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VOLUNTARY

No. 62

CHANGE IN ECUADORAN EXCHANGE RATES

From: _____
Howard H. Tewksbury, Commercial Attache.

Quito, Ecuador.

Date of Completion: May 1, 1942.
Date of Mailing: May 1, 1942.

Copy:imc
5/11/42

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Executive Decree No. 695, which was approved on April 28, 1942, modifies the official rates of exchange in Ecuador. The new Decree provides that dollars shall be sold to the public at the rate of 14.10 sucres and that purchases of dollars by the Central Bank shall be made at the rate of 13.70 sucres. The Decree also provides that the rates of exchange for other currencies shall be based on the rate prevailing in New York with relation to the dollar rates indicated above.

The Decree also provides that the gold reserve of the Central Bank shall be recalculated on the basis of 14.00 sucres for each dollar, and the difference is to be charged to the stabilization fund. The funds which the Central Bank maintains abroad are likewise to be recalculated on the basis of 13.80 sucres to the dollar, and the resulting differences are to be charged to the stabilization fund.

To reduce losses which would otherwise result to the Central Bank as a result of the change in exchange rates, provision is made that payments for merchandise arriving in the country up to June 30 shall be made on the basis of 15.10 sucres to the dollar, even though payment is made after the arrival of the merchandise. The rate of 15.10 is the rate, plus tax of 10 centavos, which was in effect when the current change was made, and had been in effect since December, 1940.

Official rates of exchange for various currencies as now quoted by the Central Bank are as follows:

Official Foreign Exchange Rates
Quoted by the Central Bank of Ecuador

	Buying rate (Sucres)	Selling rate (Sucres)
Dollar	13.70	14.10
Franc (French)	—	.36
Peseta (blocked)	—	.76
Franc (Swiss)	3.70	3.90
Peso (Colombia)	7.30	8.00
Florin	—	8.80
Sol (gold)	2.40	2.50
Peso (Argentine)	3.51	3.57

A copy of a translation of the Decree Law as published in the local press is attached.

Enclosure:

- No. 1. Translation of Decree Law published in EL COMERCIO on April 29, 1942.

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A true copy of the
signed original. EF

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Tewksbury, Commercial Attache,
American Embassy, Quito, on the
subject: CHANGE IN ECUADORAN
EXCHANGE RATES.

Source: EL COMERCIO, Quito.
April 29, 1942.

Translation

CARLOS A. ARROYO DEL RIO
CONSTITUTIONAL PRESIDENT OF THE REPUBLIC

CONSIDERING:

That by virtue of the present world situation, a change in monetary conditions is taking place which necessarily is reflected in our national monetary unit;

That the great increase in circulation which is being made in the countries of America is causing and will still cause, on a greater scale, an actual variation in our international exchange which is clearly reflected in the increase of prices of consumable products;

That these facts produce an obvious alteration in the equalized and harmonious carrying out of national activities, especially as affecting the cost of living of the poorer classes;

That the international balance of payments has noticeably tended in favor of Ecuador, causing, as a result, a favorable situation for the monetary stability of the country;

That Ecuador finds itself engaged in a process of increasing production which clearly will redound to the direct benefit of its economy, which requires, consequently, a currency more in keeping with the general prices of exportable products;

That the salaries and wages must maintain insofar as possible their purchasing power of consumable products in order not to prejudice conditions of life of such a great part of the social group;

That the reserves of the Central Bank of Ecuador have increased considerably, maintaining a very high percentage of reserve for the monetary circulation, although, on the other hand, at revaluing the sucre this situation would suffer in a small proportion; indeed in addition to the high reserves and the increase of our exportable production, a fund for stabilization is maintained which will be used in covering its losses from the difference in exchange rates;

In use of the authority which the Legislative Decree approved on September 6, 1941, confers on the Executive; and

Having

Having seen the favorable report of the Central Bank of Ecuador:

DECREES:

Article 1. The rate of exchange in New York is modified in the following manner: Fourteen sucres ten centavos for each dollar of the circulating money of the United States for the sale of drafts, bills and currency, and thirteen sucres seventy centavos for the purchase of each dollar, circulating money of the United States whether for drafts, bills or currency.

Article 2. Purchase and sale of dollars in other markets in the United States shall be subject to surcharges which, in view of the charges, the Central Bank of Ecuador determines.

Article 3. The rates of exchange for monies of other countries shall be fixed by the Central Bank of Ecuador, taking as a basis for the quotation of the various monies in the New York market with relation to the dollar and to the rates fixed in Article 1.

Article 4. All the gold reserves in the Central Bank of Ecuador shall be recalculated taking as a basis the price of one gram of gold in the New York market and a rate of 14 sucres for each dollar, and the difference shall be charged to the stabilization fund after liquidation approved by the Minister of Finance.

Article 5. The total of the funds which the Central Bank of Ecuador maintains in banks abroad shall be recalculated at the rate of 13.80 sucres to the dollar or its equivalent in other monies and the resulting differences shall be charged to the account "Stabilization Fund".

Article 6. The value in foreign currency of merchandise which enters the country up to June 30 of the present year shall be converted to sucres at the exchange rate of fifteen sucres ten centavos for each dollar, even in cases where the value is to be paid subsequent to the arrival of the merchandise. The Office of the Exchange Control, on its responsibility, shall supervise the fulfillment of this provision.

Article 7. The Minister of Agriculture, through the Office of Export Control, shall verify the stocks of exportable products in the possession of exporting firms of the country, even though these do not relate to finished business, forwarding to the said Minister the inventories of these stocks within 48 hours of the promulgation of this Decree. In the case of exports of rice, where the product is in the warehouses of various mills which operate in the country, a complete list of the receipts which are held under the control of exporters shall be sent giving the number, date, quantity in quintals of the receipts, and the names of the mills where the deposit was made, as well as a copy of the sales contracts in force.

Article 8

Article 8. The Central Bank of Ecuador, within a period of 48 hours, shall send to the Minister of Finance complete lists of drafts which have been purchased for future shipments, indicating the value and purpose.

With this information the Ministry of Finance shall order the Central Bank of Ecuador to purchase at the rate of fourteen sucres seventy centavos all of the corresponding balances for exportable products in possession of exporters which have been purchased on the basis of this rate of exchange, and the drafts for which have not been sold previously to the Central Bank of Ecuador. The difference of one sucre will be charged to the Stabilization Fund. No exportation shall be paid at this rate of exchange without the expressed order of the Minister of Finance.

Article 9. In accordance with this Decree there exists a difference between the purchase and sales price of the dollar of forty centavos, a difference which shall be distributed in the following manner: ten centavos at the time of the purchase of dollars or its equivalent in other money shall be applied to the debt of the Government to the Central Bank of Ecuador in accordance with the existing contract; ten centavos or its equivalent in other money shall be paid to the same debt of the Government at the time of any sale, and the difference of twenty centavos shall be used to increase the account of the Exchange Control, as a charge against which shall be paid all of the expenses which this organization has. This account shall be liquidated quarterly and favorable balances shall be distributed in the following manner: 60% of the amortization of the debt of the Government according to the corresponding contract; 30% shall be entered as profit to the Central Bank of Ecuador and 10% shall be used for increasing the stabilization fund of the same bank.

Article 10. The difference of one sucre which will exist for the payment of merchandise arriving at Ecuadoran ports up to June 30 shall be applied in its entirety to the stabilization fund of the Central Bank of Ecuador for the purpose of replacing the present amount on hand.

Article 11. The Minister of Finance is authorized to resolve any discrepancy or interpretation which should be given to the present law.

Article 12. The tax of ten centavos on the purchase and sale of each dollar and that part of all laws and decrees which are contrary to the present provisions are abrogated.

Article 13. This Decree takes effect from this date. The Ministers of Finance and Agriculture are charged with carrying it out.

Given

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Given in the National Palace of Quito April 28, 1942.

/s/ C. A. ARROYO DEL RIO

Minister of Finance

/s/ Vicente Illingworth

Minister of Agriculture

/s/ Dr. Ricardo Drespo Ordonez

This is a true copy. - The Acting Under Secretary of Finance,
Gerardo A. Medina.

HHT/ef

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5/11/42

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MJF
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (HR)

Cairo

Dated May 11, 1942

Rec'd 8:22 p.m.

Secretary of State,
Washington.

754, May 11, 11 a.m.

