application of the above described controls to the personal activities of nationals of Germany or Italy resident in the United States, and to local business conducted by these nationals in which neither Germany or Italy or any national thereof resident in Germany or Italy has any interest, has been based on the determination of which of those nationals are suspected in any way of carrying on activities inimical to the defense of the United States.

The selective method outlined above is facilitated by the fact that my Government possesses current information collected by various methods, including information made available under the Alien Registration Act, which makes it practicable to separate immediately those aliens who are suspected of such activities from those who are clearly above any such suspicion and to intern those German and Italian nationals as well as Japanese who activities are deemed to be inimical to the United States.

His Excellency

Dr. Jose Manuel Cortina,
Minister of State,
Habana, Cuba.

- 2 -

Some modification has been made in the treatment of nationals of Japan. As Your Excellency was informed in my note No. 885 of December 9, 1941, my Government, upon the outbreak of the war with Japan, placed an immediate stoppage on all financial, commercial and trade transactions in which Japan or her nationals had an interest, subject to the issuance of appropriate licenses in the future. Since then, any Japanese nationals in the continental United States not taken into custody may obtain minimum living expenses from bank accounts or salaries and Japanese nationals engaged in agricultural pursuits essential to the economy of the locality in which they are located may, with minor exceptions, engage in all transactions incident to the normal conduct of such business. This particular provision appears to be of especial interest to Your Excellency's Government, in view of the existence of colonies of Japanese agriculturists in the Isle of Pines and elsewhere in Cuba.

A stringent control has been exercised over German and Italian banks and over German and Italian business enterprises which are owned or controlled by Germans and Italians not resident within the Western Hemisphere. Since the outbreak of the war, representatives of my Government have taken custody of important German and Italian banking and financial enterprises throughout the United States, and have been instructed, where necessary, to prevent the access of persons to the premises of such enterprises and to prevent the destruction or removal of their books, records or other property. This action has also been taken as to business enterprises which are owned or controlled by Germans and Italians not resident within the Western Hemisphere. Many of these concerns are denied the right to engage in business at all and will have to be liquidated. Certain others of these businesses which are important to the United States' economy are now permitted to engage in purely domestic business subject to the detailed supervision of representatives of my Government. Of course, no transactions are permitted in which Germany or Italy, or any national thereof not resident in the Western Hemisphere has an interest. Steps are taken in all such cases to prevent Germany or Italy or nationals thereof residing outside the Western Hemisphere from exercising any control whatsoever over the affairs of such concerns, and in many cases my Government may take over the interests of such persons in the concerns.

All these controls are, of course, in addition to the controls outlined previously in this note, under which German or Italian nationals resident in the United States whose activities are deemed likely to be inimical to the interests of the United States are taken into custody and deprived of the right to engage in any business whatsoever.

- 3 -

In conformity with inter-American declarations of solidarity in the event that the peace, security or territorial integrity of any American Republic is threatened, particularly of Resolution XV adopted by the Second Meeting of Ministers of Foreign Affairs of the American Republics, my Government presumes that Your Excellency's Government will be disposed to adopt appropriate measures to curb German, Italian and Japanese economic and financial activities in the Western Hemisphere. The measures which my Government hopes Your Excellency's Government might find it possible to adopt are measures which will accomplish the following results:

1) Prevent all business, financial or trade transactions between Germany, Italy or Japan and Cuba;

2) Prevent all business, financial or trade transactions in Cuba which are engaged in for the benefit of, or by persons controlled by, Germany, Italy or Japan or nationals thereof not resident in the Western Hemisphere;

3) Prevent any business, financial or trade transactions in Cuba by nationals of Germany, Italy or Japan or their agents which are inimical to the defense of the Western Hemisphere.

4) Subject to supervision, all business, financial and trade transactions in Cuba engaged in by nationals of Germany, Italy or Japan; and

5) Take into custody such nationals of Germany, Italy or Japan who are engaged in activities dangerous to the defense of the Western Hemisphere.

My Government hopes that it may be possible for Your Excellency's Government readily to adopt the appropriate controls, inasmuch as the defense of the United States and of each of the other American Republics will, it is felt, be in danger if the adoption of such measures fails or is delayed.

Please accept, Excellency, the renewed assurances of my highest consideration.

