THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

March 10, 1942

MEMORANDUM FOR THE FILES

Mr. Harold Smith, the Director of the Budget, called me about one o'clock today, saying that he had received instructions from the President to draft an executive order setting up an Alien Property Custodian office, giving that office authority over the alien property in the country and leaving with the Treasury the administration of the foreign funds control.

I asked him if we could see a copy of the order which he would present to the President, and he said that he could not give us a copy as he was under instructions from the President to get the order to him as quickly as possible and he did not want him to confer with a lot of people outside of his office on the matter. He said that he asked the President specifically if he could tell the Secretary of the Treasury that such an order was going to be issued and while the President was not very definite in his approval of this suggestion he did say that if he did tell the Secretary of the Treasury about it, he did not want any long wrangles and conferences over the matter.

I then told Mr. Smith that, speaking from memory, I thought the Secretary had recommended at one time to the President that an executive order be issued setting up an Alien Property Custodian and giving him authority over any of the alien properties which he wanted to take over. As he took over the properties, the Treasury would issue to him a general license freeing the funds of the concerns involved. This would leave the foreign funds control in the Treasury. I told Mr. Smith also that this contemplated a committee composed of the Treasury, State and Justice (the Alien Property Custodian representing the Department of Justice) to pass upon the property so taken over by the Custodian. I told him it was my recollection that this draft of executive order was sent to him some time about a month ago. He said he did not recollect it.

Mr. Smith said he wanted me to tell the Secretary of our conversation and that he hoped the Secretary would not insist upon seeing a copy of the order; that he could rest assured that the Budget would do everything within its power to protect

FOR DEFENSE BUY

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the interests of the Treasury; and that he thought it might be better in the long run if, after the order is out, the Secretary could say that he had never seen it.

I related the foregoing to the Secretary at approximately 2:45 p.m. and he immediately called in Foley, Bernstein, Gaston and Kuhn and asked me to repeat what I had told him of my conversation with Mr. Smith, which I did. In his office there was a general discussion as to what the Secretary should do with the press releases that he proposed to issue tonight for tomorrow morning's papers on the General Analine Dye situation. After some discussion he decided that he would send the releases to the White House, asking the President to give him a final clearance for their release tomorrow morning. He then asked me if I would mind calling the Director of the Budget again and asking for an opportunity to look at the draft of the executive order in view of the situation in which he finds himself.

I came back to my office and immediately called Mr. Smith. I told him that the Secretary had conferred with the President on Thursday of last week and went over very carefully with him the situation with respect to the General Analine Dye and what he contemplated doing with that company. The President authorized the Secretary to go ahead with his plans and clean up that situation with respect to this company, and also indicated that he wanted him to go ahead and clean up the situation with respect to other firms in the same status. I told Mr. Smith that the Secretary did not want to release these press statements and then find that the whole authority had been transferred to some one else who might reverse his decisions and make it embarrassing not only to him but to the President.

Smith said he could not furnish the Treasury a copy of the executive order unless he cleared it with the President. He said he would try to talk with the President again today about it and if he was able to get to him, he would tell me about it. He said that in view of the situation in which the Secretary finds himself, he suggests that he hold up the issuance of any press release on the General Analine and that he, Smith, would have no objection if the Secretary talked further to the President about the matter.

I then told him that the draft of executive order referred to in our previous conversation was sent to him with the Secretary's letter of January 2, 1942, in which letter Crowley and the Secretary had agreed on a division of authority as to foreign funds and alien property. He said that since talking to me he had discovered this

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letter and also the executive order and had read it over, and that he could definitely advise me now that the idea of a committee is out.

Mr. Smith left the impression with me that he was proceeding under orders from the President to draft this executive order along certain definite lines and that he could not give the Treasury, and probably any one else, although he did not say so, a copy of this order. He promised, however, to call me if he got any word from the President on the matter.

DWB

My conversation with Mr. Smith - March 11, 1942

Harold Smith telephoned me about 5:30 P.M. today, saying that the President had signed the executive order setting up the office of the Alien Property Custodian and appointing Leo Crowley as its head. He then told me that he had discussed this order with the President this morning and told him of our conversation yesterday and about my request on behalf of the Secretary for a copy of the order before its issuance.

He advised me that the President said, "You leave this order with me and I will take care of that end of it." He said that he had wondered when he saw it on the ticker whether the Secretary had seen the President. I told him he had seen the President early this morning but so far as I knew the question of alien property was not discussed. Mr. Smith said that he was calling me because he wanted to keep our records straight. He had promised to ask the President about the matter, he had done that, and the result was that the President said he would take care of it.

DWB

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March 10, 1942
3:30 p.m.

ALIEN PROPERTY CUSTODIAN

Present: Mr. Gaston
Mr. Bell
Mr. Foley
Mr. Bernstein
Mrs. Klotz

H.M.JR: Dan, for the benefit of those who haven't heard, tell them please of Harold Smith's conversation with you. Will you once more? For the benefit of those who don't know, he is the Director of the Budget.(facetiously)

MR. BELL: Harold Smith called at about five minutes of one and said that he had been given directions, I take it, last week--

MR. GASTON: My answer is, says you.

MR. BELL: . . . . by the President to draft an Executive Order which would set up an Alien Property Custodian and splitting - allowing the Treasury to keep the Foreign Funds end of it, allowing the Alien Property Custodian to take over the properties and operate them, and as they operate them there is some sort of an agreement with the Treasury as to handling funds. Then I told Harold Smith about the agreement between the Secretary and Leo Crowley some months ago as to where this split would be made. I was talking from memory, that the Alien Property Custodian would take over the properties and when he took them over the treasury would issue him, as I recall, a general license under which he could operate them. He said, "That is apparently just about what the President had in mind." He said, "I am new in this thing. I have only been dragged in in the last ten days." He said, "I take it that the President got that idea from the Secretary then back there." He said, "That is just about what he

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wants." Then he went on to say that he had a draft of an Executive Order before him which he wasn't satisfied with and he had been working on. He said the President directed him to have an Executive Order on his desk Monday, yesterday, and that he had found some things in this Order that he didn't think were right and therefore he had taken a longer time to submit it to him.

One thing he said that there were several things in the Trading With The Enemy Act which, at the present time, is lodged in no one. He didn't think the Treasury had them, and he didn't think the Treasury needed them or wanted them, but he said that this Order picked them up. "Now," he said, "I don't think that whoever is Alien Property Custodian ought to have them either." I don't know what they are. He said Wallace's board wants them and should have some of the powers enumerated.

MR. GASTON: You had better look out for that because we have got some there that we want and I think he had ought to take a look at that thing. Huntington has made quite a study of the Trading With The Enemy Act.

MR. BELL: He also said he thought the Order was broad enough to take over the Federal Reserve functions of controlling installment credit. I asked him about seeing the Order and he said that he thought it would be better if we didn't see the Order because he was directed to get it back to the President and do as little conferring as possible, and he said he could assure the Treasury that the Budget would take care of its interest and he thought it would be better after the Order was out and was being discussed, if the Treasury could say that it hadn't seen the Order and had had nothing to do with its drafting. That is about the story, as I remember it.

H.M.JR: Well, I have had time to think it over since you talked to me and I have no reason to believe that the Director of the Budget will take care of the Treasury's interest. He never has. I would like you, subject to what these people say, to ask to see it. If he wants to turn me down, that is his business, but I certainly would like our boys to take a look at it.

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MR. GASTON: By all means.

H.M.JR: And then if he wants to say to you, "No, you can't see it," then we can always say, "Well, we didn't see it. We asked to see it and we couldn't." But I have every reason to believe he would do anything in the world to cut my heart out and no reason in the world to believe he would look after my interest.

MR. FOLEY: I wouldn't trust him to take care of our interests because I don't think he knows enough about it.

MR. GASTON: This thing about what he mentioned about the Trading With The Enemy Act, that is a very intricate thing, and there are a lot of things involved there. We certainly ought to have a look at that because the Treasury had the full administration of the Trading With The Enemy Act in the last war and several people around here have been at pains to go into that Trading With The Enemy Act very carefully. I don't know why we have to - this thing creating an Alien Property Custodian, because we had an Alien Property Custodian in the last war everybody seems to think that is the way to do it. And it worked damn badly in the last war and it resulted in a scandal, and I don't think that power ought to be given to any one man, and I think that point ought to be made. I think there ought to be an Alien Property Committee with an executive - with an administrator under the Alien Property Committee so that several important, upright, reputable people would have a check and a watch on what is being done.

MR. KUHN: Why shouldn't we ask to see the Order? I mean, what is it - what harm could come from asking to see it?

H.M.JR: I sent him our draft on January 7th.

MR. BELL: Well, I think he ought to have that called to his attention.

H.M.JR: Well, he has it.

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MR. BELL: But he said he didn't remember it and he didn't think he had it. Maybe he has looked since I talked to him. I told him I thought he had it and he said he didn't remember it. But I think he feels that he is under some instructions from the President to do as little conferring as possible outside of his own office.

H.M.JR: Well, Dan, unless you say you don't want to do it, then I want it done. I would like you to ask him - that we would like to see it.

MR. BELL: I don't mind asking him.

H.M.JR: Do you have any inhibitions about it?

MR. BELL: No, I don't.

H.M.JR: Then I would like to be on record that we asked him, very, very much. Now, there is something awfully funny about this business. I go and see the President Thursday morning and he tells me to go ahead with the three companies. He saw Harold Smith right after me. That was on the ticker and McCloy told me so. That was when he got the order to go ahead. Now, unfortunately, due to circumstances over which we have had no control, we are not able today to take Aniline and Dye, are we?

MR. FOLEY: No, we can't get a forum of the board before next Monday and that is what I was talking to Crowley about, and Crowley said when I was just over there that Smith was working on an Executive Order to create a new independent agency. He said, "I think what you are doing on General Aniline is just right and I think they are playing horse with you in so far as getting that board together up there is concerned because they think some kind of an Order is going to come out, and I think you ought to announce your president of your new board and if you want to send a memorandum to the Secretary of the Treasury to that effect I will join with you in making that recommendation, and if this Order should come out I want you to go right ahead with that and

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I want to confer with you on Aniline and Schering and American Bosch, and I would like to see you fellows complete what you have started on those things before anything is signed.

H.M.JR: Before what is signed?

MR. FOLEY: The Executive Order setting up the independent agency. So he apparently knew--

H.M.JR: I don't care what anybody is doing, this is more important because this is - the thing that - we settled one thing, Dan. You don't mind calling up when you leave here, do you? Let Mr. Eccles and all wait because I have spent more hours on this thing than almost anything in the Treasury. Now, supposing we go ahead based on a joint memorandum from you and Crowley to me.

MR. FOLEY: Yes.

H.M.JR: And announce this to the press, you see.

MR. FOLEY: Yes.

H.M.JR: In the first place, let me go back a minute. Is Crowley going to be the Alien Property Custodian?

MR. FOLEY: I gather he thinks so.

H.M.JR: And I get this memorandum and we give it out. Now everybody think carefully. And you can't get your board together and so forth and so on before Monday to ratify it, and supposing the Alien - this Executive Order comes out and they reverse us.

MR. FOLEY: It would be very bad.

H.M.JR: For whom?

MR. BELL: You mean who reverses us?

H.M.JR: The President of the United States. He says, "I don't want Mr. McConnell as the president of

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this corporation. I want John E. Mack." Who is it bad for?

MR. BELL: It is bad for you.

H.M.JR: I don't agree.

MR. FOLEY: It is bad for the President.

H.M.JR: Exactly.

MR. FOLEY: He told you to go ahead.

H.M.JR: Yes.

MR. BELL: Yes, but you are not going to say that.

H.M.JR: I certainly am.

MR. BELL: Then you have changed.

H.M.JR: No, I have not. I certainly will say I went in to see the President on Thursday morning and asked him for this and he told me to go ahead.

MR. KUHN: No, it will be bad for the Administration because it will create the sense of confusion and cross purposes here in Washington which is just the worst thing to spread at this time.

H.M.JR: Well, I am not causing it, Ferdie.

MR. KUHN: No, you were asking what would happen if you were to give this to the press.

H.M.JR: This is the time for you to do your stuff, Herbert, that you did yesterday. You made your little speech yesterday and I was very honest and said it wasn't necessary. This is the time to do your speech.

MR. GASTON: About making a fight for this thing?

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H.M.JR: Yes, this whole thing. Why should I let the President - what do you want me to do - I mean, sit here and now wait another two weeks? The President could call me up on the telephone. I happen to know this but supposing I didn't know it. Ed Foley recommended this thing this morning before he knew anything about it, Bell, and I am simply following the plan that Ed recommended before he knew about the President. Ed recommended this this morning and I said to him as soon - I got five minutes for him to sit down and we cleared it. He hasn't changed one bit since this morning. Since this morning this thing comes in.

MRS. KLOTZ: What if the President insists on John E. Mack? Are you going to go out and have a fight with him about it?

MR. FOLEY: He can't. I don't see how the President can insist on John E. Mack. He told the Secretary to clean this thing up for him. We have called in these fellows. It has gotten all over the place. That is why I want to announce it right now, a, to clarify the air, and b, to forestall anything that John E. Mack and these members of the board might attempt to do between now and the time we can get the board together and take their resignations and put in a new board. I mean, it is pretty public. We have told each one of the directors of this company to see if we could get a quorum before Monday and told them what we had in mind, and the men that were in here yesterday know. I believe once the thing gets rumored around it is better to make a public announcement of it when you are dealing with somebody else's property than it is to allow rumors to float around.

MR. KUHN: Ed, the rumors in the first place are not widespread. I mean, they are here in Washington in Jerry Klutz' column and such places, but you wouldn't call it all over the country.

MR. FOLEY: I wasn't thinking about that. I was talking about putting this new board of directors and this new president in the General Aniline and Film.

MR. KUHN: But it isn't really a public issue. The

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public isn't very much interested, and I was only thinking in terms of telling this to the press now when you know perfectly well that there is a danger that the whole thing may be reversed next week.

MR. GASTON: The whole question, as far as I can see it, is what is the most effective way to stop an order going through that is going to put this thing in the wrong hands.

H.M.JR: That is right.

MR. GASTON: The question to be considered is whether our taking this action now will tend to cause them to revise that order so that it will be an order along the right lines or will the President be enraged by this thing and think that you have slipped something over on him, and then go ahead and make a single Alien Property Custodian, and Leo Crowley the man.

H.M.JR: You have changed.

MRS. KLOTZ: I haven't changed. I would be off of giving it to the press, but knowing you, you have never done this. Will you want to do it?

H.M.JR: Well, let's say that Foley came in this morning.

MR. FOLEY: Sure.

H.M.JR: I am going - you see, what we are doing is this. We are doing it - I am doing it. I am raising in you people's minds that the President having told me to do this Thursday, that he will direct the new Alien Property Custodian to reverse me, you see.

MR. GASTON: That he will not direct the new Alien Property Custodian to reverse you.

H.M.JR: No, that he will. Now, the right attitude to take is, the President has never done that to me in his life and the President told me to go ahead, so I have

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nothing to worry about because I know the President won't reverse me.

MRS. KLOTZ: But supposing he does.

MR. GASTON: Is this communication from--

MRS. KLOTZ: There is always a first time.

H.M.JR: The point I am trying to make with you is that I am not doing anything against the President. I am simply carrying out his orders.

MR. BELL: You are not doing anything against the President in carrying out his orders, but if he should reverse you, I still don't think you can give out to the press, "Well, I can't help it, I had the President's approval." You never have done that. I agree with Mrs. Klotz.

MR. GASTON: That is immaterial. The press will know that he did it with the President's approval.

MR. BELL: But I don't think he will make a statement publicly that he did it with the President's approval.

H.M.JR: I have got a solution that will satisfy everybody. It is a compromise. The press release will be written with a memorandum from Leo Crowley. I will send it over to Miss Tully and say I am releasing this for the Monday morning papers, but before I do it, as a final -"The President has told me to go ahead, but just as a final thing will you please get clearance from him?"

MR. GASTON: Check.

MR. KUHN: That is the better.

MRS. KLOTZ: Supposing he says no, you can't release it.

H.M.JR: Then I won't.

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MRS. KLOTZ: I think you are much better off then.

MR. GASTON: He might come back on you and say, "Well, I told Harold Smith to talk to you. You knew this order was coming out."

H.M.JR: But whatever he says--

MR. GASTON: Doing it this way there is no comeback. That was my feeling, that it ought to be rechecked.

H.M.JR: Does it take care of you?

MRS. KLOTZ: I, for one, would be game enough to just give it to the press. That is my own feeling, but knowing you, I want you to be sure--

H.M.JR: But if I do it this way?

MRS. KLOTZ: Well--

MR. BELL: According to Harold Smith the President didn't tell him to talk to the Secretary.

MR. GASTON: He did not?

MR. BELL: He did not. He raised the question and the President said, "Well,--"

MR. FOLEY: Why Monday?

H.M.JR: Why what Monday?