The Legation's 643, April 24, midnight, should read
\$2,358.60. Barclay's bank here has cabled its New York
office to refund the difference to the Treasury.

JACOBS

KLP

Copy:bj:5-12-42

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DEPARTMENT OF STATE

WASHINGTON

In reply refer to
FF 195.2/3993, 4003, 4004

May 11, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for his information paraphrased copies of an exchange of telegrams with the American Legation at Bern concerning the present status of the proposed transfer of registry of the Weather Bird.

Enclosures:

1. Paraphrased copies of telegram no. 1050 to Bern.
2. Paraphrased copies of telegrams nos. 1754 and 1766 from Bern.

Copy: lc:5/12/42

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YPARAPHRASE OF TELEGRAM SENT

TO: AMLEGATION, Bern, Switzerland
FROM: Secretary of State, Washington
DATE: April 25, 2 p.m.
NUMBER: 1050

Reference is made to telegram no. 1470, April 12, 11 a.m., from the American Legation at Bern.

The sale of the Weather Bird was approved on January 27, 1942 by the Maritime Commission and a copy of the transfer order by the Commission was forwarded under date of February 7 to the Embassy at Vichy. This approval may be rescinded by the Commission, which may take action in a few days. The Legation is instructed to report whether the Weather Bird's transfer of registry has been effected.

Copy:bj:5-13-42

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YPARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern, Switzerland.
TO: Secretary of State, Washington.
DATE: April 27, 9 p.m.
NUMBER: 1754

With reference to the Department's telegram no. 1050, April 25, 2 p.m., the Political Department informs me that the transfer of registry has not been effected for the Weather Bird. Mr. Deloriot, according to the Swiss authorities has not yet filed an application for the transfer, although he has expressed his intention to do so. If any developments in the case arise, the Swiss authorities have volunteered to keep me informed.

In order to provide the suspension of any action which might occur pending the receipt of information regarding the Commission's reconsideration of its transfer order, the above information has been transmitted to the Embassy at Vichy for repetition to the American Consulate at Nice.

HARRISON

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YPARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern, Switzerland
TO: Secretary of State, Washington
DATE: April 28, 10 a.m.
NUMBER: 1766

With reference to telegram no. 1754, April 27, from Bern, the Embassy at Vichy has received confirmation from the American Consul at Nice to the effect that the registry of transfer of the Weather Bird has not been completed and that pending receipt of additional instructions from the Department concerning the Maritime Commission's final decision, he will suspend any action.

HARRISON

Copy:lc:5/12/42

COPY NO. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 155

Information received up to 7 A.M., 11th May, 1942.

1. NAVAL

A small Dutch coaster arrived in the HUMBER yesterday, having broken away from a German Coastal Convoy. She had one prisoner, a German Naval Petty Officer. A hospital ship was bombed and set on fire whilst returning to ALEXANDRIA from TOBRUK. It is feared that there are about 150 casualties, most of them patients. The remainder of the patients and crew were landed at ALEXANDRIA and the ship has sunk.

2. AIR OPERATIONS

WESTERN FRONT. 10th. A total of 10 Squadrons of Spitfires carried out two sweeps over Northern FRANCE without meeting any enemy aircraft. 10 enemy aircraft crossed our coasts, including one over Northern IRELAND.

MALTA. Between 1.30 p.m. 9th and 10 a.m. 10th, 26 bombers escorted by fighters attacked. Our fighters and anti-aircraft guns destroyed 18, probably destroyed 19 and damaged 23, of these casualties, 9 were Italian. We lost 3 Spitfires, 1 pilot safe.

BURMA. 9th. 5 Blenheims bombed MAGWE. 2 enemy aircraft were destroyed on the ground and others were damaged.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 11, 1942

TO Secretary Morgenthau
 FROM Mr. Kamarck
 Subject: Summary of Military Reports

Dakar

Photographic reconnaissance of Dakar on May 6th showed that no material naval reinforcements had reached the base in the last several months. (That is, at Dakar, the French have only the crippled 35,000 ton battleship Richelieu and several cruisers and other light craft.)

(U.K. Operations Report, May 7, 1942)

Malta

In the last three months, almost 10,000 tons of bombs have been dropped on Malta. The record of the last three months is as follows:

February	1,000 tons
March	2,200 tons
April	6,700 tons

Since the end of April, there has been a marked decrease in bombing (probably due to the shifting of aircraft to the Russian front.)

Reinforcements of Spitfires have recently reached Malta from an aircraft carrier from Gibraltar.

(The tonnage of bombs dropped on Malta in April is about twice the tonnage dropped by the R.A.F. on German Europe in April. The greater tonnage of the German bombing is due to the smaller haul from Sicily to Malta, making possible several trips per day for the bombers.)

(U.K. Operations Report, May 7, 10, 1942)

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France

The British Political Warfare Executive believes that Laval is successfully consolidating his position. He is carrying out a purge of the prefects and other administrative officials as part of his plan to insure internal security before making a further move. Laval continues to be anxious to preserve good relations with the United States.

(U.K. Political Warfare Executive French Directive,
May 4, 1942)

May 12, 1942
9:30 a.m.

GROUP

Present:

Mr. Buffington
Mr. Gaston
Mr. Sullivan
Mr. Paul
Mr. Thompson
Mr. Graves
Mr. Haas
Mr. Schwarz
Mr. Kuhn
Mr. Foley
Mr. White
Mr. Blough
Mrs. Klotz

H.M.JR: Herbert?

MR. GASTON: You might be amused to know that last Thursday Mr. Gould of the Office of Emergency Management called up Mr. Woolf of the Intelligence Unit, and said that F.B.I. had refused to make any more character investigations for them, and would we resume making character investigations.

H.M.JR: For whom?

MR. GASTON: Office of Emergency Management, and Mr. Woolf told them by no means would we have anything to do with it.

H.M.JR: This is strictly in the official family. One of the few times the President got a little annoyed with me was the other day when I asked him would he speak to somebody in the Office of Emergency Management, because we would like to get that group together on our War Bonds, and the President said, "there is no Office of Emergency Management. It doesn't exist." So I said,

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"Mr. President, you just don't--" He said, "You just don't understand. It doesn't exist." I said, "Well, what does Wayne Coy do?" "Henry, you don't understand. It doesn't exist."

Now, he told it to me three times, and I was just curious because, in the first place, I want to get the Office of Emergency Management to buy, and I would like to get their budget set-up and everything else. Will you get it for me, Norman?

MR. THOMPSON: It certainly exists.

H.M.JR: He gave the same argument to Mrs. Roosevelt, so I am in good company. I don't understand it.

MR. GASTON: They have an office over there and it is the personnel clearing house for the Defense Agencies, WPB and others.

H.M.JR: It is a phobia with him. He gave Mrs. Roosevelt the same argument he gave me, and I don't know why.

MR. FOLEY: It may have been merged into the Budget.

H.M.JR: Maybe that is it.

MR. FOLEY: You see, Wayne Coy has just been made assistant director, and each time that they created one of these emergency offices that has anything to do with the White House, they fitted it into a pattern and the Budget has been very careful to do it; and now they have taken Wayne Coy in as Assistant Director of the Budget, and I think maybe that is the whole Budget.

MR. THOMPSON: He is Assistant Director of the Budget, but there has been no order on it.

H.M.JR: Take, for instance, like OCD. Is OCD a

part of the Budget?

MR. THOMPSON: No, that is part of OEM. OEM is the administrative office for all of the agencies in the President's offices.

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

MR. GASTON: Anyway, this man Gould says that the FBI has refused to make any more character investigations for the emergency agencies, and they are asking us to take it over, and we said we wouldn't consider it.

H.M.JR: It is very simple. You can tell them the President says it doesn't exist.

MR. GASTON: All right, we will just tell them that.

H.M.JR: Tell them the President said there is no such thing. (Laughter) It doesn't exist. No, I am serious. I would say - I asked the President about getting them to subscribe and the President said, "What is it?" I wouldn't quote the President, but you can ask them "What is it? What is OEM?"

MR. GASTON: Well, he represents--

MRS. KLOTZ: You are making it very difficult for Mr. Gaston.

MR. GASTON: No, it is all right with me. We are not doing anything, but I thought you would like to know that the FBI quit on the job and now they are looking for somebody else.