AFH/cd

GEORGE S. MESSERSMITH

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 840.51 Frozen Credits/4689

December 26, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of airmail despatch no. 2366 from the American Legation at Quito, dated December 11, 1941, concerning economic measures taken against the Japanese by the Government of Ecuador.

Enclosure:

From Quito, no. 2366,
December 11, 1941.

eh:copy
12-29-41

Quito, December 11, 1941.

129

No. 2366

Subject: Economic Measures against Japanese

STRICTLY CONFIDENTIAL

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to report that the en claire portion of the Department's circular of December 8, 6 p.m., after being typed in memorandum form, was handed to the Foreign Minister late December 9, after which my telegram No. 515 of December 9, 6 p.m., was despatched.

As the Foreign Minister was not entirely clear about the extent to which the banks in Ecuador might go in duplicating the procedure adopted by our Government, the memorandum was gone over point by point with the Minister of Finance during the afternoon of December 10, who felt reasonably sure that Ecuador was following the procedure we have adopted in the United States except as to 1-b.

There are very few Japanese in Ecuador, no banks, and only two or three shops, so the Finance Minister thought it unlikely that any Jap would have a safety deposit box except possibly some diplomat or geologist. Mr. Illingworth agreed to take the matter up with the President tomorrow and see if the banks could be canvassed, so that they might deny access of any Japanese to a safety deposit box.

It was suspected that the Japanese Charge might have a safety box at La Previsora Bank; if so, this was to fall under the above arrangement.

Japanese business has been on a declining scale for some time and the Finance Minister doubted, excluding bank deposits, that there was more than \$90,000 of Japanese money in Ecuador. Of this, he thought \$40,000 might be in cash and the other \$50,000 in notes or open accounts not yet due. These obligations grew out of sales made by representatives of Japanese firms. Minister Illingworth did not remember that a single Japanese acted as a merchandise broker, most of the sales agents being foreigners or Ecuadorans.

While I was sitting at his desk the Foreign Minister telephoned to say that the Japanese Charge requested permission to buy a draft for \$19,000. The Finance Minister replied that the Charge had called upon him before noon and made the same request, which he had denied, but had referred the Charge to the Foreign Office. Dr. Tober evidently asked Mr. Illingworth's views, judging from the other end of the conversation which I heard. Illingworth replied that

he was against giving the Japs one cent, except for the indispensable requirements of the Legation. Last month they got \$1,000, this month \$1,200, but he favored giving them no more than the monthly requirement.

S/158,000 in the Previsora Bank

On the 10th we received a telegram from the Consulate at Guayaquil stating that the above amount in sucres was deposited in La Previsora in Guayaquil to the name of Nippon Yusen Kaisha, Rio de Janeiro.

S/188,000 in Banco Discuento (Guayaquil)

On the 11th we received from the same source advices that the above deposit was held to the credit of the Yokahama Special Bank. The deposits mentioned above, and others which might exist, fall under the regular Ecuadorean blocking provisions.

CONFIDENTIAL: As this despatch is being closed, I learn that Officials of this Government claim not to have legal right to prevent the use of safety deposit boxes, or to block the economic activities within Ecuador of private Japanese firms.

I learn from a confidential source that should Ecuador receive assurances from us covering the protection of the Galapagos Islands from Japanese attack, the country would be willing to break relations with or declare war against Japan, after which the necessary measures would be taken.

Respectfully yours,

Boaz Long
American Minister

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A true copy of
the signed orig.

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DEPARTMENT OF STATE

WASHINGTON

December 26, 1941

In reply refer to
FF 840.51 Frozen Credits/4688

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of air mail despatch no. 2364 of December 11, 1941 from the American Embassy at Lima, submitting a translation of the regulations relating to the embargo of Japanese funds and the movement of merchandise consigned to Japanese firms issued on December 10, 1941 by the Peruvian Government.

Enclosure:

From Lima, no. 2364,
December 11, 1941

Copy:ec:12-31-41

EMBASSY OF THE
UNITED STATES OF AMERICA

Lima, December 11, 1941.