MR. FOLEY: You mentioned Monday in this thing you take over to - you said for the Monday morning press.

H.M.JR: No, for tomorrow morning's press.

MR. FOLEY: Oh, I see.

MR. GASTON: Yes.

MR. FOLEY: I won't wait until Monday.

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H.M.JR: No, for tomorrow morning's press.

MR. FOLEY: All right. I didn't understand you.

H.M.JR: No, for tomorrow morning's press.

MR. BELL: I understood you to say Monday too.

H.M.JR: I said for tomorrow morning's press.

MR. FOLEY: I thought you said Monday morning's press.

H.M.JR: How about that?

MR. KUHN: That is good.

MR. GASTON: Yes. If you were thinking about--

H.M.JR: Do you know that will be the third time I have gone back to the President on this?

MR. KUHN: Because then--

H.M.JR: Excuse me.

MR. KUHN: I mean if the release comes out with Presidential approval there is much less chance of the reversal next week.

MR. GASTON: I think he ought to be stopped if there is any way to stop him from creating a single Alien Property Custodian.

H.M.JR: You can stop him. The answer is, Mrs. Klotz, if the President says no, that is it.

MRS. KLOTZ: That is what you have to be prepared for because he may say no.

H.M.JR: Oh yes, absolutely. That is his privilege.

MR. KUHN: If he says, "I don't care--"

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H.M.JR: Oh no, Grace Tully - I will simply say to Grace Tully, "Here is the thing. Now, the President told me to go ahead with this on Thursday, but just as a final precaution, because there is so much gossip around, before giving it around to the press, I would like you to show it to him, and I would like him to approve it because there is so much gossip in the paper."

MR. KUHN: That accomplishes Herbert's purpose of being a check on this Executive Order next week.

H.M.JR: And I will take up a hat pool with anybody that wants it that he will approve it.

MR. FOLEY: Yes, he will approve it.

H.M.JR: I think that is the way to do it, and then there is no question - then if it is out and I have got his approval, I think the chances are ninety-nine out of a hundred he will stick by it.

MR. BELL: Yes, I think so. I should think he would reverse it anyhow in view of what Leo has said. Leo has gone along with him.

MR. FOLEY: Leo has gone along with it, yes.

H.M.JR: Now, how long before you can get this thing written?

MR. FOLEY: Well, I told Joe to get it up and to dictate it over the telephone in draft to my secretary and he said he would do it right after lunch, so it may be back there now. If it isn't, I will call him on the phone and we will get it over.

H.M.JR: Well, how about getting Leo's?

MR. FOLEY: Well, then I will call him and I will tell him that I would like to have a concurrence from him in my recommendation to you that we put out such a release, as he told me he would be willing to do, and I think I can get that right away.

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H.M.JR: What?

MR. FOLEY: Just as soon as I have the release, I will draft a memorandum.

H.M.JR: Ask your office now whether it is there.

MR. BERNSTEIN: Part of the pressure for this Order might very well be the hope of these people to be able to get him to sign before the Secretary moves. The Secretary moving as he is will undermine that. Once they have lost their position they may not fight so much.

H.M.JR: Well, go back and let me know.

MR. FOLEY: I will go back and call him.

H.M.JR: God they are slow up there. They are ungodly slow.

MR. FOLEY: Do you want me to go ahead and get a clearance from Crowley?

H.M.JR: Yes.

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March 10, 1942
3:32 p.m.

HMJr: Hello.

Robert Doughton: Henry.

HMJr: Hello, Bob.

D: Bob Doughton.

HMJr: How are you?

D: We just passed your bill increasing the debt limit and amending the Second Liberty Loan Act and all that kind of thing through the House by three sixty-seven to nothing.

HMJr: Three sixty-seven to nothing?

D: Yeah, I think that's what it was.

HMJr: You just did that?

D: Just got through. I think it was three sixty-seven. There was no votes against it. Three sixty-seven I think it is.

HMJr: Well, I always said you were my favorite Congressman.

D: (Laughs) Well, all you've got to do is brag on me a little, you know.

HMJr: Oh, I said you were my favorite Congressman.

D: Thank you. Well, I want to be helpful when I can, you know. The Committee all went along together fine, the boys all did.

HMJr: Yeah.

D: There was a good deal of debate under the five minute rule, but it was mostly about spending too much money and all that kind, but there were no amendments offered.

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HMJr: Can you put the tax bill through the same way?

D: No. No, we can't. We come up to great tribulations and trials on that. We'll do the best we can, though.

HMJr: Okay, Bob.

D: Come down and see us.

HMJr: I will.

D: Good-bye.

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March 10, 1942
3:53 p.m.

HMJr: Hello. Yes.

Operator: Go ahead.

Fiorello LaGuardia: Hello.

HMJr: Hello.

L: Oh, Henry.

HMJr: Yes, Fiorello.

L: I'm sorry to trouble you, but I just wired you again on that Armory which the Coast Guard and the Customs are using for identifying the waterfront workers.

HMJr: Yes.

L: The Coast Guard and the Customs both told the Armory Board - even after your telegram - that they had no money to pay for it. Now, I can't control that, Henry. The Commanding Officer will close that Armory, if just for the out-of-pocket disbursement for light and heat.....

HMJr: Yeah.

L: .....and it'll look awfully bad if in the midst of your work the Colonel will close it and as usual I'll get the blame.

HMJr: Have you sent me a telegram on this?

L: Yeah.

HMJr: When did you send it, Fiorello?

L: Just a few minutes ago. I wanted you to know about it.

HMJr: Oh.

L: And it refers to your previous telegram.

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HMJr: Well, the minute it comes in I'll pick it up.

L: Yes. It's one of those things that all these people that jump on us for every little thing will take delight in doing it.

HMJr: I see.

L: And it isn't something that I can control, nor can I appropriate for other than city use.

HMJr: Yeah.

L: So I wired you, and you attended to it; but they didn't carry it out.

HMJr: Well, as soon as your wire comes in, I'll pick it up.

L: Okay. Thanks.

HMJr: I'll let you know.

L: Okay.

HMJr: Thank you.

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March 10, 1942

4:30 pm

The Secretary phoned Grace Tully and the following is his end of the conversation:

"I will have a newspaper release which I am proposing to give out to the morning papers in regard to General Aniline and Dye. Mr. Crowley is initialing it, but just to make 100% sure, on account of all the gossip I read in the gossip columns, I wanted the President to see it before I send it out.

"I am going to send you the original.

"How late, because they haven't got it quite ready yet.

"Until about 5:30?

"Well, I will try to get it over by 5 and I will send it by messenger to your office.

"A Secret Service man can wait and bring it back.

"But you get the idea? He told me to go ahead, last Thursday, but I am just a cautious fellow from Dutchess County.

"I want his approval before I release it."

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March 10, 1942

MEMORANDUM FOR THE SECRETARY'S DIARY

Re: General Aniline & Film Corporation

Leo Crowley invited me to take lunch with him. When I told him I had a previous engagement, he asked me what I was doing right after lunch. I told him I was not tied up at that time and would come by his office and bring him up to date on the developments of General Aniline & Film since last Thursday.

I went to Mr. Crowley's office around 2:30 o'clock and told him that we had selected Robert E. McConnell, Robert E. Wilson, A. E. Marshall and George Moffett to be managing directors of General Aniline and that we contemplated making Robert E. McConnell president and chairman of the board. I pointed out that this entailed getting the present board of directors together at the earliest possible moment, securing their resignations as well as the resignation of John E. Mack as president, and the installation of our panel of directors to supplant the present board. Mr. Crowley told me that this action is entirely agreeable to him and thought that we should proceed at once to put it into effect. I told him we were having difficulty in securing a quorum of the present board for a meeting and didn't think that we could get the present board together much before next Monday. Mr. Crowley felt that this was too long to wait and indicated that the present board probably was playing for time hoping that some Executive Order, which Mr. Crowley said was being worked on over in the Budget to set up an independent agency to handle alien property, might forestall the action which we contemplated to take. Mr. Crowley told me that if he were made Alien Property Custodian he would not interfere with anything which we had done and would leave in General Aniline & Film the men we had installed. As a matter of fact, Mr. Crowley told me that he wanted us to finish our program for Americanizing General Aniline & Film, Schering Corporation and American Bosch Corporation, no matter what happened, and hoped that we would press to completion our work in this connection as soon as possible.

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I told Mr. Crowley that we were contemplating releasing to the press the names of the new directors for General Aniline & Film and the action which we contemplated taking to secure the resignation of the present board of directors and president. He thought this was an excellent idea and said he would join me in recommending to Secretary Morgenthau that he make the announcement at once so that the announcement of the signature of a possible Executive Order could not be employed as a basis for further dilatory action by the present board.

After I left Mr. Crowley's office, the Secretary called me and told me he wanted me to come to his office at once as something had broken on General Aniline & Film. I went to the Secretary's office about 3:00 o'clock where he told me that Mr. D. W. Bell would bring me up to date and that he would call a meeting in his office as soon as he had finished his next appointment.

D. W. Bell told me that Director of the Budget Smith called him and told him that he had been ordered by the President to draft an Executive Order to create an independent agency to handle alien property; that the President had given him an order which went much farther than his ideas which were to leave Foreign Funds Control in the Treasury and that he would protect the Treasury's interest in drafting the Order and thought it would be better for the Treasury not to know just what he was doing in the matter.

Around 3:30 o'clock Messrs. Bell, Gaston, Kuhn, Bernstein and I conferred with the Secretary and Mrs. Klotz.

The Secretary decided that he wanted Bell to ask Smith to show us the proposed Executive Order. It was also decided that we should draft the release announcing the appointment of the new managing directors at once; get Leo Crowley's approval to it; and send it over to the President.

At 4:30 o'clock I took the attached release to Secretary Morgenthau which he approved. I then obtained Mr. Crowley's approval of it and sent it by Secret Service representative to Miss Tully at the White House. In the meantime, Secretary Morgenthau had called Miss Tully and told her that the release

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was coming over and though it had been approved by Mr. Crowley, he was again bringing it to the President's attention before putting it out in an over-abundance of caution because of all the gossip which was going around Washington in regard to the appointment of an Alien Property Custodian. Around 5:00 o'clock the Secret Service man returned to me the envelope containing the release unopened and said that Miss Tully had told him that the President didn't want to look at it; that it was a matter for the Secretary of the Treasury to handle and since the Secretary and Crowley had got together, they should go ahead without bothering him with it. I then put in a call for Miss Tully to get the exact message and was told she was with the President. Around a quarter of six, Miss Tully called me and said that the President's instructions were as follows: "It is the Secretary's responsibility and as long as he and Leo Crowley okeh it, it is all right to go ahead. He doesn't feel familiar with the set-up and if the Secretary and Leo agreed, it ought to be given out without coming to him at all. The Secretary called me and said he was sending it over and the President felt that as long as they handled it, it should not be given to him at all."

Around 6:30 Secretary Morgenthau called me from Bradley Farms and I repeated to him the above message. He instructed me to put out the release at once. I called Shaeffer who was at home and asked him to return to the office and put out the release pursuant to Secretary Morgenthau's instructions. I had already arranged to have the release mimeographed and it was ready for Mr. Shaeffer when he arrived at the Treasury.

G.W.Th.

Regraded Unclassified

Release for morning papers of March 11th 1942

Released 3-10-42

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The Secretary of the Treasury announced today that he had selected Robert E. McConnell, Robert E. Wilson, George Moffett, and A. E. Marshall to act as managing directors of General Aniline and Film Corporation. It is anticipated that Mr. McConnell will act as President and Chairman of the Board. General Aniline and Film Corporation has been under supervision of the Treasury Department for several months and on February 17, 1942 the Department took title to 97% of the stock which was registered in the name of foreign nationals. The General Aniline and Film Corporation had previously been under German domination.

Mr. McConnell is the Chairman of the Engineers Defense Board comprised of five representatives of each of the large engineering societies and consulting engineer to the War Production Board. He has had a very wide experience in business and industry.

Mr. Robert E. Wilson, is the President of the Pan American Petroleum and Transport Company and is a well-known chemical engineer. He was formerly petroleum consultant to OPM and is now both Chairman of the Committee on Petroleum Economics of the Petroleum industry War Council and consultant to the National Defense Research Committee.

Mr. A. E. Marshall, who is President of the Rumford Chemical Works of Rumford, Rhode Island has been connected with the

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with the management of chemicals for the past thirty years. He is a former president of the American Institute of Chemical Engineers and a former chairman of the Society of Chemical Industries.

Mr. George Moffett, Chairman of the Board of Corn Products Refining Company has for some time assisted the Reconstruction Finance Corporation in its program for the procurement of strategic materials and other commodities.

A meeting of the present Board of Directors of the Corporation has been called for next Monday, at which time the by-laws will be amended to provide for a smaller board, the present board being 12 in number; the four men elected by the Government will be installed as managing directors; and the President and the entire present board will be asked to resign.

Approved: MAR 10 1942

H. Morgenthau Jr.

Geo. Crissinger

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Tuesday, March 10, 1942

PRESS SERVICE
No. 30-64

The Secretary of the Treasury announced today that he had selected Robert E. McConnell, Robert E. Wilson, George Moffett, and A. E. Marshall to act as managing directors of General Aniline & Film Corporation. It is anticipated that Mr. McConnell will act as President and Chairman of the Board. General Aniline & Film Corporation has been under supervision of the Treasury Department for several months and on February 17, 1942 the Department took title to 97% of the stock which was registered in the name of foreign nationals. The General Aniline & Film Corporation had previously been under German domination.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1942.

TO Secretary Morgenthau

FROM Mr. Thompson

Immediately following December 7th, the need for surveillance of General Aniline and Film Corporation and other similar companies became a responsibility of major importance, and in the absence of a staff of Treasury guards Mr. Irey through his District coordinators detailed Treasury investigators to do this job. Subsequently Mr. Irey recruited guards for this purpose, and as guards became available the investigators were relieved of this responsibility. Simultaneously with the recruitment of guards the need for investigators to perform personnel investigations arose, and the investigators who had been engaged on guard duty at the General Aniline plants and offices were, at the suggestion of Mr. Klaus and Mr. O'Connell, assigned to investigative duty at Albany, Binghamton, Linden, New Jersey, and New York City.

As indicated above the men originally assigned to this work were selected for guard duty and not to make personnel investigations. Had the original request specified investigative responsibility, undoubtedly a different group of men would have been furnished. It is understood that Coordinator Maloney checked the efficiency of these investigators with Mr. Klaus and Mr. O'Connell and was informed that they were performing their tasks satisfactorily.

Regraded Unclassified

On February 25th, you inquired of Mr. Foley whether or not he knew the personnel working on these assignments. Mr. Foley informed you that he could vouch for the attorneys, but did not know the investigators. It was decided between you and Mr. Foley that Mr. Bernard would conduct an investigation of the investigators. Mr. Bernard went to New York and conducted such an investigation in company with Mr. Maloney, the coordinator for that district, checking with Mr. Irey before his departure, and, in fact, Mr. Irey called Mr. Maloney in New York and asked him to cooperate with Mr. Bernard.

Mr. Bernard talked to each of the 20 men assigned to this work. His inquiries were extensive, the details of which were reported to you in a separate memorandum. It appeared that Mr. Bernard was satisfied with respect to the loyalty and character of all 20 men, but found some question respecting the competency of nine of the men for the type of investigative work to which they were at that time assigned.

On February 27th, you indicated in a memorandum to Mr. Foley that you wanted high class investigators assigned to this work. On March 5th, Mr. Bernard held a meeting with Mr. Irey, Mr. Harney, and Mr. Maloney. It was understood that Mr. Maloney would contact Mr. O'Connell in New York and arrange any replacements thought desirable to put the personnel on a higher plane. Attached is copy of an order to clarify the situation issued by the Chief Coordinator to Mr. Maloney on March 9th.

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To avoid future confusion, it is recommended that no investigator be assigned to any task outside of his regular organizational assignment without the approval of the Chief Coordinator, and that in no case may an investigator's duties on such an assignment be changed without his approval. In the instant case it appears that investigators were furnished to perform guard duties with the approval of the Chief Coordinator, and that thereafter these men were put on investigative duties, the nature of which was not known to him.

Regraded Unclassified

March 9, 1942.

Mr. James J. Maloney,
District Coordinator,
Treasury District Nos. 2 & 4,
New York, New York.

Dear Mr. Maloney:

We now have assigned to work in the General Aniline and Film Corporation with Mr. O'Connell's organization, about twenty investigators connected with our enforcement agencies. As you know, the fitness of some of these agents to perform properly the duties assigned to them has been questioned.

It is desired that you relieve from these duties any agents who are not qualified to perform satisfactorily the assignment.

It is further desired that a competent investigator from one of the enforcement agencies be selected to supervise the entire group of investigators engaged on the General Aniline case. This officer should perform his duties under your immediate direction and should see that the agents engaged in the work are competent and are conducting themselves in a proper manner; further, that they are diligently performing their duties with a view to bringing their work to a conclusion at as early a date as practicable without detriment to the case.