H.M.JR: Well, certainly I am not going to investigate a phantom organization. Who is Gould, incidentally?

MR. GASTON: He is the man that handles these personnel matters for them.

H.M.JR: Well, he should see "the sprightly spirit."

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MRS. KLOTZ: From a Noel Coward play.

MR. GASTON: Secret Service has arrested eight men on that War Savings Stamps counterfeiting thing, and they expect to get the last man today and release the story. These people say that they had issued fifty thousand only. They printed fifty thousand only, and they have got all of that amount except one or two books, so apparently, they have got about everything that the people put out. They have got practically the whole gang now.

Unless you think better, I would like to let Johnson leave tomorrow evening, Wednesday evening, to be gone about ten days to attend a customs meeting at El Paso, and also to go into Los Angeles on this port security stuff.

H.M.JR: Anything else?

MR. GASTON: No. That is all for the moment. There was one other thing. I was told that you signed a letter while I was gone authorizing John Wiley, Coordinator of Information, to have the services of Riley Campbell of the General Counsel's Offices.

H.M.JR: The letter was written and prepared by your neighbor on your right. (Foley).

MR. GASTON: Then I will have to talk to Ed about it.

H.M.JR: Wiley came in--

MR. GASTON: It puts us in an awful spot.

H.M.JR: I don't know a thing about it, but I am going to tell Colonel Donovan that if he cries "wolf" again the next he comes in, I will not see him. He sent word that he just got off the train and he had to see me at once. Well, after all, I thought, it is very important. He came in and gave me this letter, and I said, "What is the matter? I can't bother

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with this stuff. Go back and see Ed Foley. It is one of Ed Foley's men." From then on what happened I don't know.

MR. GASTON: We had told him he couldn't have Campbell, and I understand what he wants him to do is work on tax matters in the Treasury on this investigation. What it amounts to would be letting Colonel Donovan run an investigation conducted within the Treasury, and I am sure we don't want to do that.

H.M.JR: You had turned him down once before?

MR. GASTON: Yes.

H.M.JR: Well, you two (Gaston and Foley) get together. I didn't know that. Herbert, if you turned him down--

MR. FOLEY: Well, Mr. Secretary, so we understand each other, we didn't refuse to loan Riley Campbell, we turned them down when they asked us to put Riley Campbell on our investigation. We said no on that.

MR. GASTON: But I want to be sure that I am right in telling Wiley that if he thinks that he can have Campbell work under his orders and work on tax records in making a tax investigation inside the Treasury, there is no soap. He can't do that. He can either work for Donovan outside the Treasury or if he works in the Treasury, he will work for us.

H.M.JR: There is no argument about that.

MR. GASTON: O.K. That is all right.

H.M.JR: Did you want to go on the Hill, Randolph?

MR. PAUL: Not quite yet. I will get up and leave.

H.M.JR: I will take you next.

MR. PAUL: Well, I have covered everything with you this morning.

H.M.JR: These three men arrived at my house this morning, each with their lunch. I thought they had brought their lunch thinking that I would be so late they would have to eat their lunch before they saw me. I didn't get the significance. Each of the fellows comes in. This man (Sullivan) comes in with a handful of lunch. I said, "Did you think I would be as late as all that?" They said, "No, we are just having lunch on the Hill." Isn't that a funny way to come in at eight-thirty in the morning?

MR. PAUL: Well, if you had to get your lunch in an hour at the House restaurant, you would realize that there are such things as impossibilities, and, furthermore, you get tired of the limited bill of fare up there.

MR. SULLIVAN: I never had that trouble because, you see, during that hour I used to come down here and handle my mail and have lunch. (Laughter)

H.M.JR: Did you get that?

MR. PAUL: I didn't hear it, I am sorry. (Laughter) I am getting like Mr. Doughton, maybe.

MRS. KLOTZ: You don't hear what you don't want to hear?

H.M.JR: What else, Randolph?

MR. PAUL: That is all.

H.M.JR: Roy? Are you fellows going to try to get a statement for me out of Leon?

MR. PAUL: I have been trying to get him this morning, and I hope to get him before I go up now. Maybe I had better leave here and try to get him.

H.M.JR: I will see if he is in, because I want to

thank him, anyway. Leon never said that he was for forced savings, compulsory savings.

MR. GRAVES: It is certainly accredited to him in the papers.

MR. PAUL: Well, we have the stenographic transcript, if you want to use that, of what he did say.

H.M.JR: And I thought it would hurt us, all this stuff.

MR. GRAVES: Sure, it hurts us bad.

H.M.JR: And I am asking him to get out a formal statement.

MR. GRAVES: Fine.

H.M.JR: I mean, the Gore thing is another thing, but that man goes up on my invitation.

MR. PAUL: What he did say was that he hoped the voluntary plan would work. When they asked him about the Keynes plan at the very end of the testimony in compulsory savings, he said, "I will not answer that question."

MR. BLOUGH: No, he said, "I would like to be excused."

MR. PAUL: Yes.

H.M.JR: Ed?

MR. FOLEY: The Budget has submitted to us a proposed Executive Order, the general purposes of which are to restrict the purchase of scarce supplies and materials for the Government and also to redistribute those supplies from one agency to another. Now, the proposed order contains a provision that the facilities of the Treasury Procurement Division can be utilized--

(The Secretary held a telephone conversation with Mr. Leon Henderson.)

May 12, 1942
9:49 a.m.

HMJr: Hello.

Operator: Leon Henderson.

HMJr: Hello.

Leon
Henderson: Hello, Henry.

HMJr: I - the boys say you did a swell job yesterday,
Leon.

H: Well, I kept looking around to see how they
were taking it, and.....

HMJr: No.

H:as long as they kept grinning, why I kept
pitching. (Laughs)

HMJr: Well, you did a swell job and I wanted to thank
you ever so much. I'm sure it's going to be
very helpful.

H: Well, I was pleased to go down, and I'll be more
pleased if I can be of any help.

HMJr: Well, now, there's one thing that you could do.
All the papers gave great prominence to something
which I understand that you didn't say.....

H: Yeah.

HMJr:namely, that you were in favor of compulsory
savings.

H: Yeah, I didn't say that at all.

HMJr: The boys said that you said to give the volunteer
plan a chance.

H: That's right.

HMJr: Now, I.....

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H: I said that I'd like more than anything else, I would prefer to see it done on a voluntary basis if it can be done.

HMJr: I wondered.....

H: I think maybe I've got to get out a statement on that and on wage freezing.

HMJr: Yeah, well.....

H: I'd use the same terms the President did - stabilization.

HMJr: Well, would you mind, when you get out this thing, just let our boys take a look at the part that has to do with the compulsory savings.....

H: Yeah.

HMJr:before you give it out?

H: Yeah.

HMJr: Would you let Ferdie Kuhn have a look at it?

H: Sure.

HMJr: Because it hurts us like hell in the field.

H: Yes, because I certainly didn't take that position, and I specifically said that in the interview that I gave. I said I didn't - made no comment on that, because it did not come up.

HMJr: Yeah.

H: And then when it did come up, I made the statement I did. Well, I'll get at it.

HMJr: And - well, if you could get it out sometime before noon, it would help.

H: Well, I'm before the Appropriations Committee at ten o'clock.

HMJr: Well, then, when you come back.

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H: All right.

HMJr: Get it out for tomorrow morning's papers.

H: All right.

HMJr: And again, I'm ever so much obliged.

H: Thank you so much.

HMJr: I know it helped.

H: All right, fellow.

HMJr: Thank you.

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MR. PAUL: It isn't news down here when two people agree. It is only news when they disagree.

H.M.JR: Well, it is like Wallace's speech. The thing that they played up was - he said Alaska was going to be attacked, but they didn't play up the rest of the stuff that he said. Go ahead, Edward.

MR. FOLEY: The order would permit the Budget to utilize the Procurement Division of the Treasury to make the survey and to distribute the essential materials and also to utilize some of our war housing facilities in the event that that should become necessary.

H.M.JR: What do you recommend, Ed?

MR. FOLEY: Well, I think that the order is a good order. The only question I want to bring up is whether or not you had any objection to the Budget being permitted, apparently without the approval of the Secretary of the Treasury, to use the facilities of the Procurement Division for that purpose.

H.M.JR: Well, how can they do it without my permission?

MR. FOLEY: Well, the President says that they may utilize facilities of the Procurement Division for that purpose. That is the way the order stands.