No. 2364

Subject: Regulations Governing the Embargo
of Japanese Funds in Peru

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Embassy's despatch No. 2357 dated December 10, 1941, relating to the embargo of Japanese funds and the movement of merchandise consigned to Japanese firms, and to submit a translation of the regulations pursuant thereto issued on December 10 by the Peruvian government, as follows:

Whereas:

In compliance with article No. 3 of the supreme decree of December 8 concerning the blocking of bank accounts and securities of Japanese entities and individuals, the local banking institutions have requested explanations from the Superintendency of Banks, which has submitted such questions to the government through the Director General of Finance;

It being convenient to dictate general rules of procedure governing the execution of the aforementioned decree:

Be it resolved:

1. The banks, the Lima Savings Bank (Caja de Ahorros de Lima) and the Caja de Depositos y Consignaciones are hereby authorized to debit the blocked accounts with all kinds of obligations of Japanese firms at the time of maturity, provided that such obligations were in possession of the banks by reason of advances, discounts or other credit operations before December 8.

2. Drafts and other collections on Japanese firms which were held by the banks, by the Lima Savings Bank (Caja de Ahorros de Lima) and by the Caja de Depositos y Consignaciones before December 8, 1941, may be paid by the banks to the debit of the blocked accounts, provided that such payments are made to non-Japanese firms.
3. In the event that the amount of any such collection belongs to a Japanese firm, the amount of such collection will be credited to the account of the same, and in case no account is carried one will be opened for such purpose.
4. Checks issued by Japanese firms before December 8, 1941, which may have been delivered in payment to the banks, to the Lima Savings Bank (Caja de Ahorros de Lima), to the Caja de Depositos y Consignaciones, municipalities, customhouses and public offices may be debited to the blocked accounts by the banks, paying the amounts directly to the entities which received the checks in payment, no endorsements being admitted in such cases.
5. Checks from Japanese firms delivered to customs brokers before December 8, 1941, are included in the provisions of the preceding article, on condition that the administrators of the respective customhouses certify that the same refer to clearances of merchandise effected prior to that date.
6. All checks drawn on blocked accounts prior to December 8, 1941, may be charged to such accounts and the amounts paid to the legitimate holders, provided that the latter prove before the Superintendency of Banks that said checks pertain to commercial transactions effected prior to December 8, 1941. The holders collecting such checks must be persons whose accounts are not included in the provisions of the decree of December 8, 1941.
7. Japanese holders of savings deposit-books may withdraw up to S.-500 monthly, it being understood that this withdrawal may be made only from one bank or from several banks but for the aforementioned total amount each month.
8. In order to facilitate the operations referred to in the foregoing articles, the banks may effect such operations concerning blocked accounts through the Superintendency of Banks, it being therefore unnecessary that such operations be effected through one single bank.
9. Banks having pending contracts with Japanese firms stipulating the supply of funds in cash for the operation of agricultural and industrial enterprises are hereby empowered to comply with such contracts, but cash deliveries must be made in accordance

with the requirements of the business which was the subject of the loan. For such purposes, each bank will proceed in agreement with the Agricultural or Industrial Banks, whenever agricultural or industrial transactions are involved. Said banks may adopt such safety measures for collection as may be deemed proper in accordance with their organic laws as though the contracts were celebrated directly with them.

10. Whenever the contracts referred to in the preceding article involve only the granting of credit and loans, without specific purpose to finance an agricultural or manufacturing business, the contract shall be considered as terminated on December 8, 1941, without any subsequent obligation to grant such advance.
11. All accounts associated or combined with Japanese firms are included under the decree of December 8, 1941, and under the provisions of the present decree.
12. Checks drawn in favor of Japanese firms may be accepted by the banks on which they are drawn for the sole purpose of crediting such checks to the accounts of the Japanese firms which present them for collection, accounts being opened to such firms if none are carried, provided that the checks are drawn against accounts which are not blocked, that they were dated prior to December 8, 1941, and that evidence is submitted to the Superintendency of Banks to the effect that they were issued in payment of obligations due before the same date.
13. Drafts on Japanese firms whose accounts are blocked, drawn and accepted before December 8, 1941, to the order of non-Japanese firms may be paid debiting the banking accounts of Japanese drawees, provided that proof is submitted to the Superintendency of Banks that such drafts were issued in connection with transactions celebrated prior to December 8, 1941.
14. Checks drawn against blocked accounts may be paid in cash whenever the amounts are dedicated to the payment of salaries, wages, government and municipal taxes on a scale equal to that recorded in the preceding month by the payer, which fact will be verified by a member of the Superintendency of Banks at the time of payment of the payrolls.
15. Safety-deposit boxes in the name of Japanese firms, whether or not combined with firms which are not Japanese, may be opened only with the attendance of representatives of the bank and of the Superintendency of Banks for the sole purpose of withdrawing personal documents. No titles to property, securities, cash or any other negotiable paper may be withdrawn.