It is not expected that all detailed instructions for investigations will flow through this supervisory agent, as this would, of course, tend to retard the work. However, it is expected that he will keep in touch with the agents and be familiar with what they are doing to the end that there may be no question with respect thereto.

Very truly yours,

(Signed) Elmer L. Irey

Elmer L. Irey,
Chief Coordinator.

ELIrpka

Regraded Unclassified

MAR 10 1942

My dear Mr. Secretary:

It is understood that the products manufactured by the Matthiessen & Hegeler Zinc Company of La Salle, Illinois, are of great importance in our war program. I am, therefore, sending to you herewith a memorandum containing certain information regarding this concern.

On the basis of the information now available, it appears that certain owners of Matthiessen & Hegeler Zinc Company may have pro-Nazi tendencies. The bank accounts of the concern have been blocked, and the Treasury Department now has control over financial transactions. It may be thought advisable, however, to take additional steps to assure continuation of production, and, accordingly, the matter is being brought to the attention of the War Department.

Considerable additional information is contained in the files of the Foreign Funds Control Division of this Department, and such information is available at any time.

Regraded Unclassified

The Treasury Department, of course, will be glad to cooperate in any action that you may consider advisable in this situation.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of War.

Enclosure.

H. M. C.
Copies to Foley

By Messenger Stinger 5:03

EHC:abc 2/13/42

Regraded Unclassified

MEMORANDUM

February 18, 1942.

Re: Matthiessen & Hegeler Zinc Company,
La Salle, Illinois.

Matthiessen & Hegeler Zinc Company is engaged in the smelting of zinc concentrates and the manufacture of sulphuric acid and rolled zinc products. The stock of the company is almost entirely owned by members of the Carus family and employees.

Over a period of several months Internal Revenue Agents conducted an investigation of the company and of the members of the Carus family. The results of the investigation are set forth in several lengthy reports, copies of which are in the files of the Treasury Department. The Treasury Department has also obtained certain information from an individual who formerly held an important position in Europe as a representative of a large American metal corporation. This individual is now residing in La Salle, Illinois, where he formerly spent a number of years. He impressed the Foreign Funds Control representative with whom he talked as a trustworthy man of considerable ability and sound judgment.

The head of the family in La Salle is E. H. Carus, whose mother was Mary Hegeler Carus. Two of Mary Hegeler Carus' sisters married German citizens and are now residing in Germany. One of these, Mrs. von Vietinghoff, owns practically 17-1/2 percent of the stock of Matthiessen & Hegeler Zinc Company. The other sister, Mrs. Camilla Bucherer, does not own any interest in either of the concerns. It is understood, however, that in 1939 or 1940 she withdrew $145,000 from her accounts in the United States to be paid to the German Government, apparently as a penalty for not having revealed the existence of certain of her assets in this country.

Regraded Unclassified

The wife of E. H. Carus is reported to be extremely pro-Nazi and he is said to be completely under her domination. Both Mr. and Mrs. Carus have made many trips to Germany, including two trips in 1939, and their children either were educated in Germany or have spent considerable time there.

Evidently over a number of years, meetings have been held at the Carus home for the purpose of furthering the German cause. One of the constant visitors was Dr. Auhagen, a German agent. It is stated that one of the purposes of these meetings was to arouse public opinion against various pro-British legislation pending in Congress. Mary Louise Carus, daughter of Mr. and Mrs. E. H. Carus, has evidently been extremely active in the interest of the Nazi Government; and it is reported that she has been closely associated with various Nazi agents and has helped them with their work. Our informant in La Salle describes the Carus family and its group as "a Nazi Cell" similar to many with which he had to deal in Europe.

The president of Matthiessen & Hegeler Zinc Company is Robert McClurkin. He occupies this position under an agreement between the Company and the Continental Illinois National Bank. From all reports, McClurkin appears to be reliable, but he evidently is on friendly terms with the Carus family.

The Matthiessen & Hegeler Zinc Company is now operating for the first time in many years on a profitable basis, and it is thought that the Carus family is not apt to resort to sabotage because of the direct resulting injury to their own interests. Any danger of pro-German activities on the part of the Carus family would appear to be, to a large extent, separate and apart from the Matthiessen & Hegeler Zinc Company except inasmuch as their position might give them an opportunity to engage in espionage work.

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It is to be noted, however, that a large part of the population of La Salle and of the adjoining town of Peru is of German descent, and a substantial number are reported to be more or less pro-German. Prior to the declaration of war, there were many German clubs in both towns. Employees of Matthiessen & Hegeler Zinc Company come from this part of the population. In a period of stress, it is possible that such employees might resort to sabotage.

Regraded Unclassified

MAR 10 1942

My dear Senator:

I appreciate your letter of March 6, 1942, and wish to say that the Treasury will be glad to furnish you with any information you may desire in connection with sales taxation.

You are quite right in assuming that we have done considerable work on this subject as a basis of our opposition to a general sales tax. We have a number of studies of different types of sales taxation, estimates on the yield of various sales taxes with various exemptions, and additional material of a miscellaneous character.

In order to expedite consideration of the subject I have asked Mr. Paul to contact you and make available to you whatever information is in our possession.

With best personal regards,

Sincerely,

(Signed) H. Morgenthau Jr.

Secretary of the Treasury

Honorable Arthur H. Vandenberg,

United States Senate

[illegible]

HMP:mrm
3/10/42

Regraded Unclassified

Paul

[illegible], Ga., Chairman
Hiram W. Johnson, Calif.
Arthur Capper, Kans.
Robert M. La Follette, Jr., Wis.
Arthur H. Vandenberg, Mich.
Wallace H. White, Jr., Maine
Charles L. McNary, Oreg.
Gerald P. Nye, N. Dak.

Charles S. Kramer, Clerk

United States Senate

COMMITTEE ON FOREIGN RELATIONS

March 6, 1942.

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

My dear Mr. Secretary:

I should like to see the question of a general sales tax squarely raised and brought to a vote in Congress in connection with the pending revenue measure. I fully understand that you and the Treasury Department will take a firm stand against any use of a general sales tax in connection with the pending measure - although the President himself has conceded that this recourse may be ultimately unavoidable. I do not quarrel with your present position. I fully respect it and I understand very well that persuasive arguments can be made for your position. The fact remains that there is a large element in Congress and in the country which believes that a considerable portion of this new revenue should be sought through a general sales tax; and I believe that the country will be better satisfied with the ultimate verdict - even though it be adverse to the use of a general sales tax - if the issue can be squarely drawn in the current debate.

This leads me to the question which I wish to propound. It is manifestly impossible for any individual member of Congress - or any Congressional group - to perfect in adequate detail <u>any</u> alternative tax program which involves the use of a new tax instrumentality. Furthermore, <u>if</u> any such alternative is to be embraced the Treasury Department has a primary interest that the alternative plan shall be as sound and as textually correct as possible. So I am moved to submit this inquiry to you. My question now follows.

Although the Treasury Department is unequivocally opposed to the use of a general sales tax at present, nevertheless, has not the Treasury Department developed a general sales tax plan for consideration in some future emergency? In other words, has not your large staff of experts fully explored this subject and come to reasonably definite conclusions as to <u>what</u> general sales tax ought to be embraced <u>if</u> it has to be embraced? If such a plan <u>is</u> available may it not be placed in my hands for such use as I have described in the earlier paragraphs of this letter - always with the distinct understanding that the Treasury Department takes no responsibility whatever for it at the moment and recommends against it?

With warm personal regards and best wishes,

Cordially and faithfully,

Walter George

Regraded Unclassified

March 10, 1942

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Letter of Assistant Secretary of Navy Bard asking for the exemption of contracts from State taxes.

The letter to which you referred in your memorandum of February 24 was the report of the Navy Department on the so-called Cochran bill to immunize defense contractors against State and local sales, use, and gross income taxes.

This report was, of course, not cleared with the Treasury Department. However, representatives of the Treasury, War and Navy Departments appeared before the Budget Bureau on opposite sides of the bill. The Budget Bureau gave all three Departments permission to write reports to the Ways and Means Committee.

The Committee has held public hearings and decided to report the bill favorably, thus upholding the War and Navy Departments and going against the position of the Treasury Department. The new bill containing Ways and Means Committee revisions is H. R. 6750. It is understood that the Committee will seek a rule to permit early consideration of the bill by the House.

Congressman Cochran recently wrote the Treasury asking if it had changed its position. Mr. Paul is preparing a reply indicating that the Treasury has not changed its position.

The estimate by Congressman Cochran that as much as $1,500,000,000 of revenue to the States (and presumably cost to the Federal Government) may be involved seems very high.

RB

Regraded Unclassified

MAR 10 1942

Dear Marriner:

I have your letter of March 5, 1942, enclosing a copy of a resolution adopted by the Presidents of the Federal Reserve Banks with regard to the financing program suggested in the memorandum which you sent me with your letter of January 28, 1942.

I appreciate your making this resolution available to me.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Marriner S. Eccles,
Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

Photo file M. M. C.
Orig file to Bell

DWB:ce 3-9-42

Regraded Unclassified

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

March 5, 1942

Dear Henry:

I am sending you for your information a copy of a resolution adopted by the Presidents of the Federal Reserve Banks in regard to the financing program suggested in the memorandum which I sent to you with my letter of January 28, 1942 and which has been the subject of subsequent discussions between Federal Reserve representatives and members of the Treasury staff.

The Presidents were fully advised during the course of their Conference in Washington on March 2 as to the discussions which had taken place and, as you will see, the resolution contains their unanimous approval of these proposals, together with an offer of their wholehearted services as agencies for the promotion of the general financing program and the sale of the securities recommended in the memorandum of January 28, 1942. I am sending a copy of this resolution to Dan Bell.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

Honorable Henry Morgenthau, Jr.,

Secretary of the Treasury.

Regraded Unclassified

STATEMENT OF THE CONFERENCE OF PRESIDENTS
OF THE FEDERAL RESERVE SYSTEM

At its meeting March 2, 1942, the Conference of Presidents of the Federal Reserve Banks had before it the general statement involving Treasury financing, which was submitted to the Secretary of the Treasury by certain of the members of the Board of Governors of the Federal Reserve System, of the Federal Open Market Committee, and of the Presidents' Conference, under cover of a letter of January 28, 1942, signed by Chairman Eccles. After thorough consideration, the Presidents of the Federal Reserve Banks expressed their unanimous approval of the general terms of this memorandum. They also expressed the unanimous opinion, based on their knowledge of conditions in their respective districts, that a substantial amount of funds might be obtained for financing the war effort through the offer of the special types of securities recommended in the memorandum; and that the business and financial community is eager and waiting for a clarification of the financing program, which will enable it to assume its appropriate part in that program.

The Presidents further offered the wholehearted services of their respective banks to the Treasury, as agencies for the promotion of the general financing program and for the sale of the securities recommended in the memorandum referred to above.

Regraded Unclassified

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3/9 - P.M. - Followed up with Bell's office - on Bell's desk. Graves has told Bell he will approve any memo Bell prepares.

3/9 - P.M. - Bell's office says "still on Bell's desk -

forwarded

3/10

Regraded Unclassified

MAR 10 1942

MEMORANDUM FOR GENERAL WATSON:

This is in reply to your memorandum of March 5, 1942, enclosing a copy of a telegram of February 14, 1942, from Bud Abbott and Lou Costello, and a memorandum dated February 26, 1942, from Colonel Nickelsmit, Judge Advocate General's Office, all regarding the proposal of Abbott and Costello to earmark their salaries during a tour of the Nation's theaters for the purpose of purchasing a bomber.

The Treasury has been accepting gifts from individuals and organizations when they are freely given and without any restrictions. Such gifts are covered into the General Fund of the Treasury and become available for all governmental purposes, including National Defense. We have no authority at the present time to otherwise accept such gifts.

There is, however, a provision in the Second War Powers Bill now pending in Congress which would give the Secretary of the Treasury authority to accept or reject gifts made on condition that they be used for a particular war purpose. You might advise Abbott and Costello that as soon as this bill becomes law, the Secretary of the Treasury will be glad to accept their donations and see that the proceeds are applied to the purpose for which the donation is made.

DWB:ce 3-9-42

Regraded Unclassified

March 7, 1942

D. W. Bell
Harold Graves

Secretary Morgenthau

Please let me have a joint report on the attached not later than Monday.

Regraded Unclassified

March 5, 1942.

Personal

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

I attach herewith copy of a telegram addressed to the President by Lou Costello and Bud Abbott, Hollywood comedians, together with a copy of the Judge Advocate General's opinion.

You will note that Abbott and Costello wish to present this money to the President when they have earned it. This of course cannot be arranged, as we have done away with all such presentations since the beginning of the war. If you are accepting these contributions, will you let me know how it should be handled and what further reply I should make to these gentlemen.

Thank you.

Edwin M. Watson

EDWIN M. WATSON
Secretary to the President.

Regraded Unclassified

C
O
P
Y

Hollywood, Calif. Feb. 14

President Franklin D. Roosevelt

White House

Dear Mr. President: In view of the recent Congressional criticism leveled at members of the entertainment profession we thought you might like to know that after our next picture at Universal we are going to tour the nations theatres and earmark every dollar of salary we earn for the purchase of a bomber. We dont know how many weeks of five shows a day it will take us to earn $350,000. But we shall not stop short of our goal. When this sum is finally realized, we hope to have the honor of presenting it to you in person. Respectfully submitted.

Bud Abbott Lou Costello.

Regraded Unclassified

Military Affairs
JAG 005

MEMORANDUM for the Secretary, General Staff.

Subject: Donation of money to the United States for the purchase of aircraft (bomber).

1. By disposition form dated February 18, 1942, an informal memorandum was requested as to the legal aspects of the proposed gift of money to the United States for the purchase of a "bomber", as outlined in the inclosed telegram dated February 14, 1942, to the President from Messrs. Bud Abbott and Lou Costello, reading as follows:

"IN VIEW OF THE RECENT CONGRESSIONAL CRITICISM LEVELED AT MEMBERS OF THE ENTERTAINMENT PROFESSION WE THOUGHT YOU MIGHT LIKE TO KNOW THAT AFTER OUR NEXT PICTURE AT UNIVERSAL WE ARE GOING TO TOUR THE NATIONS THEATRES AND EARMARK EVERY DOLLAR OF SALARY WE EARN FOR THE PURCHASE OF A BOMBER. WE DONT KNOW HOW MANY WEEKS OF FIVE SHOWS A DAY IT WILL TAKE US TO EARN $380,000. BUT WE SHALL NOT STOP SHORT OF OUR GOAL. WHEN THIS SUM IS FINALLY REALIZED, WE HOPE TO HAVE THE HONOR OF PRESENTING IT TO YOU IN PERSON."

2. The legality of a proposed donation for a similar purpose has been considered by this office in a recent opinion (JAG 000, Dec. 24, 1941), and it was there held that although there is no legal objection to the acceptance by the War Department of unconditional gifts of personal property donated by individuals or organizations, if a gift of money is conditioned upon its use for the specific purpose of purchasing an airplane, such a gift is not regarded as unconditional and the money would have to be deposited in the Treasury. It follows that statutory authority would be a necessary prerequisite to the acceptance of the gift of money for the purpose mentioned.

It is true that a gift of money to the United States which is not expressly conditioned on the purchase of specific property is unconditional, within the meaning of the rule stated above, even though the donor expresses the desire that it be used for the purchase of aircraft but such gifts must be covered into the Treasury subject to congressional appropriation and cannot otherwise be specifically allocated to the purchase of aircraft (JAG 005, July 28, 1924; id., Jan. 19, 1942).

Regraded Unclassified

3. In connection with the foregoing proposal, attention is invited to the bill (S. 2197, 77th Cong.) introduced in the Senate on January 12, 1942, providing that when the person making a gift of money for the purchase of war materials shall specify the particular material or materials for which he desires such gift to be used, the gift shall, insofar as possible, be used to purchase such materials. This bill was referred to the Committee on Naval Affairs. Another bill (S. 2208, 77th Cong.) passed the Senate on January 28, 1942, and is now pending in the House of Representatives, providing, among other things, authority for the Secretary of the Treasury to accept or reject gifts made on condition that they be used for a particular war purpose.

4. It is the opinion of this office that under existing laws the proposed donation by Messrs. Abbott and Costello could properly be accepted by the President or Secretary of War only as an unconditional gift for deposit in the Treasury to the credit of miscellaneous receipts.

For The Judge Advocate General:

C. B. Mickelwait,
Colonel, J.A.G.D.,
Chief of Section.

W/incl.

Regraded Unclassified

MAR 19 1942

MEMORANDUM FOR GENERAL WATSON:

Attached is a draft of a letter for your signature to Congressman Forand, in reply to his memorandum of March 3, 1942.

H M J.