H.M.JR: Well, I mean, I would have it read that they can use it through me.

MR. FOLEY: All right.

H.M.JR: Otherwise, they will be taking it away from us next. Wouldn't you say so, Harold?

MR. GRAVES: Yes, that should be, I should think, under the direction of the Secretary of the Treasury.

H.M.JR: Under the direction of the Secretary of the Treasury.

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MR. FOLEY: All right.

H.M.JR: And let Clif Mack have a look at it. I would do it, wouldn't you?

MR. THOMPSON: I think so, yes.

H.M.JR: Harold?

MR. GRAVES: Yes, by all means.

H.M.JR: I don't let any department have our facilities.

MR. THOMPSON: The Budget is gradually taking over facilities of that type. They are controlling space assignments, which belongs to public buildings, and they are just stepping in, but I don't think they have any intention of taking over the operations. They just represent the President..

H.M.JR: Norman, your attitude toward the Budget is just like Ed Foley's toward Leo Crowley. You believe in fairies.

MR. FOLEY: Passive resistance. (Laughter)

H.M.JR: It is wonderful. After all these years in the Government, you believe in fairies, you and Ed. On the Virgin Island thing, some time--

MR. FOLEY: I never saw the letter. Huntington Cairns has got it.

H.M.JR: It is just a question of closing it out. As I understand, Self Help is not interested. It is just a question of- I thanked the man who gave me a hat; and if there is anything else, he should be answered and simply close it up.

MR. FOLEY: O.K. Here is a memorandum from Quint to me in regard to Murnane in that partnership. It is pretty complete in that form if you want to look it over. You asked me, you know, about it.

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H.M.JR: Anything else?

MR. FOLEY: No, that is all.

MR. SULLIVAN: You had an extensive memorandum from Commissioner Helvering on the cost of withholding tax and indicating that it would cost us more to administer a withholding tax than the amount of taxes we would collect, which we otherwise would have lost without the withholding tax, and you sent it in to me. Mr. Paul and I feel that the virtue of withholding tax is not to collect money we might otherwise lose, but rather to help combat inflation. Mr. Helvering knows our position on this. We have discussed this matter, and he felt that he should send you this memorandum just to notify you that there would be a net loss in the collection of tax. On March 5 an extension was granted to General Electric to July 15. They are asking for an extension to September 15, and that has been denied.

H.M.JR: Good.

MR. SULLIVAN: However, because they have the privilege of filing a consolidated excess profits tax return, we feel that we are obliged to give them the extension to July 15, which has already been granted.

H.M.JR: Nothing after that?

MR. SULLIVAN: No, sir, no further extension. Is it all right now to sign that T.D. on the movie actress case? If you recall, we discussed it the other day, and you said you wanted another look at it. The Treasury decision now is that if Kate Smith sings in a series of concerts that are being conducted by USO, that is not treated as income for her.

H.M.JR: That is all right.

MR. SULLIVAN: On the other hand, if she sings for the Lucky Strike program and Lucky Strike agrees to turn over her pay to USO, it is then taxable to Kate.

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H.M.JR: Or if Kate Smith wants to make a picture for "XYZ", and says that she will turn over her salary to the USO, she can't do that.

MR. SULLIVAN: It is taxable.

H.M.JR: That is right.

MR. SULLIVAN: Incidentally, Kate is making six or seven shorts for one of the organizations, but the organization is taking over the movie company and it is being done under their direction.

H.M.JR: But the point is, on the sponsored thing.

MR. SULLIVAN: That is right.

H.M.JR: When that is ready, I think we ought to give it out, when the T.D. goes out. I mean, we should make it public.

MR. SULLIVAN: Oh, yes, it will be.

H.M.JR: O.K.

MR. SULLIVAN: That is all, sir, except Jack and Heintz. When do you want to go over that?

H.M.JR: Well, I read it hastily. Whenever you are ready, I am ready.

MR. SULLIVAN: All right. I should think you would want a formal general statement indicating that it isn't just this case, but that we are going after the whole business.

H.M.JR: That is the point. I want to say that this is the kind of thing - this is what we are going to do, which I will read, and I will say, "Mr. Sullivan is here to explain case number one."

MR. SULLIVAN: And then you can fix it so it won't

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be necessary for you to go up on all the others.

H.M.JR: Oh, yes.

MR. SULLIVAN: I will see what I can do with the statement.

H.M.JR: Will you please?

MR. SULLIVAN: Yes, sir, that is all.

MR. BUFFINGTON: Mr. Jesse Jones' office called and said that he had to appear this morning at ten-thirty before the Senate Banking and Currency Committee, and wouldn't be able to be at that meeting at eleven o'clock.

H.M.JR: What did you do?

MR. BUFFINGTON: Mr. Purcell had already come down, and Mr. Eccles is available, and Mr. Currie is available.

H.M.JR: Let's go ahead.

MR. BUFFINGTON: Yes, sir.

H.M.JR: George, when are we going to close this issue of two and a halves?

MR. BUFFINGTON: Well, I had understood from Dan that it might go several more days this--

H.M.JR: Well, I think it is a mistake. These fellows are running all over town and not getting any money.

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MR. BUFFINGTON: Then give them twenty-four hours - close it today?

H.M.JR: Could I see the figures tonight, and then give them twenty-four hours' notice?

MR. BUFFINGTON: Yes, sir.

H.M.JR: You make it your business wherever I am to get me those figures.

MR. BUFFINGTON: Yes, sir.

H.M.JR: And have all machinery ready to close it, see.

MR. BUFFINGTON: O.K.

H.M.JR: I don't want these fellows burning up their energy and getting nowhere. I think they have got about all they can get. I wanted to get seven hundred fifty, and we have got it. I think we ought to close it. I don't agree with you.

MR. BUFFINGTON: O.K.

MR. HAAS: It is over that now, isn't it?

H.M.JR: Yes.

MR. PAUL: Will you excuse me, Mr. Secretary? I want to call up Leon's office.

H.M.JR: O.K. Good luck.

(Mr. Paul and Mr. Blough left the conference.)

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H.M.JR: The other thing is, as long as these fellows keep running over town it interferes to a certain extent with our F and G's, you see.

MR. BUFFINGTON: That is all.

H.M.JR: Ferdinand?

MR. KUHN: Nothing.

H.M.JR: Lucky man. George?

MR. HAAS: I have nothing this morning.

H.M.JR: Chick?

MR. SCHWARZ: Nothing.

H.M.JR: Harry? Harry, I went into the thing enough that you gave me - the first thing, it is a masterly job. I want to compliment you and your organization on international stabilization. The first time I have a full hour, which will be at 10:15 tomorrow morning, I would like to go into it with you.

MR. WHITE: All right.

H.M.JR: My hunch is, in view of all the rows in town between Hull and Wallace, that if I went to the President on it he would say, "Well, what does Hull think? I will send it over to Hull." I think it would be - I mean, not trying to be funny, I think the diplomatic thing to do is for me to go and see Hull first.

MR. WHITE: I think that might well be true.

H.M.JR: Because without his support the thing would be torpedoed.

MR. WHITE: It certainly would be very difficult.

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H.M.JR: So you can talk it over with your boys, and if you don't agree with me be prepared to take the opposite side tomorrow; but that would be my hunch.

MR. WHITE: There are some new answers there that I can't evaluate. You can better than I.

H.M.JR: You sat there and heard Hull and Wallace go at each other for an hour and a half.

MR. WHITE: Well, certainly it is quite true that Hull is top dog on this question about during the war. Whether the same thing applies - there are things we have got to talk about.

H.M.JR: But the point is, if I go to the President the first thing he will say is, "Well, this is foreign affairs."

MR. WHITE: You might hit them both at the same time, something of that character.

H.M.JR: Well, I mean, not wanting to pick on Wallace, they might both jump on me, and they would say - the President would say, "This is the example; I will make this as an example." Think about it. I will give you twenty-four hours.

MR. WHITE: Yes, it is something to think about.

On the Swiss francs, here is an opportunity for the Stabilization Fund really to function as a Stabilization Fund, and therefore it involves a slight risk, although we think the risk is negligible.