-4-

16. All partnerships which according to their by-laws operate under Japanese names or in which the majority of the shareholders or directors are of Japanese nationality, are included in the provisions of the decree of December 8, 1941, concerning the blocking of accounts.

Register and communicate.

Dasso."

Respectfully yours,

For the Ambassador,

Julian Greenup,
Commercial Attache.

Enclosure -
Clippings from local newspapers.

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A true copy of
the signed original. mc

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DEPARTMENT OF STATE

Washington

In reply refer to
FF 840.51 Frozen Credits/4686

December 26, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith air mail despatch no. 2357 of December 10, 1941 from the American Embassy at Lima, and its enclosure of certain newspaper clippings reproducing two decrees treating with Japanese funds blocked by the Peruvian Government and the control of imports from Japan.

Enclosure:

From Lima, no. 2357,
with enclosure.

Copy:hmd:12/30/41

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EMBASSY OF THE
UNITED STATES OF AMERICA
Lima, December 10, 1941.

No. 2357

Subject: Japanese Funds Blocked by Peruvian
Government

Control of Imports from Japan

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to submit the following information supplementing the Embassy's telegram No. 669 dated December 9, 1941, with reference to the blocking of Japanese funds by the Peruvian government and the prohibition on the movement of merchandise of Japanese origin without special license.

The Department will be interested in knowing that the Peruvian government acted with considerable rapidity in this case. The American government's wish was made known at about 10 a.m., following which the cabinet officers reviewed the situation, drafted, approved and signed the decrees and had them ready for delivery to the newspapers by 6 p.m.

- 2 -

The decree of December 8, 1941, which blocked Japanese funds is translated as follows:

The funds in bank accounts and securities belonging to Japanese individuals and organizations are declared blocked.

The Superintendent of Banks will proceed today to establish a registry of existing accounts in banking institutions of credits, savings and other classes belonging to Japanese throughout the republic.

While the registry authorized in the preceding paragraph is being formed, and the regulations appropriate in the prevailing situation are being dictated, the Superintendent of Banks in agreement with the Director General of Finance may authorize the payment of checks or drafts by banks up to a prudent sum indispensable for the payment of vital and urgent necessities duly proved.

The prologue of the decree states that the war situation which has arisen in the Pacific may produce grave disturbances in the national economy, which it is the duty of the government to foresee; that the interests of Japanese commerce in the republic may be influenced by causes arising from the war, that there may be repercussions in the commercial, economic and financial life of the country; and that it is necessary to provide regulations in the matter in order to make it impossible that domestic interests be affected by the situation.

Another decree of the same date controlling the movement of merchandise is translated as follows:

The customs houses of the republic will not despatch any merchandise of Japanese origin without a special license from the Ministry of Finance.

Except by permission from the Ministry of Finance, it is prohibited to export all products imported which may be necessary for domestic industry and commerce, as well as manufactured commodities which are indispensable in the national economy. This prohibition extends to merchandise in transit deposited in the customs warehouses.

The Minister of Finance is authorized to draw up a list of the articles of which the exportation is prohibited by this decree and also to prescribe the measures necessary for accomplishing the same.

- 3 -

The prologue of the decree states that the war situation in the Pacific may bring as a consequence restrictions in maritime traffic which will reflect on the national economy, depriving commerce and industry of the elements necessary for their existence; and that it is necessary to prepare regulations which anticipate any abnormality in national economy.

Newspaper clippings reproducing the two decrees referred to are attached hereto.

Respectfully yours,

For the Ambassador

Julian Greenup,
Commercial Attache.

Enclosures:

Newspaper clippings reproducing the two
decrees referred to.

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A true copy of the signed original.