M.M.C. Photo file
File to Bell

DWB:ce

Regraded Unclassified

DRAFT

My dear Mr. Forand:

I have your memorandum of March 3, 1942, enclosing a copy of your remarks on the floor of the House on February 24, suggesting that persons purchase 25¢ Defense Stamps, cancel them, and send them to the President as a gift toward victory, these stamps never to be redeemed by the Treasury.

I have discussed this matter with the Treasury Department and I am advised that it is always glad to accept gifts to the United States Government which are freely given and have no restrictions attached to them. It has had a great number of suggestions from individuals that a campaign be put on to secure gifts from the American people to help finance the war. The Treasury has not adopted any such plans because it feels that the principal methods of financing this war are through taxation and loans. If a campaign were instituted to secure gifts, donations would in all probability come only from those who were highly patriotic and in many cases from people who could not afford to give. It would seem in these cases that we would be getting the money from those who could not afford it and borrowing from and paying interest to others who might be able to afford to give but who are loaning their funds to the Government.

Very truly yours,

EDWIN M. WATSON
Secretary to the President

Honorable Aime J. Forand,

House of Representatives.

DMB:ce 3-9-42

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24 272
letter

THE WHITE HOUSE
WASHINGTON

3-5-42

MEMORANDUM FOR: THE SECRETARY
OF THE TREASURY

Will you please be good enough to have someone in your office look this over and prepare suitable draft of reply for my signature?

Thank you.

EDWIN M. WATSON
Secretary to the President

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AIME J. FORAND
1st Dist., Rhode Island
CHAIRMAN
Committee on Merchant Marine

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

WASHINGTON OFFICE:
HOUSE OFFICE BUILDING

RHODE ISLAND OFFICE:
POST OFFICE BUILDING
PAWTUCKET

March 3, 1942

Memorandum to: General Edwin Martin Watson

From: Aime J. Forand, M.C., First District, Rhode Island

This memorandum is in compliance with yoursuggestion during our telephone conversation early this afternoon.

Attached you will find a copy of my remarks on the floor of the House on February 24, suggesting that persons purchase twenty-five cent Defense Stamps, cancel them and send them to the President as a gift toward victory, these stamps never to be redeemed by the Treasury.

The first response that I received was a sheet of one hundred stamps sent to me by my own Post of the American Legion, the James Stanton Post No. 5, of Central Falls, Rhode Island, whose membership is one hundred.

All to whom I have mentioned this suggestion have endorsed it enthusiastically, realizing that if fifty million people should each purchase a twenty-five cent stamp, cancel it and send it to the President as a gift, that would mean an outright gift to the Treasury of $12,500,000. dollars.

My hope is that I may be permitted to present these stamps to the President personally because I realize that if this can be done the national publicity that will result is bound to bring into the Treasury millions of dollars as outright gifts.

Now that the Second War Powers Bill has been passed and that there is contained therein, under Title 12, provisions for the Treasury Department to receive gifts and also penalties for embezzlement or theft of such gifts, I believe it would be proper to develop my suggestion for all it is worth.

I fully realize how busy the President is but I know from long experience his great willingness to lend his good offices to the March of Dimes, the Red Cross, the Community Funds and other similar methods of raising money to help worthy causes and, honestly, I know of no cause more worthy than to encourage patriotism of our citizens through contributions to their Government to defray the expenses of the war in which we are engaged. This war must and will be won and this would help to pay for it.

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Washington Office:
House Office Building

Rhode Island Office:
Post Office Building
Pawtucket

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

After you have discussed the subject with the President, I would appreciate hearing from you as to his decision.

Sincerely yours,

Aime J. Forand

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AIME J. FORAND
1st Dist., Rhode Island
COMMITTEE:
Office and Post Roads

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

WASHINGTON OFFICE:
HOUSE OFFICE BUILDING
PHONE ISLAND OFFICE:
POST OFFICE BUILDING
PAWTUCKET

PERMISSION TO ADDRESS THE HOUSE

Mr. FORAND. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

CANCEL A DEFENSE STAMP SO UNCLE SAM WILL NEVER HAVE TO CASH IT

Mr. FORAND. Mr. Speaker, every American is anxious to do something to help our country win the war. Whether in the armed forces, in a factory, in a shop, or in an office, all of us can contribute a share to defeat the enemy by doing to the best of our ability the work in which we are engaged.

A new and novel way to add to that which we are now doing by our labor and by our purchase of Defense stamps and bonds has just been suggested by Mr. Edward Barber, of my home State. Mr. Barber points out that under the ordinary procedure, which is a most commendable one, we only loan our money to the Government when we purchase Defense stamps and bonds. Why not make a direct gift, he suggested to his fellow members of the Cranston Lions Club a few days ago. Why not each member of the Lions Clubs purchase a 25-cent Defense stamp and cancel it by writing his name on it, and then send it to President Roosevelt as a contribution?

I heartily approve of Mr. Barber's suggestion, Mr. Speaker, and I pass the suggestion along in the hope that millions of American citizens will adopt it. A million persons, each purchasing and canceling a 25-cent Defense stamp, would thereby make a gift of $250,000 to Uncle Sam and help purchase victory. A nice, tidy sum, I say, and I sincerely hope it will be realized.

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Dear Mr. Sproul:

I have your letter of March 5, 1942, advising that various administrative and operating problems connected with the issue, sale, safekeeping and redemption of Defense Savings Bonds was considered by the Conference of Presidents of the twelve Federal Reserve Banks held at Washington on February 26-March 2, 1942, and it was the unanimous opinion of the Presidents that it might be helpful to both the Treasury and the Reserve Banks if a committee of operating men for the Reserve Banks could meet with members of the Treasury staff to discuss the mechanics of the Defense Bond campaign.

I believe that this is an excellent suggestion and I have turned your letter over to Bell and Graves to work out with the Banks the questions to be considered at such a conference and the place where it should be held. You will hear from Bell within the course of the next few days.

Very truly yours,

Secretary of the Treasury

Mr. Allan Sproul,
Chairman,
Presidents Conference Committee
on Defense Savings Securities,
Federal Reserve Bank,
New York City.

Photo file NMC.
Orig file Bell

DWBice 3-9-42

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FEDERAL RESERVE BANK
OF NEW YORK

March 5, 1942.

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

Dear Secretary Morgenthau:

A Conference of Presidents of the twelve Federal Reserve Banks was held at Washington over the week-end February 28-March 2, 1942. Among the subjects considered by the Conference were the various administrative and operating problems connected with the issue, sale, safekeeping and redemption of Defense Savings Bonds. It was the unanimous opinion of the Presidents that it might be helpful to the Treasury, and would certainly be helpful to the Reserve Banks, if a committee of operating men for the Reserve Banks could meet with the members of the Treasury's staff—both those who determine policy and those in charge of operations—to discuss the mechanics of the Defense Bond program. With a better knowledge of what the Treasury's policy and procedure is, these men from the Federal Reserve Banks, who are intimately acquainted with the problems encountered in the field, would be able better to plan the work of the Federal Reserve Banks.

Unless there is such planning ahead, we shall increasingly run the risk of a breakdown in the mechanical side of this operation which has thus far been so successful. This was considered by the Presidents of the Federal Reserve Banks to be an urgent matter. I shall, therefore, appreciate your letting me know whether or not the suggested conference meets with your approval and when representatives of the Federal Reserve Banks might come to the Treasury to canvass the problem.

Yours faithfully,

Allan Sproul, Chairman,
Presidents Conference Committee
on Defense Savings Securities.

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FEDERAL RESERVE BANK

OF NEW YORK

March 5, 1942.

Dear Dan:

Enclosed is a copy of a letter which I was directed at the Conference of Presidents of the Federal Reserve Banks to write to the Secretary. If the conference suggested therein is arranged, it should be at an early date and, if it is to be successful, it should include those members of the Defense Bond staff who make the decisions as well as those who supervise the mechanics of the operation at the Treasury.

Yours faithfully,

Allan Sproul.

Honorable Daniel W. Bell,
Under Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear

I hope you can give this a shove in the right direction A.

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Dear Sir:

The United States Treasury hopes that the urgency of the hour will lead you to consider at your earliest convenience the enclosed Defense Savings Program for colleges and universities.

For many institutions it will merely confirm the beginning they have already made. For others it will suggest steps to be taken at once and the scope of organization necessary for an effort to be continued throughout the war.

The Program is prepared in answer to numerous requests from colleges to the Treasury Department. The proposals embodied in it are the fruit of consultations with presidents of colleges at the meeting called by the National Committee on Education and Defense held in Baltimore in January.

We are sending five copies in order that you may make two of them available to faculty and two available to student leaders in the campus defense savings effort. Additional copies may be obtained through the local Defense Savings Committee of your community, or from your State Defense Savings Committee.

Sincerely,

[Signed] Henry Morgenthau, Jr.

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THE UNITED STATES TREASURY

To The College Presidents Of The United States:

Flames still lick the carcass of Singapore as this message goes to press. There is no knowing what city will lie in rubble when it reaches you. But certainly the place will be closer to home.

This is not said in an effort to rouse fear, but to remind you that every hour is precious; that every delay will cost lives--American lives--lost because soldiers lack a canopy of planes and a moving fence of tanks.

You have, no doubt, already established machinery for payroll savings in your institution. But this is not enough, in view of the long hard road ahead. If the effort to finance the war is to succeed, our institutions of higher learning must be more than collection agencies for the contributions of faculty and maintenance staff. The Defense Savings Program must be a long-term, continuous effort. The motive that makes continuous effort possible is reason. The force that has built civilization therefore, has power to save it.

Because reason is its mainspring, the Defense Savings Program must make full use of the methods and resources of education. To use educational methods is to contribute to the enlightenment of the

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American people. Colleges and universities have, therefore, a function that is unique among American institutions.

The Treasury Department urges that higher education consider these educational objectives for its work in the Defense Savings Program:

The purchase of Defense Bonds and Stamps by the people on the campus should be as systematic as the soldier's guard or the sailor's watch.

Higher education should furnish and train leadership which will promote understanding, both on the campus and in the community, of the Defense Savings Program, and its relation to the impact of war on the economic and social life of the Nation.

The Treasury Department recommends that in each institution there be a Faculty Defense Savings Committee and a Student Defense Savings Committee which cooperate closely with each other and with the Local and State Defense Savings Committees organized by the Treasury.

In every state there is a State Defense Savings Committee made up of leading representatives of education, banking, labor, women's organizations and other groups. Local committees of similar makeup are being formed thoroughout the country. The various representatives- both state and local - are forming subcommittees for education, labor, banking and so on. There are in each state, paid Treasury representatives - an administrator and frequently a deputy administrator - who work with the State Defense Savings Committee and maintain headquarters in one or more

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or the principal cities of the state. They will be glad to supply Treasury literature and aid the institutions of higher education in every way they can. They will also arrange to have one of the traveling representatives from the Education Division of the Treasury's Defense Savings Staff in Washington visit any institution that can profit by his services.

What the Faculty and Administration Can Do

The first thing that the faculty and administration of an institution of higher education can do is organize a committee by presidential appointment, faculty election or any other method deemed appropriate. This committee ordinarily will bear a relation to the institution's Defense Council, agencies sponsoring volunteer civilian participation in the war, and especially to the Local and State Defense Savings Committees.

The Faculty Committee requires personnel able to tie together a well-knit organization. Its work requires the special devotion of persons able to make this their main interest. This Committee should comprise a representative of the administration, of the extension services, and of as many departments as practical.

The primary responsibility of the administration representative is to make arrangements for faculty Defense Savings by the "payroll savings plan."

His work should also entail a study of college funds with a view to the practicability of their investment in Defense Securities.

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Still another phase of the responsibilities of the administration representative is advising with a Student Defense Savings Committee in planning its work.

The duty of the representative of the extension services is to apply the services of his department as well as the institution's radio program to the education of the public in matters pertaining to war finance. Because his work has immediate ramifications beyond the campus, he particularly should work closely with the Local Defense Savings Committee and the State Committee.

The duty of the departmental representatives on the Committee is to integrate material concerning war finance and Defense Savings with the curriculum. Defense Savings, in its broader aspects, offers an opportunity for putting war itself to educational uses. Whether full advantage is taken of this opportunity will depend upon the vision and resourcefulness of both students and faculty members in their concern with the curriculum. Almost every subject taught in the colleges, bears a relation to the war and what citizens can do to make victory more sure.

Certain courses in government, economics, and sociology can, especially, be made more alive and more significant, more educationally creative through the introduction of Defense Savings problems and information. The Treasury is prepared to offer concrete suggestions for the accomplishment of this purpose and

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also to furnish materials on the economics of defense.

Departments of speech can assist in the training of speakers enrolled in the Speakers' Bureau of the Local Defense Savings Committee; they can train their own students as speakers for community service, and they can furnish community meetings with these trained speakers.

The institution's library should provide a special collection of literature on Defense Savings, war finance, and related subjects. This service will increase in value to the extent that it is used not only by the students but by the general public through channels opened by the Local Defense Savings Committee and the institution's adult education services.

What Students Can Do

It is important that every citizen be aware that he, as well as the soldier and the Government official, is enlisted in the war effort and has a personal responsibility toward it. The Defense Savings Program offers every citizen a direct and effective activity that will help to win the war.

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The students should organize their own Defense Savings Committee. Democratic procedure suggests that all major student groups be represented: Student government, the inter-fraternity councils, Y. M. and Y. W. C. A., the religious organizations, the intellectual societies, etc. This extra-curricular student participation is one of the important avenues of American student preparation for democratic citizenship in the adult world.

The Student Defense Savings Committee on the campus should be established as a significant arm of the total student civilian war effort. Its operations will appropriately divide themselves into:

The promotion of plans and activities including meetings and discussion groups by each of the various student organizations or all of them unitedly.

The publicity activities involving the student newspaper and other publications. The regular news releases issued by the Treasury to the collegiate press should be of assistance in promotion work on the campus.

The establishment of exhibits, sales booths, and the maintenance of other accessible sales outlets for Defense Stamps in connection with the college store, the cafeteria, etc.

The organization and development of a corps of student Defense Savings speakers as well as the creation of musical, dramatic, artistic, and radio work to serve the Defense Savings promotion of both the college and its nearby community.

The maintenance of continuous close relations with the student government, the war or defense council and faculty advisers.

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The Relation of Higher Education to the U. S. Treasury

While advancing this series of suggestions to the institutions of higher education, the Treasury does not advise that any attempt be made to follow the Program point by point mechanically. Nothing that the Defense Savings Staff in Washington can do will take the place of imagination and initiative and hard work on a given campus.

Without exception the suggestions embodied herein are the fruit of consultations held by representatives of the Treasury with presidents of colleges and universities all over the country, with student leaders, with officials of the United States Office of Education, the American Council on Education and the Office of Civilian Defense. Each of the proposals that are made in this program has been tried and found to work in at least one and more often in many institutions.

This program is prepared in answer to numerous requests for guidance from the institutions of higher education. These requests reveal that the temper of the campus is on the alert. If this patriotism can be disciplined through organization, the Nation can look with confidence to a greatly accelerated program of Defense Savings.

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MAR 10 1942

My dear Phil:

It was nice to have your letter of February 23, suggesting a certificate be awarded workers of the Payroll Allotment Committee of Cincinnati in recognition of their fine services.

My people tell me that there would be objection to our furnishing a facsimile of my signature to be used in manufacturing a proper certificate locally, for reasons which doubtless will occur to you. It would apparently be preferable to manufacture an appropriate card here, and I am asking the Defense Savings Staff to take steps to have this done and to communicate with you direct with reference to the details of the matter.

Needless to say, I am very much pleased that you are associated with the Defense Savings project, and I greatly appreciate your interest and cooperation.

Sincerely,

(Signed) Henry

Mr. Phil. J. Trounstine,
1121 Keith Building,
Cincinnati, Ohio.

HNG:fns

File M.M.C.
copies to Thompson

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Miss Chauncey brought this in. Whatever Mr. Graves decides will be all right with the Secretary and would he, Mr. Graves, be good enough to prepare answer for Secretary's signature.

FMS

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TREASURY DEPARTMENT

WASHINGTON

March 2, 1942.

MEMORANDUM FOR MISS CHAUNCEY:

Mr. Trounstine is a member of the Ohio State Defense Savings Committee.

He is also a member of the Cincinnati Defense Savings Committee.

The idea of giving out certificates to volunteer workers who have done an outstanding job is a good one.

I do not, however, like the idea of furnishing the Secretary's facsimile signature to the Cincinnati Committee to be used by them in printing certificates like those proposed.

We could readily print these certificates here, and if the Secretary wishes, I will be glad to have this done.

GRATES.

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PHIL J. TROUNSTINE
1121 Keith Bldg.
Cincinnati, Ohio

February 23, 1942

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

My dear Henry:

The Pay Roll Allotment Committee of Cincinnati, under the leadership of Guy D. Randolph, has made the best record in the State of Ohio in contacting and installing the pay roll allotment plan in firms having one hundred or more employees. Most of these men are Life Underwriters of the Cincinnati Association.