We have been in contact with Knoke, and it is a question of buying three and a half million Swiss francs which Portugal has and wants to sell, or did offer to us some time ago; and we want to know whether they still have them. Swiss francs have gone up to - they are thirty-four cents now instead of the twenty-three that they ought to be and that we can buy them for, twenty-three cents. Knoke got in touch with--

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H.M.JR: Excuse me, wait a minute. What can you buy these for?

MR. WHITE: Twenty-three cents.

H.M.JR: In Portugal?

MR. WHITE: From Portugal. They have got Swiss balances. They made this offer a few weeks ago. It wasn't accepted at the time; things were held up. We would like to be able, with your permission, to ask if they still want to sell them, and then buy them. The Bank of Switzerland, with whom Knoke got in touch, with our approval, said that they were willing to transfer - they were willing to open an account.

H.M.JR: Who are these for? There are so many requests for Swiss francs.

MR. WHITE: Well, Swiss francs are for Americans who want them for various purposes, some of them Government institutions, so there will be a demand for these Swiss francs, a legitimate demand.

H.M.JR: This isn't for the Vatican?

MR. WHITE: I don't know what happened to that.

MR. FOLEY: No, this wouldn't be for the Vatican, no.

H.M.JR: They want Swiss francs, too?

MR. FOLEY: That is right, they need two hundred and fifty thousand dollars worth of Swiss francs now.

MR. WHITE: Well, if we had them to sell, wouldn't they be glad to buy them at twenty-three cents?

MR. FOLEY: Yes.

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H.M.JR: They need them desperately.

MR. WHITE: Maybe that is what is pushing up the price, but the price is rising very rapidly, so that if we can buy them it is an ideal operation, from our point of view.

MR. FOLEY: They haven't been in the market, Mr. Secretary, because the Swiss refused to make the francs available to them except against free dollars, and Knoke and Pehle were working it out now so that the Swiss francs can be made available.

H.M.JR: You are working through Knoke?

MR. WHITE: On this. I have nothing to do with that other.

H.M.JR: And Pehle is working through Knoke?

MR. FOLEY: Yes.

H.M.JR: So Knoke would know.

MR. FOLEY: That is right.

H.M.JR: You can buy three and a half million dollars, or three and a half million Swiss francs?

MR. WHITE: Swiss francs.

H.M.JR: At twenty-three?

MR. WHITE: At twenty-three cents. That is a little less than a million dollars. We can easily handle that amount during the year so there won't be any loss. We could make a profit, if you wish.

MR. FOLEY: Vatican will take the whole million. They need that much.

H.M.JR: Well, you have got a customer.

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MR. WHITE: Yes.

MR. FOLEY: We asked how much the minimum was the first time, and they said between two hundred and forty and two hundred and fifty thousand dollars.

H.M.JR: Just to get up on it, ask Knoke what he is doing for Vatican. You should know.

MR. WHITE: I think there is an independent demand from that that can take care of this amount, so that the risk we are running is really negligible.

H.M.JR: As a matter of fact, Pehle should clear that through White rather than working direct with Knoke. If the Treasury is doing anything in foreign exchanges, White ought to know.

The way I divide it up, foreign exchange is White; when supplying American dollars to Europe it is Bell, American currency. Is that satisfactory to you?

MR. WHITE: That is working out all right.

MR. FOLEY: Well, I will see that Harry is brought up to date as soon as we finish the meeting.

H.M.JR: All right.

MR. WHITE: But that even if - if they will take it, that makes the case even stronger, but even without that there is a sufficiently strong case.

H.M.JR: Sold.

MR. WHITE: O.K. Will you want to take up the motion picture industry this week?

H.M.JR: Yes.

MR. WHITE: The British thing is getting pretty complicated, but it can wait.

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H.M.JR: You are down for an hour tomorrow. We will do the first thing first, and if we have got any other time you can use up what you have got.

MR. WHITE: There is a batch of publicity material which Casady has just sent on the bond program. Do you want to see it, or shall I turn it over to Graves?

H.M.JR: Turn it over to Graves, and what is interesting Graves can put up in my "gold room" for me. Give it back to Graves.

MR. WHITE: That is all I have.

H.M.JR: Harold, have--

MR. WHITE: The man has gone to Canada.

H.M.JR: Harold, have you got your crowd outside?

MR. GRAVES: I assume so. We have also this poster material up in the room across the hall.

H.M.JR: I can walk.

MR. GRAVES: We can go there first, or afterward.

H.M.JR: I am in your hands.

MR. GRAVES: Well, perhaps you would like to go there first.

H.M.JR: All right.

MR. GRAVES: We will be ready.

MR. THOMPSON: I have nothing.

H.M.JR: O.K.

*orig. ret'd to King
Photostatic to Wiley
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5/16/42*

May 12, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I discussed with Mr. Foley today the situation created by the assignment of E. Riley Campbell, an attorney in Internal Revenue, to work temporarily under the direction of the Coordinator of Information. We agreed that the results would likely be embarrassing both for the Treasury and for C.O.I. and would needlessly complicate the investigation to which it was proposed to assign Mr. Campbell. Accordingly I sent for Mr. John Wiley, who came to my office and discussed the matter with Mr. Foley and me.

We agreed that the Coordinator of Information would recall his letter to you requesting the assignment of Mr. Campbell and that your letter granting the request would also be recalled.

Mr. Foley and I agreed, in Mr. Wiley's presence, that it would be best, so far as the Treasury is concerned, to handle the investigation as a Foreign Funds matter under the general direction of Mr. Pehle, to which Mr. Wiley agreed. Mr. Foley and I agreed that Mr. Irey, as Coordinator, would cooperate with Mr. Pehle in the investigation and the assignments of investigative personnel from the Treasury, other than Foreign Funds personnel, would be made by Mr. Irey with my approval.

If you approve, we will proceed on this basis.

*W.A.
S. 76.*

O.K. John H. W.A.

May 12, 1942
10:10 a.m.

HMJr: Hello.

John J.
McCloy:

We are just about ready to take out the rest of these British contracts, and they're rather substantial.

HMJr: Fine.

Mc: We're doing it all in one lump arrangement, that is, not picking up from the contractor but simply buying from the British.....

HMJr: Right.

Mc:all in one agreement. Now we've run into this little snag.

HMJr: Yeah.

Mc: The Walsh-Healey Act.

HMJr: Yes.

Mc: The British weren't subject to it. If the Government takes it over, it is.

HMJr: Yeah.

Mc: Unless you can get a waiver, I understand, from the President.

HMJr: Yeah.

Mc: Now they say that the negotiations that are involved in dealing with that would take another couple of weeks, probably.

HMJr: Yeah.

Mc: Is there any - is it practicable to get the Walsh-Healey provision waived?

HMJr: Well, how are your other - how are the other Army contracts?

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Mc: In some cases we have it and some cases we don't.

HMJr: Gee.

Mc: We - in a number of cases it has been waived, and - oh, for one reason or another. This is merely - and I suppose the only reason you'd waive it in this case would be to save time. It depends really upon how acute their need is, I suppose.

HMJr: Well, Jack, I wouldn't - I'd have to submit that to Ed Foley, my General Counsel.

Mc: All right. Well, should I talk to him about it?

HMJr: Do you mind?

Mc: Why, no. I'll do that.

HMJr: Would you?

Mc: Okay.

HMJr: Thank you.

Mc: All right.

May 12, 1942
10:30 a.m.

WAR STAMPS

Present: Mr. Mahan
Mr. Sloan
Mr. Poland
Mr. Houghteling
Mr. Duffus
Mr. Gamble
Mr. Graves
Mr. Kuhn
Mr. Coyne
Mr. McCarty

MR. GRAVES: I think perhaps the most interesting thing will be to have Mr. Houghteling tell us where he stands on this labor organization.

H.M.JR: Yes, please.

MR. HOUGHTELING: On Thursday we are having a meeting of members of the American Federation of Labor Field Force, four men represent - one representing the Atlantic Seaboard, one the South, one the Middle West, and one the West, to meet with ourselves and Mr. Fenton to present to them this whole program of getting their organizers to work on the individual CIO locals to bring their participation up to ten percent or better. We expect to use this McClintock presentation with them and to get right out into the field with that presentation, to have meetings of local organizers to get the local units direct, man-to-man, all through the AF of L. There is no question as to the wholehearted, hundred-percent commitment of the AF of L to our program. Now, with the Railroad Brotherhoods I have been doing that for six weeks. We have joint committees of management and labor in the different railroad organizations where the representatives of management and the general chairman for the five railroad brotherhoods sit together and are sending

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them out to the individuals.