Copy:hmd:12/30/41

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DEPARTMENT OF STATE
WASHINGTON

December 26, 1941

In reply refer to
FF 840.51 Frozen Credits/4675

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of air mail despatch no. 408 of December 10, 1941 from the American Embassy at Panama, with its enclosures, clippings from the Estrella de Panama, giving the text of the pertinent decree law prohibiting the transfer of gold and funds belonging to the Japanese Government, banks, companies or individuals, as published in the December 9 issue.

Enclosure:

From Panama, no. 408,
December 10, 1941,
with enclosures.

Copy:bj:12-20-41

AIR MAIL

141

Panama, December 10, 1941

AIR MAIL

No. 408

SUBJECT: Decree Law Prohibiting
Transfer of Gold and
Funds Belonging to
Japanese Government,
Banks, Companies or
Individuals.

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to my telegram No. 486 of December 8, 11 a.m. regarding the prohibition by the Panamanian Government of the transfer of gold and funds belonging to the Japanese Government, banks, companies or individuals, and to enclose clippings of the text of the pertinent decree as published in the December 9 issue of the Estrella de Panama, together with clippings of an English translation.

It will be noted that in addition to prohibiting the exportation of gold or other funds or valuables belonging to the Japanese Government or to Japanese subjects or companies, the decree further authorizes the Executive Power to adopt similar measures against any state or states, and citizens or companies thereof, which may constitute a menace to the Republic of Panama or to the neutrality or security of the Panama Canal. Violations of the decree are to be punished by a fine of B/1,000, or arrest for three months. In accordance with Article V of the decree, it went into effect immediately upon publication in the local newspapers; that is to say, on the morning of December 9.

Respectfully yours,

Edwin C. Wilson

Enclosures:

Clippings from the Estrella de
Panama of December 9

Copy:bj:12-30-41

HEM/nw

Regraded Unclassified

Japan's Funds Here Frozen By Gov't's Decree

Prohibit Exportation Of Valuable Held Here By Japanese Subjects

Funds of the Japanese Government or of Japanese citizens or institutions in the Republic were frozen by an executive decree issued yesterday by the Government of Panama.

The decree, signed by President Ricardo Adolfo de la Guardia and all of the members of his Cabinet as well as by the members of the National Assembly's Advisory Committee, prohibits the exportation of gold or other valuables belonging to Japanese and suspends payment by local individuals or institutions of credits due them.

The text of this decree follows:

"The President of the Republic by virtue of the extraordinary authority accorded him by Law No. 41 and after consulting the opinion of the Cabinet Council and the Special Commission elected in accordance with the provisions of Ordinal 20, Article 48 of the National Constitution, and

"Considering

1.—That the Government of the

United States of America has officially informed the Government of Panama that yesterday military forces of the Imperial Government of Japan attacked, in an unexpected manner, the military bases of the United States situated at Hawaii, and the Philippines;

"2.—That in the General Treaty signed between Panama and the United States on March 2, 1936, it is established in its Article X that in the case of a conflagration or any threat of aggression "which would endanger the security of the Republic of Panama or the neutrality or security of the Panama Canal" the two Governments "will take such measures of prevention and defense as they may consider necessary for the protection of their common interests".

Decree:

"Article 1.—The exportation of gold or other funds or valuables belonging to the Imperial Government of Japan, to its subjects or juridical persons constituted by them, is hereby prohibited;

"Article 2.—The banking institutions or any other juridical or natural persons in whose power there should exist funds or credits in favor of the entities or persons mentioned in the foregoing article, shall retain these funds and credits from effecting payment on such credits. For the purpose here

in mentioned, depositors shall be appointed with the obligation of reporting to the Ministry of Finance and Treasury, within a period of five days, on the valuables retained or the credits payable.

"Article 3.—Any violation of the provisions of this Decree shall be punishable with a fine of one thousand Balboas (B.1,000) or arrest for three months, which penalty shall be imposed by the Alcalde of the respective district.

"Article 4.—The Executive Power is hereby authorized to adopt analogous measures against any state or states, subjects or juridical persons formed by them, which may constitute a menace to the Republic of Panama or against the neutrality or security of the Panama Canal because of they being at war with the United States of America.

"Article 5.—This decree goes into effect immediately upon publication in the local newspapers.

Issued in Panama on the 21st day of December of the year 1941."