It is the desire of the local committee to reward those workers who have done an outstanding job. Therefore, the local committee has designed a card or certificate, sample of which is attached, to be presented to those who have earned it.

They want your permission to use your signature on this certificate or card. If you grant this, a cut could be made here and used for this purpose only.

Will you please advise me personally whether or not this can be done.

Sincerely,

Phil Trounstine

Phil J. Trounstine

PJT:EK

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TREASURY DEPARTMENT

DEFENSE SAVINGS STAFF

OFFICE OF STATE ADMINISTRATOR

A picture of the "Minute Man" would appear in pale buff ink in the center of the card or certificate.

Size of card 2¼" x 3½" or certificate 7" x 9".

The card would be white stock with pale buff ink for the "Minute Man" with the seal and lettering in blue ink. If the working, "For maritorious service to his country" is too strong, then it could be changed to "for meritorious service on the Payroll Allotment Committee." However the former is preferred.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1942

TO Secretary Morgenthau

FROM Mr. Haas

1. Attached to this memorandum are tables showing (1) the number of agents qualified to issue Defense Savings Bonds, Series E, at the close of business on March 7, classified by type of agent, by Federal Reserve Districts, and (2) the number of such agents on selected dates since May 7, 1941.

2. Agents, other than post offices, qualified to issue Series E savings bonds numbered 20,356 on March 7, an increase of 191 since February 28.

3. On March 7, there were 763 corporations qualified to issue Series E savings bonds on payroll allotment plans in accordance with the instructions contained in your telegram of December 27 to the Federal Reserve Banks. This represented an increase of 77 corporations over last week.

Attachments.

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Number of agents qualified to issue Series E
Savings Bonds, May 7, 1941
to date

	1941		1942			
	May 7	Sept. 30	Jan. 3	Jan. 31	Feb. 28	March 7
Commercial and savings banks.....	7,676	11,571	13,688	14,097	14,240	14,264
Building and loan associations.....	739	1,481	2,064	2,434	2,560	2,584
Credit unions.....	8	389	1,368	2,080	2,479	2,536
Other corporations 1/.....	-	-	-	351	686	763
Investment industry.....	-	-	-	37	63	65
All others.....	7	27	28	99	137	144
Total other than post offices.....	8,430	13,468	17,148	19,098	20,165	20,356
Post offices.....	15,812	16,429	16,883	17,123	17,928	18,059
Grand total.....	24,242	29,897	34,031	36,221	38,093	38,415

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

March 10, 1942

1/ In accordance with telegram of December 27, 1941.

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Classification of the number of agents qualified to issue Series E Savings Bonds, on March 7, 1942

	Banks	Building and loan associations	Credit unions	Other corporations 1/	Investment industry	All others 2/	Total
Corporations and associations: Federal Reserve District of:							
Boston	837	242	223	50	1	14	1,367
New York	1,168	254	409	56	16	52	1,955
Philadelphia	850	113	115	174	-	-	1,252
Cleveland	1,178	383	342	46	7	2	1,958
Richmond	1,025	191	136	31	8	1	1,392
Atlanta	1,026	157	185	25	-	-	1,393
Chicago	2,339	480	262	234	17	27	3,359
St. Louis	1,376	158	70	42	8	2	1,656
Minneapolis	1,281	58	73	4	-	3	1,419
Kansas City	1,773	188	175	17	2	35	2,190
Dallas	860	122	234	59	3	5	1,283
San Francisco	551	238	312	25	3	3	1,132
Subtotal	14,264	2,584	2,536	763	65	144	20,356
Post offices	-	-	-	-	-	-	18,059
Grand total	14,264	2,584	2,536	763	65	144	38,415

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

March 10, 1942

1/ In accordance with telegram of December 27, 1941.
2/ Except post offices.

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Daily changes in the stock of Series E savings bonds on hand 1/

(In thousands of pieces)

	Number of pieces sold this day	Number of pieces manufactured this day	Stock on hand at close of day	IBM deliveries this day
Feb. 23	214	800	21,905	-
24	55	800	22,650	1,000
25	104	800	23,346	700
26	158	800	23,988	475
27	240	800	24,548	660
28	162	none-closed	24,386	-
Mar. 1	none-closed	none-closed	24,386	-
2	304	500	24,582	-
3	160	500	24,922	600
4	171	500	25,251	-
5	200	500	25,551	625
6	210	500	25,841	-
7	211	none-closed	25,630	625
8	none-closed	none-closed	25,630	-
9	344	500	25,786	-

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

March 10, 1942

1/ Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.

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UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Seven Business Days of March, February and January 1942
(March 1-9, February 1-9, January 1-8)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	March	February	January	March over February	February over January	March over February	February over January
Series E - Post Offices	$ 28,675	$ 33,976	$ 43,894	-$ 5,301	-$ 9,918	- 15.6%	- 22.6%
Series E - Banks	84,526	133,627	107,467	- 49,101	26,160	- 36.7	24.3
Series E - Total	113,201	167,602	151,362	- 54,401	16,240	- 32.5	10.7
Series F - Banks	15,298	24,207	17,394	- 8,909	6,813	- 36.8	39.2
Series G - Banks	67,573	113,526	73,022	- 45,953	40,504	- 40.5	55.5
Total	$196,072	$305,336	$241,777	-$109,264	$63,559	- 35.8%	26.3%

Office of the Secretary of the Treasury, Division of Research and Statistics. March 10, 1942.

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.

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UNITED STATES SAVINGS BONDS

Daily Sales - March, 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
	Series E	Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
March 1942									
2	$ 5,811	$ 15,868	$ 2,043	$ 8,726	$ 26,636	$ 21,678	$ 2,043	$ 8,726	$ 32,447
3	2,975	8,459	1,629	8,780	18,868	11,434	1,629	8,780	21,843
4	3,395	8,833	2,658	12,558	24,048	12,228	2,658	12,558	27,443
5	3,869	10,448	1,680	11,870	23,998	14,317	1,680	11,870	27,867
6	4,179	10,696	1,759	10,825	23,279	14,875	1,759	10,825	27,458
7	3,480	11,586	1,586	6,328	19,499	15,066	1,586	6,328	22,979
9	4,967	18,636	3,944	8,488	31,068	23,604	3,944	8,488	36,035
Total	$ 28,675	$ 84,526	$ 15,298	$ 67,573	$167,397	$113,201	$ 15,298	$ 67,573	$196,072

Office of the Secretary of the Treasury, Division of Research and Statistics. March 10, 1942.

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.

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Classification by Type of Purchaser of the Sales of Treasury Notes
Tax Series A and Tax Series B

August 1941 to February 1942

(Par amounts in millions of dollars - As reported by the Federal Reserve Banks)

Type of purchaser and month	Tax Series A	Tax Series B	Total
Individuals 1/			
August	16.0	50.0	66.0
September	6.2	21.1	27.3
October	5.2	20.4	25.6
November	3.5	14.3	17.8
December	5.4	36.7	42.1
January	5.4	60.7	66.1
February	2.9	23.8	26.7
Total	44.6	227.0	271.6
Corporations			
August	3.7	1,024.9	1,028.6
September	.9	260.3	261.2
October	.6	411.5	412.1
November	.6	301.9	302.5
December	.4	303.1	303.5
January	.7	160.9	161.6
February	.4	100.9	101.3
Total	7.3	2,563.5	2,570.8
Total sales			
August	19.7	1,074.9	1,094.6
September	7.1	281.4	288.5
October	5.8	431.9	437.7
November	4.1	316.2	320.3
December	5.8	339.8	345.6
January	6.1	221.6	227.7
February	3.3	124.7	128.0
Total	51.9	2,790.5	2,842.4

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

March 10, 1942

1/ Includes partnerships and fiduciaries.

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Sales of Treasury Notes - Tax Series A and Tax Series B

August 1941 to February 1942

Classified by denomination

(Per amounts in millions of dollars - As reported by the Federal Reserve Banks)

Series and denomination	Aug. & Sept.	Oct. & Nov.	Dec.	Jan.	Feb.	Total
Tax Series A						
$25	.9	.6	.3	.2	.2	2.2
50	1.2	.7	.6	.4	.2	3.1
100	24.7	8.6	4.9	4.1	2.0	44.3
500	*	*	*	.5	.3	.8
1,000	*	*	*	.9	.6	1.5
Total-Tax Series A	26.8	9.9	5.8	6.1	3.3	51.9
Tax Series B						
$100	1.7	1.0	.9	.6	.3	4.5
500	4.0	2.6	2.1	1.3	.6	10.6
1,000	40.2	23.3	19.2	12.1	6.4	101.2
10,000	165.3	88.1	58.7	39.8	23.2	375.1
100,000	478.1	218.6	120.9	71.8	48.7	938.1
500,000	91.0	58.5	22.0	19.0	11.5	202.0
1,000,000	576.0	356.0	116.0	77.0	34.0	1,159.0
Total-Tax Series B	1,356.3	748.1	339.8	221.6	124.7	2,790.5
Total-Both Series	1,383.1	758.0	345.6	227.7	128.0	2,842.4

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

March 10, 1942

* $500 and $1,000 denominations not sold prior to January 1942.

Regraded Unclassified

March 10, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I have just handed to George Haas (9:45 A.M.) Mr. Shamhart's report on the fourteen ships loading Lend-Lease cargo for Russia at Philadelphia. Shamhart furnished a tabular report and a memorandum as to causes of delay.

Last night after my conversation with you W. R. Johnson called Collectors or Customs Agents by telephone at the following ports: Boston, New York, Philadelphia, Baltimore, Norfolk, New Orleans, Port Arthur, Galveston and San Francisco. He talked to Fred Gardner, Supervising Customs Agent at San Francisco, and asked him to relay the message to San Diego, Los Angeles, Portland and Seattle. He asked for a telephone or teletype report today from all these ports and continuing daily reports. At all these ports, with the exception of Port Arthur, there are teletype facilities available either in Customs or Coast Guard. At Port Arthur we have been using the teletype in the office of a steamship company. A teletype will be installed there.

The report from Philadelphia is limited to Russian cargoes, but in communicating with the other ports we have asked for reports on all Lend-Lease shipments.

VEG

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STRICTLY CONFIDENTI

Vessels in American Ports Loading Lend-Lease Materials for

United Kingdom

March 10, 1942

Name of vessel	Port at which loading	Date of arrival in port	Date loading began	Percent loaded	Expected date of departure	Nature of cargo	Reasons for delay in loading if any
Br. S/S Empire Cougar	Balto.	Feb. 12	Mar. 9	29	Mar. 18	Steel, cotton, airplanes	Repairs
Br. S/S Baron Inchcape	New York	Feb. 19	Unknown	Unknown	Unknown	Steel ingots, bombs, wire	
Norw. S/S Henrik Ibsen	New York	Feb. 20	Feb. 20	85	Mar. 12	Steel, copper, food, machine parts	
Br. S/S Bosworth	Boston	Feb. 22	Feb. 24	95	Mar. 12	Tractors, oil, ammunition	Repairs
Br. S/S Maritima	Boston	Feb. 25	Feb. 25	88	Mar. 13	Trucks, tractors, food, steel	Repairs
Pan. S/S Leonatus	New Orleans	Feb. 26	Mar. 6	90	Unknown	Food, naval stores	
Br. S/S Badjestan	Charleston, S.C.	Feb. 27	Feb. 27	50	Mar. 14-18	Steel billets, cotton, lumber, ammunition, food	Repairs
Br. S/S Empire Porpoise	New York	Feb. 27	Mar. 2	89	Mar. 12	Auto parts, steel billets	In drydock
Br. S/S P.L.M. #13	New York	Mar. 2	Mar. 3	50	Mar. 12	Steel, lumber	
Br. S/S Lancastria Prince	New York	Mar. 3	Mar. 3	100	Mar. 11	Rubber, machinery, airplane parts	
Br. S/S Torr Head	Norfolk	Mar. 4	Mar. 5	80	Mar. 13	Steel, foodstuffs, lumber, propellers	
Br. S/S Flowergate	Phila.	Mar. 4	Mar. 5	10	Mar. 25	Steel billets, wire	
Br. S/S Queen City	New York	Mar. 4	Mar. 7	20	Mar. 17	Wire, wool, tires, ammunition	Discharging ballast

(Continued)

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SECRET CONFIDENTIAL

Vessels in American Ports Loading Lend-Lease Materials for

United Kingdom

March 10, 1942 (Continued - 2)

Name of vessel	Port at which loading	Date of arrival in port	Date loading began	Percent loaded	Expected date of departure	Nature of cargo	Reasons for delay in loading if any
Dutch S/S Zypenberg	Balto.	Mar. 5	Mar. 6	15	Mar. 19	Lumber, machinery, food, steel	
Norw. M/S Kollbjorg	New Orleans	Mar. 5	Mar. 12 (will start)	-	Unknown	Aviation gasoline	Repairs
Br. S/S Everleigh	Phila.	Mar. 5	Mar. 7	64	Mar. 16	Steel ingots	
Br. S/S Consuelo	New York	Mar. 6	Mar. 6	100	Mar. 11	Potash, wall board, airplane parts.	
Am. S/S Steel Traveler	New Orleans	Mar. 8	Mar. 8	33	Unknown	Motor trucks	
Br. S/S Pacific Shipper	New York	Mar. 8	Mar. 11 (will start)	-	Mar. 20	Rubber, mach'y., airplane parts	
Br. S/S Arabian Prince	New York	Mar. 8	Mar. 10	66	Mar. 19	Steel, machine & airplane parts	
Br. S/S Tindarens	New York	Mar. 8	Mar. 9	70	Mar. 12	Copper	
Br. S/S Fort Churchill	Seattle	Mar. 8	Mar. 9	75	Mar. 12	Wood pulp, plywood	
Norw. S/S Solstad	Galveston	Mar. 8	Mar. 8	50	Mar. 11	Lubricating oil	
Br. S/S Ocean Vision	Seattle	Mar. 8	Mar. 9	75	Mar. 11	Wood pulp	
Am. S/S Swiftlite	Galveston	Mar. 9	Not started	-	Unknown	Diesel oil	Pump ballast
Br. S/S Generton	Balto.	Mar. 9	Mar. 10	5	Mar. 17	Locomotives, food, trucks	
Swed. S/S Axel Johnson	New York	Mar. 9	Mar. 10	6	Mar. 14	Machinery, food, chemicals	
Br. S/S Empire Ptarmigan	Phila.	Unknown	Feb. 19	50	Mar. 18	Machinery, food	Lack of cargo; repairs

Regraded Unclassified

STRICTLY CONFIDENTIAL

Vessels in American Ports Loading Lend-Lease Materials for

British Empire (Excluding United Kingdom)

March 10, 1942

Name of vessel	Port at which loading	Date of arrival in port	Date loading began	Percent loaded	Expected date of departure	Nature of cargo	Reasons for delay in loading if any	Destination
Am. S/S Cathlamet	New York	Feb. 5	Mar. 9	90	Mar. 14	Tin plate, steel sheets	In drydock, Feb. 5 - Mar. 9	Br.W.Africa
Dutch S/S Kota Tjandi	New York	Feb. 17	Feb. 17	100	Unknown	Trucks, auto parts	Awaiting sailing orders	Br. India
Br. S/S Delcross	Phila.	Feb. 18	Feb. 19	79	Mar. 13	Auto parts	Repairs	Br. India
Br. S/S Antigone	New York	Feb. 26	Mar. 2	100	Mar. 11	Oil, tires, ammunition	Diversion of ship	Egypt
Br. S/S Tredinnick	New York	Feb. 27	Mar. 3	35	Mar. 14	Machine parts, ammunition, steel	Bad weather - 2 days	Br. India
Br. S/S Bernard	New York	Feb. 27	Mar. 4	50	Mar. 16	Steel, wire, ingots	Repairs	Br. India
Br. S/S Empire Field	New York	Feb. 27	Feb. 28	100	Mar. 12	Steel billets, ammunition, tanks		Br. India
Br. S/S Empire Wagtail	Phila.	Mar. 2	Mar. 9	10	Mar. 19	Steel billets	Repairs	Br.Middle East
Br. S/S Harmattan	New York	Mar. 2	Mar. 2	10	Mar. 15	Steel, tractor parts, trucks		Egypt
Br. S/S Orfor	New York	Mar. 4	Mar. 7	30	Mar. 14	Steel	Discharging ballast	Br. India
Am. S/S Normacswan	New York	Mar. 4	Mar. 8	50	Mar. 12	Food, trucks, auto parts		Suez
Br. S/S Appledore	New York	Mar. 5	Mar. 5	30	Mar. 15	Auto parts, airplane engines, medicinal stores		Egypt
Br. S/S Port Halifax	Newport News	Mar. 7	Mar. 9	35	Mar. 13	Planes, oil, tinplate	Repairs	Australia

(Continued)

Regraded Unclassified

STRICTLY CONFIDENTIAL

Vessels in American Ports Loading Lend-Lease Materials for

British Empire (Excluding United Kingdom)

(Continued - 2)

Name of vessel	Port at which loading	Date of arrival in port	Date loading began	Percent loaded	Expected date of departure	Nature of cargo	Reasons for delay in loading if any	Destination
Am. S/S Courageous	New York	Mar. 8	Mar. 9	62	Mar. 14	Steel		Br.Ministry, Buenos Aires
Br. S/S Thursobank	New York	Mar. 10	Mar. 11 (will start)	-	Mar. 13	Chains, cable		Suez
Br. S/S Empire Hawk	Phila.	Unknown	Mar. 12 (will start)	-	Unknown	Unknown	Repairs	Egypt

Regraded Unclassified

MAR 10 1942

Dear Mr. McCabe:

I have received your letter of March 3 and its enclosures. I notice it is your understanding that the Army intends to pay in cash for materials diverted from British dollar contracts, notwithstanding Mr. McCloy's statement that they would pay in kind for such materials.