H.M.JR: Excuse me one minute. Go ahead.

MR. HOUGHTELING: There is no question that railroad labor is wholeheartedly committed to our program beyond any likelihood of any change. Now, with the CIO, I have been urging them to follow the lead of the AF of L and turn - and work out a plan for mobilization of their organizers. You received yesterday from Mr. Carey a plan which had been promised me as accomplishing that, but which was a very - rather grandiose plan for a joint committee of management - of Government, management, and labor, which they proposed to have five representatives of each to direct policy and with a paid secretary, and then to organize by industries with representatives of Government, management, and labor for each industry. The plan seemed to me to be entirely impractical. It would mean endless adjustments with our state organizations, and either superimposing a new organization on what we have spent a year to build up, or else scrapping some part of what we have done. It isn't a practical plan, I am sorry to say. I have got to - it is along the line of the CIO general policy of trying to work out a joint program of management and labor cooperation, which, of course, they have done a great deal with the War Production Board through Sidney Hillman and these other CIO people over there.

H.M.JR: But there is no lack - they are willing to work with us?

MR. HOUGHTELING: No.

H.M.JR: That piece of gossip I gave you, you couldn't find any--

MR. HOUGHTELING: No. Mr. Henderson's office has just appointed a labor representative who went to see Mr. Carey yesterday, and was sort of trying to horn in on the CIO.

H.M.JR: What I picked up was this, Harold. I was told by Paul that somebody - did he tell you that?

GRAVES: Mr. Houghteling told us.

H.M.JR: That they were just going to dump us?

MR. GRAVES: Yes.

MR. HOUGHTELING: Mr. Murray has committed himself to our whole program. There are certain people in the organization who are restless, and as I say, want to use this program to get a greater participation of labor in management problems. I think that is the only basis for that rumor, and also a certain amount of wishful thinking on the part of the people over at the Price Administration.

H.M.JR: One thing I would like to ask you. Graves tells me he is concentrating on eight, nine, or ten states, and he is going to give me a list. Aren't you?

MR. GRAVES: I sent it to you yesterday.

H.M.JR: Oh, did you?

MR. GRAVES: It is undoubtedly in your office. I was going to ask Mr. Gamble to report on that.

H.M.JR: All right. The work that you (Houghteling) are doing, does that fit in with that? I mean, are you going to concentrate your first efforts in the eight or ten states that Graves is working in?

MR. GRAVES: It is ten states that we had in mind.

MR. HOUGHTELING: Yes, there is no reason why I can't. I have got a mobile organization which I can put to work any place where we need them.

MR. GRAVES: Mr. Houghteling's people can go to work everywhere because they go to work according to their domicile and they will be at work everywhere. As I understand the AF of L plan, it will be to cover the whole country at once.

MR. HOUGHTELING: Yes.

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MR. GRAVES: As soon as these men can be assembled for instruction, start it out.

H.M.JR: Well, just as soon as it is working, wherever it is working, I would like to go into the field and visit it for a day, the labor field.

MR. HOUGHTELING: Yes.

H.M.JR: Just as soon as you think it is working all right, I would like to go and visit it.

MR. HOUGHTELING: If it is possible, I would like to bring Mr. Fenton and these AF of L men over to see you.

H.M.JR: I would like to see them.

MR. HOUGHTELING: Fine.

H.M.JR: I am tremendously interested. Now, are you finished?

MR. HOUGHTELING: Only that the CIO problem is going to take a great deal of diplomacy, because they made an impractical suggestion which is very dear to their hearts, and I have got to turn it into a practical performance.

H.M.JR: Well, keep me posted. Now, you two (Mr. Gamble and Mr. Houghteling) are all right on your negro mass meeting?

MR. GAMBLE: Yes.

MR. HOUGHTELING: It is going fine.

MR. GAMBLE: Would you like to know about it?

H.M.JR: If you wouldn't mind.

MR. GAMBLE: On May 27 in the amphitheater in Chicago, and on May 31 in the Olympia Stadium in Detroit, and on June 3 in the Lewison Stadium in New York City. Mr. Duffus' department is working on Robeson and Anderson, and they

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have indicated that they are available. We were not able to give them these definite dates until this morning.

H.M.JR: But they will go on the same stage together?

MR. GAMBLE: That is correct, sir.

H.M.JR: Good.

MR. GAMBLE: That is allowing for some conflict, but they have indicated their willingness to--

H.M.JR: You couldn't work in Cleveland and Philadelphia, too?

MR. GAMBLE: We thought we had our hands full with these first three, but we have already started plans in Philadelphia. There is a colored gentlemen there by the name of Millen who is an attorney, head of the colored Masonic Lodge in Pennsylvania. They are very desirous of having a meeting in Convention Hall. The gentleman you asked me to check up, Mr. Allen Locke, is a professor of philosophy at Howard University who will not be back in the city until tomorrow, but he will be invited to pass on this program.

H.M.JR: I just wanted to say, I realize, Mahan, I jumped on you hard, but I don't jump on you any harder than I jump on myself, and I am working myself to a bone on this thing, and I have just got to get the support from this staff. If I don't think something is good, and have said so repeatedly, as I have in some cases - I mean I get to a point where if I can't get what I want, I have got to get it somewhere else. Now, I have arrived at that point where I go into a place and find out that they have got nothing to put in the stores, haven't received anything, and the President's own county - I mean, it is just inexcusable.

MR. MAHAN: That is right.

H.M.JR: And then when I see this stuff, I can't help it. I mean, I am not jumping on you any harder than I

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jump on myself, but the Treasury hasn't got a single friend outside of the Treasury, so we have got to do the best we can from within the Treasury, and I won't be satisfied with mediocrity, and that is the work - that particular thing I consider distinctly mediocre. With all the competition and everything else - and see the beautiful posters that the War Production Board is getting out, I mean, I can't be satisfied, because I can't reach my quota in June if I don't get that stuff. All the things you have got here, whether it is for the county or everything else, they won't be up in the communities before the first of June, so they have got to be good, and when you walk by a store - I mean, you are in competition in that particular field with some very, very smart people, and I mean, it is nothing personal, but I have just got to a point where if I have asked again and again and again and pointed - and I don't get it, I have got to get it, and I am not going to be frustrated. That is the whole point.

MR. GRAVES: Mr. Morgenthau, the--

H.M.JR: But, I mean, I don't want you to feel that - I am just as tough on myself, tougher than I am on you. Now, I am carrying this whole load of this volunteer plan. If I fail, nobody gets the blame but me. It won't be Mahan or anybody else. It is Henry Morgenthau, Jr., but I am not going to fail; and therefore I am going to be tough and occasionally disagreeable.

MR. GRAVES: I think it is only fair to say this, that we have been very slow about getting out posters, and I do not charge that at all to Mr. Mahan.

H.M.JR: I am not questioning his speed. I am questioning the quality.

MR. GRAVES: Well, as to the quality, we have under consideration around here various designs which in my judgment would be good. You saw some of them this morning. Mr. Mahan has nothing to do with that. It is out of his hands. But, once we get these approved posters,

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your retail stores will be our principal point for the location of those posters. Suppose, for example, we take that Wyeth poster and get it approved and get it in production and distributed. That is the poster that will be seen in the retail stores, and so will these other--

H.M.JR: But, in the meantime a million stores in the United States have got a package.

MR. GRAVES: For an entirely different purpose, however, than for window displays of the sort you had in mind. Always the principal items that have gone in store windows have been our regular poster material and it is that, in my judgment, that is lacking, that is slowed up, that has practically come to a standstill here, because we can't get an agreement on design.

MR. MAHAN: Well, the thing I have failed to do, Mr. Graves, is prepare for the Secretary the plan of this display committee, which includes every display man, practically, in the United States, and the thing has been buttoned up within the last week, and I am sure when I outline that and show the plans that they have for bringing the stores into this, I can say I am certain that there will be no department of the Government that will be as well treated in all the retail outlets as we are going to be in the next three months.

H.M.JR: Well, I hope you are right.

MR. GRAVES: He is right.

MR. MAHAN: With the very finest men in the United States working on it, and I should outline the whole plan.

MR. GRAVES: I think what you saw--

H.M.JR: In fairness to you, get it together, and I will see you again.