DEPARTMENT OF STATE
WASHINGTON

December 26, 1941

In reply refer to
FF 840.51 Frozen Credits/4611

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of airmail despatch no. 425 of December 17, 1941 from the American Embassy at Panama, together with its enclosures of clippings from the Panama America of December 13, 1941, concerning a decree freezing Japanese, German and Italian funds and creating an Alien Property Custodian.-

Enclosure:

From Panama, no. 425,
December 17, 1941,
with enclosures.

Copy:lc:12/30/41

Panama, December 17, 1941

AIR MAIL

No. 425

SUBJECT: Decree Freezing Japanese, German
and Italian Funds, and Creating
Alien Property Custodian.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to my telegram No. 507 of December 14 stating that on December 13 the Panamanian Government issued a decree freezing Japanese, German and Italian funds and creating an Alien Property Custodian to administer properties belonging to persons of these nationalities. The Spanish language text of this decree as published in the December 13 issue of the Panama America, is enclosed herewith.

The substantive part of the decree is as follows in translation:

"Article 1.

"Article 1. Banking institutions or any person, natural or juridical, having securities or credits belonging to Japanese, Germans and Italians or to firms constituted by any of these, or to subjects of any state threatening the security of the Republic or of the Panama Canal, are ipso facto constituted depository thereof and will notify immediately the Alien Property Custodian.

"Article 2. Banking institutions will not permit the opening of safe deposit boxes held by the above mentioned aliens and will furnish the Custodian with a list of the renters of these boxes.

"Article 3. Notaries Public are prohibited from issuing documents or from certifying documents purporting to sell, mortgage, rent, etc., goods belonging to the persons mentioned in this decree.

"Article 4. The Public Registrar will refrain from issuing documents in which the above mentioned aliens mortgage or celebrate whatever contract in relation with their registered immovable goods.

"Article 5. The Administration of Internal Revenue will adopt a similar measure with respect to the transfer of castinas, as will the district mayors with reference to the sale of automobiles.

"Article 6. The Custodian will take possession of all property belonging to Japanese, Germans and Italians and proceed to administer them, deducting expenses.

"Article 7. All funds belonging to individuals of the above mentioned nationalities will be deposited in the Banco Nacional in a special account set up for the purpose."

The decree was signed by the President of the Republic and the Minister of Finance and Treasury.

Notices to report to the Alien Property Custodian in the above sense have already appeared in the press.

Dr. Soracio F. ALFARO has been appointed Alien Property Custodian. Dr. Alfaro was, until a few months ago, an alternate Justice of the Supreme Court.

Respectfully yours,

Edwin G. Wilson

Enclosures;
Clippings of Panama America
of December 13, 1941

EW/mv

Copy 10, 12/30/41

Incautan los Bienes del Eje

El Gobierno se hace cargo de todos ellos aquí

Son bienes de Nazis, Italianos y Japoneses

El Gobierno Nacional, de acuerdo con las facultades que le confiere la Ley aprobada por la Asamblea Nacional, por medio de la cual se le declara la guerra al Imperio Japonés dispuso hoy incautar por el periodo que duren las hostilidades todos los bienes, propiedades y haberes de los Japoneses, alemanes e Italianos que hayan en la República de Panamá. Oportunamente se nombrará la persona que tendrá a su cargo la custodia de estos bienes e inmuebles y en las altas esferas oficiales se dice que este nombramiento recaerá en el conocido abogado de esta localidad, Dr. Horacio F. Alfaro.

A continuación damos el texto del decreto expedido en la mañana de hoy:

El Presidente de la República,
de sus facultades legales,

CONSIDERANDO:

Que la Asamblea Nacional expidió ayer la Ley 104 por la cual declara la existencia de un estado de guerra entre la República de Panamá y el Imperio del Japón y se toman otras medidas en relación a la contingencia actual;

que esa ley fue sancionada ayer mismo y, por consiguiente, está en vigor, por mandato expreso del Legislador;

que entre las autorizaciones concedidas al Poder Ejecutivo figura la de adoptar respecto a toda persona jurídica o natural o entidad política las medidas de prevención o represión que se hagan necesarias para la defensa nacional y la de los países aliados y prohíbe el comercio con los súbditos del Imperio Japonés y sus aliados e impide la importación

y reexportación de oro, valores, etc., etc.,

DECRETA:

Artículo 1o.— Las instituciones bancarias o cualquier persona, natural o jurídica que tenga valores o créditos pertenecientes a Japoneses, alemanes e Italianos o a sociedades constituidas por algunos de ellos o a súbditos de cualquier Estado que amenace la seguridad de la República o del Canal de Panamá, queda de hecho constituida depositaria de ellos y dará inmediatamente aviso al Custodio de Bienes Extranjeros.