I should like to be certain of the final decision, and shall therefore greatly appreciate your sending me a copy of Mr. McCloy's reply to you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Thomas B. McCabe,
Deputy Administrator,
Office of Lend-Lease Administration,
Five-Fifteen 22nd Street, N. W.,
Washington, D. C.

Return file M.M.C.
for messenger service 3/25
File to be kept

JMHgro - 3/6/42

Regraded Unclassified

OFFICE OF LEND-LEASE ADMINISTRATION

FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

March 3, 1942

My dear Mr. Secretary,

In an exchange of letters between Mr. Stettinius and Mr. McCloy, Assistant Secretary of War, concerning the procedure for handling diversions of equipment to the War Department from British dollar contracts in this country, Mr. McCloy stated that it was the intention of the War Department to reimburse the British in kind for such equipment. A copy of Mr. McCloy's letter was forwarded to the British for their information.

Recently, Mr. Cox received a letter from Sir Frederick Phillips, a copy of which is enclosed, raising the question whether Mr. McCloy's statement should be understood as being in conflict with a previous statement by Under Secretary Patterson, in a letter to Sir Frederick, that the War Department would pay the British in dollars for all such equipment diverted to its own uses.

It is our understanding that the War Department still intends to pay the British in dollars for all aircraft and aircraft material diverted to its own uses as agreed by Under Secretary Patterson. I have written Mr. McCloy requesting him to confirm this and will forward to you a copy of his reply.

Very sincerely yours,

Thomas B. McCabe

Thomas B. McCabe
Deputy Administrator

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

Enclosure

Regraded Unclassified

COPY

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

Telephone: Republic 7860

Box 680
Benjamin Franklin Station
Washington, D. C.

February 12, 1942

Dear Mr. Cox,

Mr. Childs has shown me your letter of the 9th February enclosing correspondence with the War Department on the question of material diverted from Lend-lease requisitions and British dollar contracts.

So far as regards diversions from British dollar contracts the arrangements mentioned however do not seem to be in accordance with the undertaking, of which I enclose a copy, contained in Mr. Patterson's letter of 27th December, namely that the War Department would pay cash as soon as the figures were ascertained. The letter referred to aircraft material, but that is the vast bulk of the material in question.

Yours sincerely,

/s/ F. Phillips

Mr. Oscar Cox,
General Counsel,
Office of Lend-Lease Administration,
515 - 22nd Street, N.W.,
Washington, D. C.

Regraded Unclassified

COPY

WAR DEPARTMENT

OFFICE OF THE UNDER SECRETARY

Washington, D. C.

December 17, 1941.

Sir Frederick Phillips,
British Supply Council,
Willard Hotel,
Washington, D. C.

My dear Sir Frederick,

I refer to our recent telephone conversation relative to remunerating the United Kingdom for aircraft contracted for by it and which were recently taken over by the United States.

At the moment it seems impossible to reach a definite conclusion as to the actual money value of the articles taken. This reaction was subscribed to by personnel in the Air Corps and in the British Purchasing Commission.

This is to inform you that it is the definite intention of the War Department to make payment at the earliest practicable date in United States dollars for the amount found to be due.

Sincerely yours,

/s/ Robert P. Patterson,

Under Secretary of War

Regraded Unclassified

Mr. Kiss Chauncey

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	No. of Shares Sold	$ Proceeds of Shares Sold	Nominal Value of Bonds Sold	$ Proceeds of Bonds Sold
Mar. 2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	-	-	-	-
7	-	-	-	-
	-	-	-	-
Sales from Feb.22,1940 to Feb.21,1942	9,847,610-1/6	281,858,763	45,647,516	37,473,716
Sales from Feb.22,1940 to Mar. 7,1942	9,847,610-1/6	281,858,763	45,647,516	37,473,716

Regraded Unclassified

for Miss Chauncey

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 10, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

STRICTLY CONFIDENTIAL

Official sales of British-owned dollar securities under the various vesting orders since February 19, 1940:

	$ Proceeds of Shares Sold	$ Proceeds of Bonds Sold	Total	
Mar. 2	-	-	-	
3	-	-	-	
4	-	-	-	
5	-	-	-	
6	-	-	-	
7	-	-	-	
	-	-	-	
Sales from Feb.22,1940 to Feb.28,1942	281,858,763	37,473,716	319,332,479	
Sales from Feb.22,1940 to Mar.7,1942	281,858,763	37,473,716	319,332,479	319,332,479
$ proceeds of non-vested securities sold Feb. 23, 1942 - Feb. 28, 1942			300,000	
$ proceeds of non-vested securities sold Sept. 1, 1939 - Feb. 21, 1942			243,600,000	
$ proceeds of non-vested securities sold Sept. 1, 1939 - Feb. 28, 1942			243,900,000	243,900,000
			GRAND TOTAL	563,232,479

Jan. 7, 1942 - Cash Dividend on 156 Shares	$ 61
Jan. 9, 1942 - Partial Liquidating Dividend	125
9 Units sold from Aug. 18, 1941 - Feb. 14, 1942	42
11 Shares Stock Dividend sold Aug. 18, 1941 - Feb. 14, 1942 for	123
56,007 Rights sold from July 24, 1941 - Feb. 14, 1942 for	102,938

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TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

March 10, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended February 25, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.

dm:3/10/42

Regraded Unclassified

For Miss Chauncey

FEDERAL RESERVE BANK

OF NEW YORK

March 5, 1942

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended February 25, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosures

Copy:vw:3-10-42

Regraded Unclassified

[illegible] OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT) DEBITS: Total Debits	Gov't Expenditures(a)	Other Debits	CREDITS: Total Credits	Proceeds of Sales of Gold	Securities (Official)(b)	Other Credits(c)	Net Incr. (+) or Decr. (-) in Balance	BANK OF FRANCE DEBITS: Total Debits	Gov't Expenditures (d)	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war ([illegible]/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	57.0	420.1	+ 35.0	866.3(e)	416.6(e)	449.7	1,095.3(e)	900.2	195.1(e)	+229.0
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Second year of war ([illegible]/[illegible]/41)*	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1
1941															
Sep. 30 - Oct. 1	140.8	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4
1942															
Jan. 1 - Jan. 28	102.3	73.2	29.1	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.4	-	0.4	+ 0.2
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	- 30.0	-	-	-	0.3	-	0.3	+ 0.3
[illegible]															
Feb. 4	27.9	19.0	8.9	17.8	-	-	17.8	- 10.1	-	-	-	-	-	-	-
11	19.2	14.3	4.9	10.2	-	1.0	9.2	- 9.0	-	-	-	0.1	-	0.1	+ 0.1
18	17.7	14.8	2.9	14.9	-	-	14.9	- 2.8	-	-	-	0.1	-	0.1	+ 0.1
25	22.4	15.7	6.7	14.3	-	-	14.3(f)	- 8.1	-	-	-	0.1	-	0.1	+ 0.1

[illegible] Weekly Expenditures Since Outbreak of War
[illegible] (through June 19, 1940) $19.6 million
England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 40.0 million
*For weekly breakdown see tabulations prior to April 23, 1941.
For weekly breakdown see tabulations prior to October 8, 1941.
(See attached sheet for other footnotes)

Transfers From British Purchasing Commission to Bank of Canada for French Account

Week ended February 25, 1942 $ - million
Cumulation from July 6, 1940 $ 162.7 million

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(a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.

(d) Includes payments for account of French Air Commission and French Purchasing Commission.

(e) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(f) Includes $7,500,000 transferred from New York account of authorized banks.

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[illegible] ACCOUNT
(In Millions of Dollars)

PERIOD	Bank of Canada (and Canadian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C: For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Balance	Commonwealth Bank of Australia (and Australian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (8/29/40-8/29/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Aug. 29 - Oct. 1	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9
1941																
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.0	2.6	+ 1.3
Dec. 4 - Dec. 31	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	0.2	2.6	- 1.1
1942																
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8
WEEK ENDED:																
Feb. 4	7.6	-	7.6	8.7	0.5	-	-	8.2	+ 1.1	6.5	5.3	1.2	0.7	-	0.7	- 5.8
11	5.2	-	5.2	10.8	5.9	-	-	4.9	+ 5.6	1.5	-	1.5	0.1	-	0.1	- 1.4
18	16.4	-	16.4	10.3	3.3	-	-	7.0	- 6.1	0.2	-	0.2	0.2	-	0.2	-
25	4.9	-	4.9	5.9	2.7	-	-	3.2	+ 1.0	0.2	-	0.2	0.6	-	0.6	+ 0.4

Weekly Average of Total Debits Since Outbreak of War
Through February 25, 1942 $ 7.8 million

* For monthly breakdown see tabulations prior to April 23, 1941.
** For monthly breakdown see tabulations prior to October 8, 1941.

Regraded Unclassified

MAR 10 1942

My dear Mr. Secretary:

I am enclosing copy of report on our exports to some selected countries for the period ending February 28, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State,

Washington, D. C.

Enclosure

N. M. C.
copies to Dr. White

By Messenger Stinger 5:05

WDW:mcl

3/9/42

Regraded Unclassified

MAR 10 1942

My dear Colonel Donovan:

I am enclosing copy of report on our exports to some selected countries for the period ending February 28, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

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

Enclosure

N.M.C.
copies to Dr. White

HDWrmch
3/9/42

By Messenger Sturgis 5:05

Regraded Unclassified

MAR 10 1942

My dear Mr. Perkins:

I am enclosing five copies of the report of our exports to some selected countries for the period ending February 28, 1942.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Milo Perkins,
Executive Director,
Board of Economic Warfare,
2501 Que Street, N. W.,
Washington, D. C.

Enclosures

N.M.C.
copy to Dr. White

HDW:mch
3/9/42

By Messenger Sturgis 5:00

Regraded Unclassified

MAR 10 1942

My dear Mr. President:

I am enclosing report on our exports to some selected countries for the period ending February 28, 1942.

Faithfully,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury

The President,
The White House.

Enclosure

H.M.C.
copies to Dr. White
Delivered by SS Agt. 6:00

HDW:mah
3/9/42

Regraded Unclassified

March 6, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the 8-day period ending February 28, 1942.

1. Exports to Russia

Exports to Russia, as reported to the Treasury during the eight-day period ending February 28, 1942 amounted to more than $28,000,000. Landplanes accounted for nearly $12,000,000 of this total. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to approximately $2,900,000. Landplanes accounted for more than 75% of the total. (See Appendix D.)

No exports to Burma were reported during the period under review.

3. Exports to France

No exports to Occupied France were reported during the period under review. Exports to Unoccupied France amounted to $26,000.

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

Regraded Unclassified

STRICTLY CONFIDENTIAL
NOT FOR PUBLICATION

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

July 28, 1941 to February 28, 1942

(In thousands of dollars)

	July 28 to Feb. 10	Period ended February 20	Period ended February 28	Total Domestic Exports
.S.S.R.	$121,472	$ 26,174	$ 28,063	$ 175,709
ree China	41,982	4,853	2,921	49,756
urma 2/	10,499	583	-	11,082
rance 3/	6	-	-	6
ccupied France	2	-	-	2
occupied France	.4	2	26	28
pain	2,637	2	146	2,785
witzerland	6,818	115	183	7,116
weden	13,280	569	5/	13,849
rtugal	5,697	548	80	6,325
rench North Africa 4/	6,283	-	-	6,283

easury Department, Division of Monetary Research — March 5, 1942.

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

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

Includes both Occupied and Unoccupied France through week ending October 4, 1941. Occupied and Unoccupied France separated thereafter.

Includes Morocco, Algeria and Tunisia.

Less than $500.

:jdj 3/5/42

Regraded Unclassified

APPENDIX B

Exports from the U. S. to Free China, Burma and U.S.S.R. as reported to the Treasury Department
July 28, 1941 - February 28, 1942

(Thousands of Dollars)

	Exports to Free China	Exports to Burma 1/	Exports to U.S.S.R.
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		851
Aug. 11 - Aug. 16	309		586
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	1		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,261 2/		5,217
Sept. 15 - Sept. 20	3,822 2/		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,581
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 4/	4,689	1,094	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	28,119
Total	52,359	9,969	176,118

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.

Treasury Department, Division of Monetary Research — March 9, 1942

Regraded Unclassified

APPENDIX C

Principal Exports from U. S. to U.S.S.R. as reported to the Treasury Department during the eight-day period ending February 28, 1942

(Thousands of Dollars)

TOTAL EXPORTS	$ 28,119
Principal Items:	
Landplanes (bomber)	11,698
Military tanks (light)	1,711
Motor trucks and chassis	1,465
Military tanks (medium)	1,180
Brass and bronze plates and sheets	1,141
Pork, canned	871
Military tank parts and accessories	821
Explosive shells and projectiles	692
Wool cloth	674
Milling machines	592
Aircraft parts and accessories, N.E.S.	566
Light reconnaissance cars	469
Landplanes (pursuit, interceptor, and fighter)	450
Iso-pentane (blending agent)	419
Marine engines	362
Sole leather	340
Wheat flour	262
Trinitro toluene (T.N.T.)	208
Relief supplies - hospital	206
Copper wire (insulated)	205
Leather boots and shoes	201
Engine parts and accessories	176
Machine guns, sub-machine guns or parts	171
Other ammunition	159
Tin plate	154
Vacuum tubes	154
Relief supplies - clothing	151
Lathes	143
Toluene	141
Metallic containers (drums)	128

Treasury Department, Division of Monetary Research March 6, 1942

Regraded Unclassified

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the eight-day period ending
February 28, 1942

(Thousands of Dollars)

TOTAL EXPORTS	$ 2,921
Principal Items:	
Landplanes (pursuit, interceptor, and fighter)	2,340
Refined copper	286
Printed matter (bank notes)	247
Landplanes (partial shipment)	47

Treasury Department, Division of Monetary Research March 6, 1942

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3/9/42

Regraded Unclassified

Letter from the National City Bank of New York, New York - March 10, 1942

In reply Please
Quote Initials: JAH

Mr. D. J. Cameron, Manager,
Foreign Department,
Federal Reserve Bank of New York,
33 Liberty Street,
New York, New York.

MAR 10 1942

Dear Mr. Cameron:

With reference to our letter of March 5 and yours of the same date we are now in receipt of an authenticated cable from Amministrazione Pontificia per le Opere di Religione, Citta del Vaticano, dated March 9, reading as follows:

"REFER TO YOUR WIRE OF THE 7TH CONCERNING FEDERAL RESERVE BANK OF NEW YORK WE INFORM YOU THAT TERM(S) AND CONDITION(S) ARE AGREEABLE TO US AND WE ASK (COMPLETE MUT.) OPERATION(S) GOLD. THANK(S)"

In view of this will you kindly advise whether it is agreeable to you to complete the additional purchase of gold for $2,000,000 as requested in the cable we quoted in our letter to you dated March 5, and, if so, inform us of the amount you require in cover thereof.

Very truly yours,

THE NATIONAL CITY BANK OF NEW YORK

Perpro
(Signed) J. A. Herber

(Received by telephone from Federal Reserve Bank of New York, N. Y. 11:35 a.m. March 11, 1942)

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Y

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
ME

March 10, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and refers to a conversation which took place in the Department of State on March 4, 1942, between an officer of the Division of Near Eastern Affairs and Mr. E. D. Batchelder, of the Treasury Department, concerning the type of currency used in Liberia.

There is transmitted for the information of the Treasury Department in this connection a copy of a paraphrase of a telegram dated March 8, 1942, which the Department has received from Mr. Harry A. McBride, special representative of this Government in Liberia.

There is also enclosed a copy of a plan for the reform of the monetary system in Liberia, prepared by Dr. Edwin W. Kemmerer, of Princeton University, in 1939, which the Treasury Department might wish to consider in connection with the proposal now advanced to change the circulating medium in Liberia from British to United States currency.

Enclosures:
Paraphrase
and copy of Plan

Copy:tj:3-11-42

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PARAPHRASE OF CONFIDENTIAL TELEGRAM RECEIVED FROM AMERICAN LEGATION, MONROVIA, NO. 62, MARCH 8, 10 A.M.