MR. MAHAN: All right.

H.M.JR: And if I think it is good, we will have the same people here, and I will say in front of them - if I

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think it is good, I will say it is good; but I don't think - I mean, it isn't - well, it isn't the design of the posters, because as soon as they get a poster, they say yes or no, but it is--

MR. GRAVES: You see, Mr. Mahan has nothing to do with that. It is somebody else's responsibility to pass on these designs; and all Mr. Mahan can do is to put them into production.

H.M.JR: But the other day this committee had them, and they cleared them the same day that they brought them in.

MR. GRAVES: Well, we still haven't got any, except a very few, designs approved; and all I want to make clear is that that is not the responsibility of Mr. Mahan, that the main poster material that we will ultimately get into these retail stores in other places--

H.M.JR: Will come from where?

MR. GRAVES: It will be approved by our committee.

H.M.JR: But they don't draw. They only approve on it. Somebody has got to originate it.

MR. GRAVES: That is right.

H.M.JR: Who is going to originate it?

MR. GRAVES: For instance, if we can get that Uncle Sam poster approved, which I would like very much to use--

H.M.JR: Harold, you are wrong, excuse me. Up to the time that I invited Mr. McClintock in here, the posters originated with Mahan.

MR. GRAVES: Well, I don't think Mr. McClintock has anything to do with the posters.

H.M.JR: But any advertising came out of his shop, is that right or wrong?

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MR. MAHAN: That is right.

H.M.JR: You are wrong, Harold.

MR. GRAVES: As to the art--

H.M.JR: No, anything that was created, that had to do with posters, came out of Mahan's shop. Then I invited McClintock in, and I invited in Lord and Thomas to give us new stuff.

MR. GRAVES: But again, as far as I know, that is not poster material that they are working on.

H.M.JR: Yes. They are doing posters, aren't they, Ferdie?

MR. KUHN: Only things for factory bulletin boards. Some of their ads were so good that we think we can make posters out of them.

H.M.JR: Well, if they weren't doing it, the only other place it comes to would be to come out of Mahan's shop. You have been doing posters up to now, haven't you?

MR. MAHAN: I have been doing the posters.

H.M.JR: Sure, he has.

MR. GRAVES: Yes, but he isn't responsible for any delay there may be in getting these things approved and in production.

H.M.JR: Well, who does that?

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MR. GRAVES: That is a matter of the Editorial Committee in passing on these things--

H.M.JR: They don't hold it up.

MR. GRAVES: Well, something is holding it up.

MR. MAHAN: Well, we want to get the right posters, and I want to get them as badly--

H.M.JR: You are wrong on this thing, Harold. The posters have been created. Mahan has had the job of getting them. Then they go up to this Editorial Board, and they say yes or no, and the fact that the posters haven't been any good isn't the Editorial Board's fault. It is the fault of - the thought that has gone into it.

MR. GRAVES: Well, I think Mr. Gamble might tell you about these ten states.

H.M.JR: All right.

MR. GAMBLE: The first meeting was held yesterday, Mr. Secretary, in Chicago. Mr. Sparks and Mr. Englesman from the Pay-Roll Savings Plan Group presided at this meeting, and they presented all the advertising material as well as the plan for stepping up pay-roll savings in order to achieve this ten percent goal of every pay roll. We received a report last night that the meeting was very enthusiastic. They received the presentation of this advertising material and the whole plan for stepping up this activity. Now, they are going on to Michigan today, and then Pennsylvania, New York, Massachusetts, New Jersey, Connecticut, and Ohio in order in the next seven days.

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H.M.JR: When are they going to be in Massachusetts?

MR. GAMBLE: On what date?

H.M.JR: Yes. Saturday is the 16th. You don't know what date they are going to be there?

MR. GAMBLE: I have it on a slip of paper. I will send it to you.

MR. GRAVES: I think it is Wednesday, isn't it?

MR. COYNE: Wednesday, the 20th, I believe.

H.M.JR: Is it in a memo from Graves?

MR. GAMBLE: Yes.

H.M.JR: When will I be able to see the kind of receipt - that detailed plan, when a person goes into the field and takes an order?

MR. GAMBLE: You can see that tomorrow.

H.M.JR: You know what I mean?

MR. GAMBLE: Yes, I know what you mean.

H.M.JR: All right. You think that will be tomorrow?

MR. GAMBLE: Yes. That is finished, isn't it, Bob, from the Madden materials?

MR. COYNE: The Madden material? Not all of it is ready, but the pledge is ready in copy form.

MR. GAMBLE: Fine. We can show it to you tomorrow.

MR. GRAVES: Also, you could show the Secretary those follow-up cards, couldn't you?

MR. GAMBLE: Yes.

- 12 -

MR. GRAVES: The whole album could be ready, couldn't it?

MR. COYNE: Yes, that is being revised, but we have it. We are working on it in our own shop now. It came down from New York, and they wanted us to work on it.

MR. GRAVES: Is there anything, particularly, that you would like to - we have two more minutes.

H.M.JR: No.

MR. GAMBLE: I might add that on the basis of the first meeting, we discussed it last night with Mr. Sparks on the phone, and it is entirely possible we will extend this to some twenty other States because of the good that is apparently being done by the presentation of this material at first hand to the people in the field who are doing pay-roll savings work.

H.M.JR: I would love to get in on it and spend a day with those people, if I could.

MR. GRAVES: You mean attend one of these meetings?

H.M.JR: Yes.

MR. GRAVES: It would be very nice if you would.

H.M.JR: Monday you are going to be in New York, the 18th?

MR. GAMBLE: Monday, the 18th, yes, sir.

H.M.JR: I might be able to join you there because I will be in New York on the night of the 17th.

Are you going to be there?

MR. GRAVES: Yes.

H.M.JR: Now, what is the process you go through?

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MR. GAMBLE: At this meeting?

H.M.JR: Yes.

MR. GAMBLE: That will be a presentation to all of the State administrators, the chairmen, their deputies, and the people in charge of their pay-roll savings plan.

H.M.JR: In New York City?

MR. GAMBLE: Yes. It will be for New York State, but it will be held in New York City.

H.M.JR: I could stay over.

MR. GRAVES: Fine.

H.M.JR: I just want to emphasize again - I don't suppose it is necessary, but there is so much of this stuff that is yet to come, it isn't ready, and we are getting awfully close to June. All these plans are still in the making and are not in the hands of the people. We have had a little good luck now so we are temporarily ahead on our quota, but all of these county plans and everything that I have seen, everything that I have asked for, is all in the future.

MR. GAMBLE: Of course it goes back beyond that, Mr. Secretary. It started on April 25, this material on General Electric and the large plan for this General Motors material; and it is just about the right timing from the standpoint of presenting it to these people. We are giving it to them just about as fast as they can take it, and I don't think that our work has been impeded one iota in the field as a result of the slight delay in this.

H.M.JR: I hope you are right.

MR. GAMBLE: The information we are getting from the field, such as those wires and reports that we have

- 14 -

had, is all unanimously good. The second bunch has gone out, and we should start getting answers on them.

H.M.JR: Are you down to the three thousand level?

MR. TICKTON: I have the names and addresses ready to give Mr. Gamble in the next day or two down to two thousand, and we are getting the stuff ready for the one thousand.

MR. GAMBLE: I don't think it would be good salesmanship to give them any more than we are giving them.

H.M.JR: We got eighty-eight million dollars in April on pay-roll savings, didn't we?

MR. TICKTON: In that neighborhood.

MR. GAMBLE: The high percentage of E bond sales so far this month would indicate that we are going to get a substantial part of the May quota from the pay-roll savings, which is what we expected.

H.M.JR: As of last night everything is lovely, but it is not good enough. There are so many things that - so many things in the works, so many things to be done.

MR. GAMBLE: They are going to hit, Mr. Secretary, when we need them, when we have the greatest need for them, and that has been part of our reasoning in developing this material such as we have. We didn't anticipate any great difficulty. We have given them enough to keep them busy for the next two or three weeks, not only our own people in the field but I mean the companies that have installed these plans. There is much good material that has gone.

I don't think we could pave the way any better than through the mailing of the General Electric plan and the General Motors plan, and now we are ready to give them an over-all plan which is designed primarily to bring

- 15 -

them up to ten percent participation. We can't get them up to ten percent until we get them in, and we are getting them in.