Artículo 2o.— Las instituciones bancarias no permitirán la apertura de las cajas de depósito que tienen los extranjeros y suministrarán la Custodia una lista de los arrendatarios de esas cajas.

Artículo 3o.— Queda prohibido a los Notarios el otorgamiento de Escrituras o la Certificación de documentos que tengan por objeto vender, hipotecar, arrendar, etc., bienes pertenecientes a las personas mencionadas en este decreto.

Artículo 4o.— El Registro Público se abstendrá de dar curso a escrituras en las cuales los mencionados extranjeros, Japoneses o celebren cualquier contrato en relación con los bienes inmuebles que tengan inscritos.

Artículo 5o.— Igual medida adoptará la Administración General de Rentas Internas respecto al traspaso de rentas y los Alcaldes del Distrito en relación con la venta de automóviles.

Artículo 6o.— El Custodio tomará posesión de todos los bienes de los Japoneses, alemanes e Italianos y procederá a administrarlos deduciendo los gastos que ello demande.

Artículo 7o.— Todos los fondos pertenecientes a individuos de las mencionadas nacionalidades serán depositados en el Banco Nacional en cuenta especial, que se llevará al día.

Artículo 8o.— Corresponde al Poder Ejecutivo por conducto del Ministerio de Hacienda y Tesoro el nombramiento de personal subalterno del Custodio y el de Administradores de los establecimientos incautados administradores que deben estar facultados para gestionar su manejo.

Comuníquese y Publíquese.

Dado en Panamá a los 11 días del mes de Diciembre de mil novecientos cuarenta y uno. El Presidente de la República, Ricardo Adolfo de la Guardia.

El Ministro de H. y T. José A. Sosa J.

P A R A P H R A S E

A telegram of December 26, 1941 from the American Consul at Kunming reads substantially as follows:

The November figures of the statistical department which has been established by the Yunnan-Burma Highway Commission show net arrivals at Kunming by way of the Burma Highway of 17,500 tons (?) 6,019 trucks. The total is based, it will be noted, upon almost three tons net cargo per truck arriving in Kunming. Although consignor organizations as well as transport agencies segregate tonnage in the figures, types of goods are not indicated. Major Wilson is of the opinion that 1,570 tons as shown for private commercial cargo is too low. Of the 14,500 tons given as October arrivals by the statistical department 3,200 were for Government organizations, 10,000 were military supplies, apparently including gasoline, and fuel for commercial trucks made up the remainder. This total is about the same it is said as the total for September but there is an increase of 2,000 tons in military supplies.

TREASURY DEPARTMENT

148

INTER-OFFICE COMMUNICATION

DATE December 26, 1941

TO Secretary Morgenthau
 FROM Mr. Petrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£184,000
Purchased from commercial concerns	£ 6,000

Of the former amount, £65,000 were sold to a cable company and £64,000 to an oil company.

Open market sterling held steady at 4.03-3/4. There were no reported transactions.

The Canadian dollar discount widened to a new low of 14-3/8% by mid-afternoon, but later recovered. The final quotation was 13-7/8%, as against 13-3/4% on Wednesday. One New York bank, which has been a steady seller of Canadian dollars during the past week, was believed to have been in the market this morning and early afternoon. That bank has reportedly been executing an American customer's order to convert his Canadian funds into U. S. dollars.

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

Argentine peso (free)	.2355
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5310
Venezuelan peso (free)	.2700
Cuban peso	Par

We purchased \$1,125,000 in gold from the earmarked account of the Bank of Mexico.

No new gold engagements were reported.

In London, spot and forward silver were unchanged at 23-1/2d and 23-0/16d, respectively. The U. S. equivalents were 42.67¢ and 42.78¢.

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.