Referring to the Department's telegram No. 36 of March 5, 8 p.m. I have studied the currency problem since my arrival in Liberia and have consulted with President Barclay, the manager of the Bank of Monrovia and with the Financial Adviser. President Barclay said last week that he would like to discuss this matter at our next conference on March 9 or 10.

The cost involved in insurance and freight in returning British silver to Great Britain and in transporting American silver to Liberia in replacement has heretofore been the most serious obstacle. Liberia has not had funds available to cover these expenses, estimated at from $100,000 to $150,000. The unwillingness of Great Britain to purchase the British silver in circulation in this country is a further obstacle at the present time.

An opportunity, which may never occur again, for Liberia to obtain American currency in considerable quantities without cost to this country is presented by the arrival of American forces and I believe that it will be the President's desire to take advantage of it, especially if, in addition to the needs of the American forces, the War Department would consent to send to the Bank of Monrovia, without charge for insurance and freight, some $500,000 in United States currency from the funds of the bank in New York.

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Anticipating its future requirements in Liberia to the extent of about $1,500,000, the War Department might be willing to send out this sum in American currency, which could be deposited with the Bank of Monrovia and drawn against as needed by our disbursing officers. This would solve the problem of obtaining an initial supply of United States currency adequate to enable the Bank of Monrovia to handle conversion here.

While small quantities of bills in denominations of five dollars and upwards could be included for larger bank transactions, the money should otherwise be confined to metal from one-cent pieces to silver dollars. Dollar bills should not be sent since they are not suited to native circulation. Paymasters and commissars should be instructed accordingly on this point.

As regards British currency for withdrawal, there is in circulation in Liberia approximately two million dollars worth, all in silver coins.

I would recommend that the United States Government arrange, if feasible, for the shipment, without charges for insurance and freight, on warships homeward bound, of such quantity of British silver as can be collected, the United States Treasury then arranging with the British Government to take this off the hands of the Treasury or of the Bank of Monrovia over a certain period of time

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at such a rate of exchange as would cause no loss to the Bank of Monrovia or to Liberia. Perhaps it would be more satisfactory if the Treasury Department could arrange with the British to accept this currency, delivered at Freetown by American warships, credit for the money being established in New York. Conversion should be effected here at the rate of four dollars to the pound. At this rate, sixpence is equivalent to exactly ten cents United States currency. The Bank of Monrovia would have to be given a guarantee, if conversion to American currency were made at this rate, that the British currency withdrawn from circulation could be disposed of at the same rate, without any charges for insurance or freight.

Other details could be worked out later, such as the exchange here of Liberian copper for American one-cent pieces.

I will discuss the matter further with President Barclay and will report as soon as practicable. Meanwhile, it would be appreciated if the Department would consult with the Treasury and War Departments on the suggestions made above.

Copy:bj:3-11-42

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PLAN FOR MONETARY REFORM
REPUBLIC OF LIBERIA

by

EDWIN WALTER KEMMERER

Part I

The Currency Problem

Confronting the Republic of Liberia

A critical situation exists at the present time with reference to the currency circulating in Liberia. The chief money of the country is British silver, and in the face of a constant need to obtain additional quantities of this currency to satisfy the increasing demands of business and to offset the seepage of coin out of the country, its further exportation from England has been prohibited because of the war emergency. Thus, Liberia is confronted with the likelihood of a shortage of money in the very near future.

In addition, the economic life of the country has been subjected to severe dislocation by reason of the depreciation that has already taken place in sterling exchange under the stress and strain of war, and because of the possibility that a further decline in the dollar-sterling exchange rate may result. While salaries and wages are paid in sterling and prices in the stores are established in the same currency, the Government's accounts are kept in Liberian dollars, which by statute have the same gold content as the United States dollar, but by authorized executive decree have been assimilated to English sterling at the rate of $4.80 to the pound. This means, since the country's taxes and customs are levied on the basis of gold dollars, that the burden of these charges will be increased by about 20 per cent when the Government takes official cognizance of the decline in sterling from $4.80 to approximately $4.00. Furthermore, practically all of the country's foreign debt of $1,615,911 and its internal floating debt of $241,864, according to the most recent figures available, are fixed in terms of U. S. dollars, and the burden of this debt is similarly increased by a decline in the dollar value of sterling.

To alleviate the situation at this time, two courses of action may be considered:

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1. Question of continuing to use British currency as at present: The first possible course would be to continue to use British currency, with such amendments and modifications of the existing system as are necessary to allow it to operate under war-time conditions. To do this would probably result in substantially increasing the burden of the Republic's foreign debt, which is payable in American dollars, and the interest and amortization charges of which would require an increasing amount of sterling, if and as the dollar value of sterling should further depreciate under the pressure of war. It would also pre-suppose that arrangements could be made to obtain British silver coin from time to time to meet the recurring needs of the country for additional money.

Even if this condition could be met, the advisability of Liberia's continuing with its present currency system is extremely doubtful. While the increased burden for interest and amortization payments on the foreign debt might with difficulty be met for the time being, even this would not eliminate the problem of what disposition would be made of the debt when the present war had ended. If the war continues for some time, as now appears probable, the prospects are strong that sterling will depreciate much further. It is also believed to be unlikely that the British Government after the war will again bring the pound back to its pre-war gold value or dollar value, as it did after the last World War. The result of these conditions would be to leave Liberia with a currency that is much lower in its dollar exchange value than it is at the present time, and with a foreign debt expressed in dollars, that might prove very burdensome.

2. Question of shifting from a sterling currency to United States currency: The second possible course would be to shift from a sterling currency to United States currency. Such a reform of the currency has much to commend it. As far back as 1935, the Liberian Government passed a law (amending Section 1210 of the Revised Statutes) which established a gold dollar containing 15 and 5/21 grains of gold, .900 fine--the exact gold equivalent of the United States dollar--as the monetary unit of Liberia. This law also authorized the President to fix by decree the relation between the Liberian dollar and foreign coins circulating in the Republic. The Revised Statutes (Section 1213) empower the Secretary of the Treasury to demonetize the British silver coins now in circulation. Thus, all the necessary legislation for the introduction of United States money and the integration of the Liberian monetary system with that of the United States already exists on the statute books.

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Strong economic considerations also favor the adoption of United States currency at this time. More of Liberia's exports go to the United States than to any other country; the bulk of imports in turn are purchased from the United States. This foreign trade could be conducted more easily if wages in Liberia were paid in United States money, so that costs of production and incomes of the people of the country were both fixed in terms of the same monetary unit.

Liberia's foreign debt, which is payable in U. S. dollars, has already been considered. Obviously, it would be easier for the Government to maintain interest and amortization charges on the debt if the nation's finances were on a sound basis and no disorderly fluctuations should occur in the relationship between the local currency and the dollar.

These various considerations lead to the conclusion that for Liberia to continue using a sterling currency would be only a stop-gap measure at best, with a strong possibility that a shift to United States money would have to be made anyway in the not-too distant future, when conditions might not be as propitious as at the present time. An immediate change from the sterling basis to the United States currency basis is therefore recommended, upon the assumption that the existing English and West African silver coins now current in Liberia can be imported into England and Sierra Leone respectively, during the period of the conversion plan, and accepted for deposit in Banks at face value and that such deposits, by some feasible process, can be re-converted into dollars.

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Part II

Suggested Steps to be Followed

in Introducing United States Money into Liberia

If it is decided to substitute United States money for the British silver coins now circulating in Liberia, certain important considerations in effecting the change should be kept in mind:

First, nothing should be done to discredit in the public mind either the American money which is to be introduced, or the British money which is to be withdrawn from circulation. If steps are taken which bring discredit on either of the two moneys, Gresham's Law will come into operation and the discredited money will tend to drive the other money out of circulation, thereby jeopardizing the success of the reform.

In the second place, the exchange can be conducted with the greatest effectiveness only if the general principles to be followed and each successive step of importance are planned in advance in order to avoid, so far as possible, any mishap which might tend to weaken confidence in the currency.

In the third place, while it is important that the reform should be effected promptly, the appearance of haste should be avoided. Undue haste in carrying through the exchange or evidence of anxiety as to its success might interfere with the orderly progress of the work and prevent its early completion. In currency reforms, delicate matters of volatile and emotional mass psychology are often of great importance. It is urgent that the confidence of the public should continually be maintained. With these considerations in mind, the following steps to be followed in introducing United States money into Liberia are suggested:

1. Establishment of rate of conversion: With the pound sterling in the neighborhood of $4.00, the United States dime is almost exactly equivalent to 6 pence of

British

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British money, the United States 5-cent piece is approximately equal to 3 pence British money, and the United States dollar to 60 pence. It is therefore suggested that until further notice these rates be established for the conversion of British money into United States money.

To facilitate the transition to United States currency, it would be desirable to encourage the people of Liberia to think of the dime as their monetary unit. This unit would be a convenient size for a country like Liberia. It is in fact larger than the monetary unit of many other countries, including France, Belgium, Brazil, and Chile. If the dime is accepted as the basic unit, then as other United States coins are introduced they would be thought of, not as fractions of a dollar, but as sub-divisions or multiples of the dime. A 5-cent piece, for example, would be a half-dime; a 50-cent piece would be five dimes, and a dollar would be ten dimes.

2. Further importation of British coins should be prohibited: In view of the danger of a further decline in the dollar exchange value of sterling, which would increase the difficulty of keeping exchange in Liberia at the determined rate, it is essential that no additional British coins be allowed to come into the country.

3. Advance announcement of currency changes: As soon as the Government decides to introduce United States money and all essential plans are drawn up for the accomplishment of the reform, it would be well for the President to issue a statement along the lines of the attached draft (Annex A) explaining what is contemplated and arousing anticipation and confidence in the minds of the people in the new United States money. In this way, public interest will be stimulated, the element of surprise will be avoided, and the people will have opportunity to adjust their minds in advance to the new state of affairs.

To the extent possible, the contents of the President's statement should be transmitted throughout the country by word of mouth and through all the various other channels of communication that are available.

4. United States currency needed in Liberia: The next aspect of the problem to be considered is the

question

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question of the kinds and quantities of United States money needed in Liberia.

It is believed that in the earlier stages of the monetary reform the coins that will prove most acceptable in Liberia and at the same time will involve the least confusion and difficulty in the process of introduction are the United States 10-cent piece and 5-cent piece. These coins are of denominations well adapted to a large proportion of the transactions in the Republic. They are attractive coins. The dime is of approximately the weight and dimensions of the British six-pence, although it contains about 59 per cent more pure silver.

In addition, to aid in the conduct of larger business transactions while the shift to United States money is in progress, it will probably be advisable to have a quantity of silver dollars available.

For the present and until most of the existing circulation of British coins of one shilling and of one florin have been withdrawn from circulation and the public has become thoroughly familiar with United States coins of the denominations of 10-cents, 5-cents, and one dollar, no American quarters or half dollars should be put into circulation. The early introduction of these coins would be likely to confuse the public and to jeopardize the smooth functioning of the reform by bringing into operation against the quarters and half dollars the force of Gresham's Law. The British shilling has a gross weight of 87.27 grains, is .500 fine, and contains 43.64 grains of silver. The American quarter has a gross weight of 96.45 grains, only about 11 per cent greater than the shilling, but being .900 fine contains 86.80 grains of fine silver, or approximately twice as much as the shilling. Here would be two coins of similar size, one expected to circulate at the value of 25 cents United States money and the other at 20 cents. The quarter, furthermore, would be more attractive in appearance by reason of its larger silver content and its newness. The tendency for some time would be for small merchants to insist that the two coins were of the same value, and the public at large would be likely to do the same. The result would be that the quarters when received would be held back and hoarded while the shillings would be spent. One keeps the coin he considers to be the better and spends the coin he considers to be the poorer, so long as the two coins are acceptable at the

same

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same value. This is Gresham's Law. It is another way of saying that one buys as cheaply as possible or that he buys in what he believes to be the best market.

The same principle would apply in the relationship between the British florin and the American half dollar if they were circulating side by side in the earlier stages of the reform. The florin has a gross weight of 174.54 grains, is .500 fine, and contains 87.27 grains of fine silver. The half dollar has a gross weight of 192.90 grains, only about 11 per cent greater than that of the florin, but being .900 fine contains 173.61 grains of fine silver or about twice as much silver as the florin. If the market insisted on accepting the two coins, which are of similar weight and dimensions, at the same value, as it would be likely to do, the florin would tend to keep the half dollar out of circulation. The result would be that the public instead of accepting the half dollar as the equivalent of 30 pence, as it should, according to the official rate of equivalence, would accept it as only 24 pence.

The American silver dollar, which is dissimilar to any coin now circulating in Liberia, if placed in circulation, would not cause difficulties like those just described as applying to the quarter and half dollar, and would serve the purpose of providing a coin of large denomination during the period of transition to the new currency basis. The silver dollar, however, may be too heavy a coin and too large a denomination for permanent use in Liberia on any considerable scale, and, unless it should prove to be very popular, should be replaced by half dollars and quarters as soon as the withdrawal from circulation of the shilling and florin pieces has progressed far enough to make the slow introduction of these new coins safe.

As to the quantity of United States money to be put into circulation: The best available data indicate that the British coins now in circulation in Liberia are as follows:

English sterling silver, (consisting largely of florins, shillings, 6 penny bits and 3 penny bits) estimated to total	£ 160,000
British West African "palm tree" silver estimated to total	£ 40,000
Estimated total	£ 200,000

On

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On the basis of these estimates, it would appear that the total amount of British money now in circulation may be equivalent to approximately $300,000.00 at current rates of exchange. It should therefore be planned to introduce approximately $300,000.00 of United States money into circulation in effecting the reform. Subsequently, additional United States money will have to be imported from time to time, as has been done with British silver, to meet the requirements of increasing business and to allow for the seepage of coins out of the country.

At this distance and without more information as to the habits and customs of the people of Liberia in the use of money, it is difficult, if not impossible, to make detailed recommendations as to how the United States coins to be imported should be divided according to denominations. Figures obtained from the General Manager of the Bank of Monrovia, Incorporated indicate a preponderance of larger British coins in the vaults of the Bank, but this is to be expected and probably does not represent the situation as regards general circulation throughout the country. There is obviously a tendency for the larger coins to move towards the coast cities and into the Bank.

Concerning the first step in determining how the initial shipment of United States money should be divided as to 5-cent and 10-cent pieces and silver dollars, it is suggested that the ideas of officials and banking authorities who are on the ground and familiar with local conditions be obtained, together with a statement of the reasons for their conclusions.

5. Disposition of Liberian Bronze and silver coins: In addition to the British money, for which United States money will be substituted, the following Liberian coins are understood to be either in circulation or in the Bank of Monrovia:

Liberian silver (consisting of 50¢, 25¢, and 10¢ coins)	$10,000
Liberian bronze (consisting of 2¢, 1¢, and 1/2¢ coins)	30,000
Total	$40,000

The Liberian 2-cent, 1-cent, and 1/2-cent coins

represent

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represent appropriate sub-divisions of the new United States money and fulfill a natural need for small change. Furthermore, the people are already accustomed to using them. It is therefore recommended that these coins be allowed to continue to circulate.

On the other hand, the Liberian silver coins, which are now in the vaults of the Bank of Monrovia, have never circulated to any considerable extent. With the introduction of United States money, there is danger that the Liberian 50-cent, 25-cent, and 10-cent silver pieces, if put into circulation, would be confused with the corresponding United States coins. To avoid any possible misunderstanding and confusion and in the interest of currency simplification and uniformity, the suggestion is made that the Government dispose of its silver coins by having them melted down and sold as bullion at the best price obtainable, and that it use the proceeds to obtain an additional supply of Liberian bronze coins of exactly the same kind as those already in circulation. The new bronze coins would then be put into circulation gradually, but only as the need for small change and the economic condition of the country required. Offsetting the loss in seigniorage involved in melting the silver coins would be a gain in seigniorage on the minting and circulation of the bronze coins.

6. Putting the United States money into circulation: When the first United States coins are received, they should be put into circulation as soon as possible. Announcement that this was being done should be made by the President.

The technique of getting the new coins into circulation would be to have them used in reasonable proportions, along with other coins now in circulation, by the Government in paying its employees and in purchasing supplies, and likewise by private concerns in meeting their payrolls, and in their local purchases, and by the Bank of Monrovia and its branches in payments to depositors.

Because the United States coins are brighter and contain more silver than the coins now passing current, the people of Liberia may prefer them for hoarding and show a tendency to hold them back from circulation. It is essential that everything possible be done to keep both moneys in circulation side by side at the official

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parity for the time being. This can be accomplished by receiving them on an equality in all payments to the Government and the Bank of Monrovia, and by publicly emphasizing the equivalence of the two moneys at the stated rate of exchange. The local habits and customs of the people will suggest to the authorities various other ways for solving this problem. Those in charge of the exchange program on the ground in Liberia can contribute greatly to the satisfactory progress of the work by reason of their knowledge of local conditions.

7. Removal of British and West African silver: As additional quantities of United States currency are put into circulation, those directing the reform should gradually take out of circulation the sterling and West African silver coins as they are received by the Bank of Monrovia from the Government and the public in the usual course of business. Care should be exercised, however, not to do this too hastily. As the British coins are removed, they should be disposed of promptly in the most favorable market.

8. The accomplishment of the contemplated reform will require the financing of the importation of the new coins and the exportation and sale of the retired British silver. It is assumed that for this purpose the Government will avail itself of the instrumentality of its official depositary. The appended draft contract (Annex B), prepared by Judge F. C. Fisher, is believed to be satisfactory with respect to the procedure contemplated, which follows the plan herein outlined, but it is not within the province of the writer to express an opinion concerning its legal sufficiency or the terms upon which it is proposed therein that the Bank of Monrovia be indemnified with respect to the outlay involved.

E. W. Kemmerer

Princeton, N. J.
October 12, 1939

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ANNEX A

Statement Suggested for President of Republic of Liberia in Announcing Forthcoming Introduction of United States Currency

In 1935 the Liberian Government passed a law (amending Section 1210 of the Revised Statutes) which provided that the monetary unit of the Republic should be a gold dollar of 100 cents containing 15 and 5/21 grains of gold, .900 fine, which is the exact gold equivalent of the United States dollar. This law authorized the President by decree to fix the relation between the Liberian dollar and the foreign coins circulating in the Republic.

It has been the desire of the Government for some time, pursuant to the provisions of this law, to have United States money circulate in Liberia, but the fulfillment of this desire has been unavoidably delayed. The present European war, in which Great Britain is a belligerent, and which therefore compels the British currency to function under the stress of war conditions, makes this an opportune time for Liberia to put into effect the gold standard law of 1935 by beginning the gradual introduction of United States money to replace the existing circulation of British coins.

A shipment of United States money, a money backed by the authority and prestige of the United States, which has always been one of Liberia's closest friends in the family of nations, will soon leave New York for Liberia.

When this money arrives here, it will be put into circulation side by side with the British silver coins and the other coins that are now in use, with the expectation that the United States money will gradually replace the British money, so that in time Liberia will have a uniform money based on gold, a money that will be recognized throughout the world.

Meanwhile,

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Meanwhile, the United States money and the British money will be freely interchangeable at the current rate of exchange. Anyone who may prefer the current British silver coins may have them, and those who want to use the new United States money will be able to do so.

Both United States money and British silver coins will be equally acceptable at the prevailing rate of exchange, for the present, in payment of customs duties, taxes, and other government obligations.

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On the basis of current exchange values and the price of gold in London, a dime or 10 cents of United States money is equal to 6 pence, and a half dime or 5 cents of United States money is equal to 3 pence. This for the present will be the rate of equivalence between the two currencies.

As soon as it is known when the first shipment of United States money will reach Liberia, a public announcement of that fact will be made by the President.

In the near future, therefore, we may expect that our monetary law, enacted in 1935, will be given full effect, to the great benefit of Liberia's economic security and progress as a nation.

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ANNEX B

This agreement, made and entered into by and between the Government of the Republic of Liberia (hereinafter called the Government) and Bank of Monrovia, Incorporated, a foreign Banking corporation engaged in Banking in Liberia, (hereinafter called the Bank)

Witnesseth that:

Whereas, the Government is desirous of discontinuing the use of British silver as a circulating medium in the Republic and of substituting therefore silver and nickel coins and other legal money in the United States; and

Whereas, the President of Liberia, pursuant to the provisions of the Act of June 7, 1935, has issued a proclamation, dated the day of , 1939, announcing the intention of the Government to introduce such American coins; and

Whereas, the Government wishes to avail itself of the services and co-operation of the Bank in effecting the contemplated monetary reform,

Now, therefor, the parties hereto have agreed as follows:

SECTION I. The Bank, from time to time, as soon as shipping facilities will permit, will bring into Liberia the necessary silver and nickel coins of the United States in such amounts and of such denominations as in its judgment shall be best adapted to bring about the substitution of such coins for the British silver coins now in circulation in Liberia; provided, nevertheless, that the Bank, to meet emergency conditions, may from time to time import and put into circulation in Liberia dollar bills now or hereafter lawfully current in the United States of America, which bills shall be redeemed at face value in American silver or nickel coin, and withdrawn from circulation when such coins in sufficient volume are available in Liberia, if the Government shall desire such withdrawal.

SECTION II.

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SECTION II. The Bank, subject to the limitations established by SECTION VIII hereof, will pay and receive such American coins and dollar bills as the equivalent of British silver coins now current in Liberia in the ratio of one United States dime to one English sixpence.

SECTION III. The Government undertakes and agrees that until such time as the Bank shall recommend the demonetization in Liberia of British silver, all taxes and dues payable to the Government shall be so payable in United States silver or paper money at the rate of ten United States dimes for each Liberian dollar, as defined by the said Act of June 7, 1935, or in such British silver at the rate of sixpence for each such dime.

SECTION IV. The Bank, as rapidly, as the acceptance of United States money by the people of Liberia and its availability in the requisite volume make it advisable in its judgment to do so, (but not later than the period fixed for the duration of this contract by SECTION VIII hereof) shall withdraw from circulation the British silver coins now and hereafter lawfully in circulation in the Republic coming into its hands and from time to time shall export them for disposal abroad at the best price obtainable in United States dollars.

SECTION IV. The Government undertakes that from and after the date hereof the importation into the Republic of Liberia of British silver coins, or other foreign money) except coins and currency of the United States) shall be and is prohibited.

SECTION V. The Government further undertakes and agrees that during the term of this agreement, as fixed by SECTION VIII hereof, no silver or nickel coins or paper money, except the silver and nickel coins and the paper money of the United States and the existing British silver coins, shall be permitted to circulate as money in Liberia; provided, nevertheless, that this prohibition shall not apply to the existing bronze fractional currency heretofore or hereafter coined pursuant to the provisions of the Act of the twenty-seventh day of November, 1936, and to the provisions of SECTION VII hereof, which said bronze currency shall continue to circulate and shall be acceptable as legal tender within the limits now prescribed by law; and provided further that for the term of not less than two years after the expiration of

this

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this agreement the circulating medium shall be limited to U.S. silver and nickel coins and Liberian fractional bronze currency.

SECTION VI. The existing deposits by the Government in the Bank, made pursuant to the provisions of the Depositary Agreement of 1935, and such deposits of British silver as the Government may make hereafter during the term of this Agreement shall be converted into or accepted for deposit as Liberian dollars, as defined by the said Act of June 7, 1935, at the ratio of one dime for each sixpence; and the Government, during the term of this agreement will accept and cause to be accepted in payment of checks drawn by it upon the Bank as its Depositary either United States silver coin or paper currency or British silver (English or West African) at the same ratio of sixpence to the dime.

SECTION VII. The Liberian silver coin now on deposit in the Bank shall be sold by the Government as bullion at the best price obtainable and the proceeds of such sales applied to the coinage of such additional Liberian fractional bronze currency as can be obtained therewith. Said additional fractional bronze currency shall be placed in circulation when and as required to meet the monetary needs of the Republic.

SECTION VIII. The term of this agreement shall be two years from the date hereof or until in any given period of two successive months the value of the United States coins received by the Bank from the general public for deposit shall be ninety per centum or more of the value of the total amount deposited in coin.

SECTION IX. The Government agrees, in consideration of the undertaking of the Bank hereunder, that it will:

a) Pay the cost of transportation and insurance of the United States money imported by the Bank into Liberia hereunder;

b) Pay interest upon the amount of each shipment at the rate of 6 per cent per annum from the date of such shipment until placed in circulation in Liberia;

c) Pay

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c) Pay the cost of transportation and insurance upon each shipment of British silver withdrawn from circulation and exported by the Bank as herein provided, from the port of shipment in Liberia, to the port of ultimate destination, as determined by the Bank;

d) Pay the Bank the difference between the cost to it of such British silver at the rate of one dime, United States currency, for each sixpence thereof, as herein provided and such lesser amount in United States currency or its equivalent as the Bank may obtain from the sale or conversion of such British silver; provided that the Bank may and shall exercise its best but uncontrolled discretion as to the time and rate of the sale or conversion of such money or any part thereof.

SECTION X. From time to time as the Government becomes indebted to the Bank hereunder in sums of $1,000.00 dollars, United States currency, or multiples thereof, or the equivalent of such sum in any other currency, the Government shall cause its Fiscal Agent, The National City Bank of New York, to issue and deliver to the Bank, or to its order, in New York $1,000.00 Bonds of the Liberian Loan of 1926 of the nearest equivalent par value, which said Bonds shall be in all respects identical, as regards interest, amortization and otherwise, with all other Bonds then outstanding under the Liberian Loan Agreement of 1926.

SECTION XI. The Depositary Agreement of 1935 now in force between the Government and the Bank shall be deemed to be modified to conform to this Agreement, in any matter or matters in which the former Agreement, as it was executed, is incompatible with this Agreement.

SECTION XII. The obligation of the Bank to commence or continue the exchange of English silver coin in Liberia for United States money as herein provided is and shall at all times hereafter be contingent upon the continuing willingness of the British Government to permit the importation of such English silver coin so obtained into England, and its acceptability by banks there for deposit, without limit as to amount, at its

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face value and that such deposits, by some feasible process, can be immediately converted into United States dollars; and the obligation of the Bank to commence or continue the exchange of West African silver coin in Liberia for United States money as herein provided is and shall at all times hereafter be contingent upon the continuing willingness of the Government of Sierra Leone to permit the importation of such West African silver coin so obtained into Sierra Leone, and the willingness and ability of one or more banks doing business there or of the West African Currency Board to accept such West African silver coin for deposit, without limitation as to amount, at its par value, and to accept it, at its parity with British sterling as of September 1st, 1939, in payment of drafts for an equal number of pounds sterling, payable in London, and that the proceeds of such drafts, by some feasible means, can be immediately converted into United States dollars.

SECTION XIII. This Agreement shall take effect as of the day of , 1939, upon its ratification, without amendment, modification, or reservation, by the Legislature of the Republic of Liberia.

In witness whereof

Copy:eh:bj
3-11-42

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 10, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

For Mr. [illegible]

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£140,000
Purchased from commercial concerns	£ 96,000

Open market sterling remained at 4.03-3/4, with no reported transactions.

The Canadian dollar continued to weaken, closing at a discount of 11-13/16%. At the end of last week the quotation was 11-1/2%.

The Venezuelan bolivar, which has been quoted in the neighborhood of .2800 since the beginning of March, advanced to .2822.

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

Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Cuban peso	7/32% premium

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped $2,740,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

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Copy No. 3

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 81

Information received up to 7 A.M., 10th March, 1942.

1. NAVAL

The TIRPITZ was located by aircraft from the Home Fleet 80 miles west of the LOFOTEN ISLANDS at 8 a.m. on the 9th. Naval aircraft attacked but no details have been reported. Air reconnaissance showed the SCHEER and PRINZ EUGEN at TRONDHEIM at 11.30 a.m. 9th. Reference OPTEL No. 80, para 1, one of H.M. sloops has now reached port. A British 5,000 ton ship was sunk by submarine south-west of CEYLON on the 20th.

2. MILITARY

BURMA. During the 6th the situation on the PEGU Front deteriorated. An Indian Brigade in PEGU was cut off and an attempt to break out during the night 6th/7th failed. Landings occurred south of RANGOON, the city was evacuated and the demolition scheme was put into operation at 2 p.m. on the 7th. Our forces, less the Indian Brigade, retired up the PROME ROAD. A strongly held enemy position with anti-tank guns astride the road which resisted attack on afternoon 7th was successfully cleared early on 8th.

NEW GUINEA. Japanese landing at SALAMAUA on 8th has been confirmed. SALAMAUA and LAE are reported to be in their hands.

RUSSIA. Russian attacks have made progress East and South-East of KHARKOV.

3. AIR OPERATIONS

WESTERN FRONT. 8th/9th. About 180 tons of bombs, including 26 4,000 pounders, as well as 27 400 incendiaries including 77 of 250 pounds were dropped on ESSEN in moderate visibility, many fires were reported. 7 R.C.A.F. and 11 New Zealand bombers took part without loss. 9th. 6 Bostons attacked the power station at GOSNAY, Northern FRANCE. Fighter escort destroyed 5 enemy aircraft and damaged 5 more for the loss of 4 Spitfires. 9th/10th. 202 aircraft, including 36 heavy bombers, were despatched, ESSEN 188, BOULOGNE 9, sea-mining 5. 3 aircraft are missing and 3 crashed on return. Preliminary reports indicate that about 70% of aircraft attacked the objective in good visibility, many large fires were seen.

EGYPT. 8th. Kittyhawks destroyed 3 German dive-bombers and 6 Italian fighters over TOBRUK without loss.

MALTA. 8th/9th and 9th. A total of 134 aircraft attacked. 4 Wellingtons were burnt out at LUQA aerodrome where headquarters and squadron offices were destroyed. 4 enemy aircraft were shot down by fighters, 3 more were probably destroyed and 9 damaged.

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UNITED STATES GOVERNMENT
COORDINATOR OF INFORMATION
WASHINGTON, D. C.

March 10, 1942

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

Dear Henry:

The attached is a summary of the British Home Intelligence Report for the week ending March 2.

Sincerely,

Bill

William J. Donovan

Attachment

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In general, public feeling remains unsettled and confused, although the slight recovery of spirits noted in the previous week continued in eight out of thirteen regions. Predominant in five regions are many reports of anxiety, despondence, and pessimism. There are reports of war weariness, coupled with belief that the conflict will last for a long while. In addition, some realization has now appeared that we can lose the war. "Disquieting signs of an increasingly questioning mood, coupled with doubt as to the worthwhileness of the struggle" are prevalent. The spirit of determination and urgency so apparent after Dunkirk is now nowhere evident. A "show-me" reaction greeted even the Cripps speech in the House on February 25th. "On the whole, the public is more depressed this week than for many months." A feeling of "hopeless muddle somewhere" is also evident. What people desire above everything else is an offensive attitude on the part of the fighting forces instead of continual retreat and defense, efficient and strong leadership at home towards a real total war effort and some clear cut goal to strive for in the future."

The event of the past week was Cripps' speech. It was praised for its realism and call for greater simplicity of living. "There would be considerable response to the call to austerity, but any restriction should fall as heavily on the pleasures of the rich as those of the poor." The cabinet changes were received with a "wait and see" attitude, except for Cripps. The enthusiasm over the dismissals was greater than that for the final result. Only where the cabinet proves itself by action will the public give it a hand.

In regard to the Far East, the fall of Singapore caused a growth of bewildered criticism. The disclosure that seventy-three thousand British and Imperial troops were lost stunned the public. Why the High Command sent reinforcements when they knew that they could not hold the enemy remains a mystery. There are continued comparisons with MacArthur.

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There is increasing anxiety for an interest in India. There is fear that in three or four months the Japs will make a landing in Calcutta. The attitude of the government toward India is being discussed more critically and widely than ever before. There is genuine sympathy for Indian aspirations and demand for generous action. The point is increasingly made that the enlightened liberality of the American treatment of the Filipinos is responsible for Philippine resistance.

Regarding Russia, the renewed successes and the Red Army birthday have brought a wave of gratitude and admiration which for the last month had been slightly in abeyance. Less apprehension over the Nazi spring drive is now felt. People feel much admiration for Stalin and there is much controversy over the declaration that the Nazis and not the German people are Russia's enemies. "Some take it as a preliminary to an invasion of Germany. Others fear that when he has driven the invaders from Russian soil he will sue for a separate peace."

"Surprisingly little comment" was aroused by Roosevelt's speech on the twenty-third. It is suggested that Cripps' speech overshadowed it. There is a feeling of disappointment over "America's inactivity" despite intense public admiration for MacArthur. The knowledge of American criticism of the British as gathered from the speeches of the President and Halifax increased British r sentment. Working class critics say: "Lend-lease means that after the war we shall have to work for America for nothing."

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RESTRICTED

MID 319.1
Situation
8-11-41

No. 654 M.I.D., W.D. 11:00 A.M., March 10, 1942.

SITUATION REPORT

I. Pacific Theater.

Philippines: No change in the situation to report. Burma: General Wavell's Headquarters confirms the fall of Rangoon. Australasia: Japanese bombers attacked Port Moresby for the tenth time on March 10. R.A.A.F. reconnoitered Japanese shipping off southeastern New Guinea.

II. Western Theater.

British planes are reported to have attacked Essen on March 9.

III. Eastern Theater.

There is no change in the ground situation to report. (A situation map will not be issued this date.)

IV. Middle Eastern Theater.

Increased ground activity is reported from this area. The Axis air force continues the bombing of Malta. The R.A.F. are dividing their efforts between supply bases in Libya and Aegean ports. The Italian High Command announced that British planes have attacked Athens.

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