H.M.JR: One of you make a note that just as soon as General Motors is through I think it would be nice to write a letter to every member of the Ways and Means Committee saying I was up on - I don't know what the date was, but "I appeared before you." The 16th, wasn't it?

MR. GRAVES: It was the 16th.

H.M.JR: I believe it was the 16th.

MR. GRAVES: That is right.

H.M.JR: "And I would like to let you know that I am sending you"- I think the best would be a letter from Mr. Anderson of General Motors, "enclosed herewith, giving me the report," and so forth and so on, and outlining this and that, and then send one to every member of the corresponding committee in the Senate, the Finance Committee.

MR. GAMBLE: Why shouldn't it go out now? They are up to 99.6.

H.M.JR: Well, the sooner the better.

MR. GRAVES: But we don't know what their percentage is, Ted, do we?

MR. GAMBLE: Well, that was my thought. Now might be a good time to get it out.

MR. GRAVES: We had better wait until we get a report that will show the percentage of pay roll involved. Don't you think so, Tickton?

MR. TICKTON: Yes, sir. The only trouble is it

- 16 -

takes them a little while to combine their records. You have to wait maybe two or three weeks before you can get that report.

H.M.JR: The sooner I can get it to Ways and Means and Finance, the better.

MR. GAMBLE: We have a good story to tell now, I think, 99.6 of 234,000 people.

H.M.JR: Well, it will be worth a great deal more this week than it would two weeks from now.

MR. GRAVES: Well, we can send it on that basis.

H.M.JR: Particularly if I could write it on the 16th of May and say, "One month ago today I appeared before you with General Motors, and I would like to give you a report on what has happened in the last thirty days." I think that would be good. "In the last thirty days this is what General Motors has accomplished, and this is only a sample of what is going on all over the country."

MR. GAMBLE: We could even go so far as to tell them we now have seventy odd thousand firms, with twenty-two million people.

H.M.JR: But I think if I could date it and send it on the 16th of May--

MR. GRAVES: We will do that.

H.M.JR: If my hand is well enough to sign it by then. All right, gents, thank you.

May 12, 1942

Dear Mr. Stokowski:

I was delighted to receive your letter of May 2nd. It shows a wonderful spirit of patriotism and of service, and I appreciate it very much.

At present we do not have a radio program in which we could use a symphony orchestra, but I am sure that the right program and the right occasion will arise before long. Naturally we shall be happy to call on you, for your conducting will add distinction to any program and will be of great help to our War Bond campaign.

Perhaps you will be good enough to let me know where you can be reached during the next few months. Specifically, I am wondering whether you will be on the East Coast or in California.

Sincerely,

(Signed) H. Morgenthau, *HJM*

Mr. Leopold Stokowski,
National Broadcasting Company, Inc.,
R.C.A. Building, Radio City,
New York, New York.

FK:blb

*N.M.C. file
Copies to Thompson*

NATIONAL BROADCASTING COMPANY, INC.

A RADIO CORPORATION OF AMERICA SERVICE

RCA BUILDING · RADIO CITY

NEW YORK, N. Y.



2
May
1942

His Excellency Henry W. Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

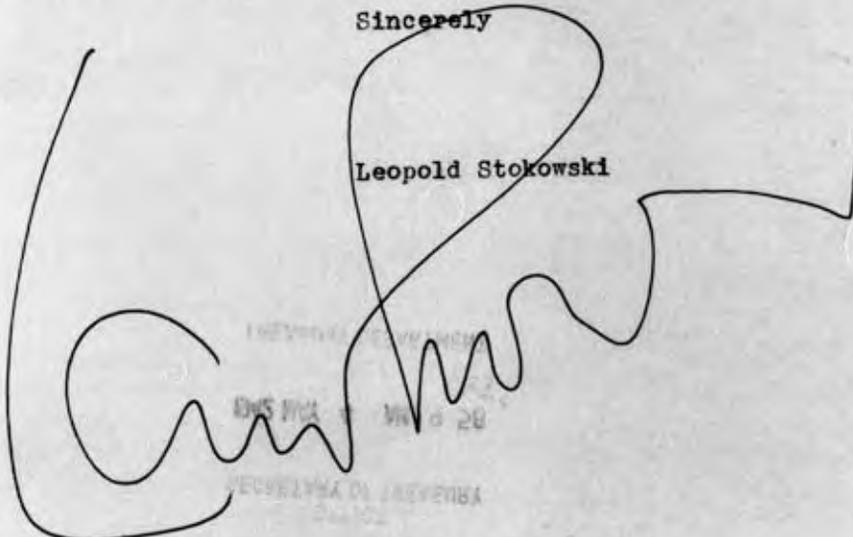
Dear Mr. Morgenthau

At one of the broadcasts that Maestro Toscanini conducted with the N.B.C. Orchestra in Radio City for the Treasury Department, I had the pleasure of meeting you. This is to renew the offer of my services in case you ever wish me to conduct broadcasts for the Treasury Department.

Please believe me to be always happy to cooperate with you.

Sincerely

Leopold Stokowski



RECEIVED

MAY 28 1942

SECRETARY OF THE TREASURY

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 5, 1942

TO Secretary Morgenthau
FROM Mr. Kuhn

The N.B.C. wants us to pay \$2,500 for an orchestra on this occasion, as their own orchestra is otherwise engaged on that afternoon. We have raised our eyebrows at this. I still think we will get the orchestra free of charge although it may involve another telegram to Sarnoff.

J. K.

THE SECRETARY OF THE TREASURY
WASHINGTON

May 5, 1942

Dear Mr. Stokowski:

I was delighted to receive your letter of May 2nd. It shows a wonderful spirit of patriotism and of service, and I appreciate it very much.

As a matter of fact, we have a program on May 17th on which you can be of real help by conducting the orchestra. This will be the first network performance of "The Roosevelt Cantata", written by Earl Robinson and John Latoche, who wrote the well known "Ballad for Americans". We also plan to have a movement of the Beethoven Fifth Symphony, and I am at present trying to get the N.B.C. orchestra for this occasion.

The program will be broadcast over the Red Network from 5:30 to 6:00 P.M. on Sunday, May 17th, which is, as you know, "I Am an American Day". We already have engaged Paul Robeson as soloist, and Mrs. Roosevelt has expressed a desire to be present at the broadcast. I have invited her to speak briefly at the beginning or end of the program on behalf of War Savings Bonds. Your conducting will add distinction to this occasion, and it would give us all the greatest pleasure if you would accept.

Sincerely,

Mr. Leopold Stokowski,
National Broadcasting Company, Inc.,
R.C.A. Building, Radio City,
New York, New York



5/13/42.

Hope said "forget"

2/3/42.

Harris phoned Graves and
told him he would like
report on this.

Follow up 2/5/42 - no 9:30 - Fed. report 9:30

January 30, 1942 .

FOLLOW-UP FOR THE SECRETARY:

Your request is still pending that desks be placed in the lobbies of post offices for the sale of defense stamps and bonds.

*Sent in to 9:30 -
came back with
no comment.*

Follow up 2/3/42 -

^{1/26-}
Came back from Stamp without
any comment - Followup 2/2/47

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January 26, 1942

FOLLOW-UP FOR THE SECRETARY:

Your request is still pending that desks be placed in the lobbies of post offices for the purpose of selling defense stamps and bonds. This matter was turned over to Mr. Morris.

1/12/42

269

Bell reported at Group he had turned this
over to Dave Morris.

Followed up with Morris 1/16/42 - nothing done
Followed up with Morris 1/31/42 - nothing done -

See file 270

January 12, 1942

FOLLOW-UP FOR THE SECRETARY:

Has your suggestion been carried out in regard to having a desk put outside in a post office in Washington for the purpose of selling Defense Savings Bonds and Stamps?

Discussed at Group 12/31 - HM Jr called 271
PMG Walker and asked him to see Dan Bell
on Friday. HM Jr wants this tried out in
one or two post offices in Washington
immediately.

Follow up 1/16/41

December 26, 1941

Harold Graves

The Secretary

I have an idea which may be a good one; at least I want to try it. I want to take some post office right here in Washington, immediately, and put a table outside and man it with volunteers and have them sell Defense Savings Bonds and Stamps.

My thought is to only use women and not ask any woman to stay for longer than a half a day. But if the rush hour is at lunch time, the two of them should overlap so that they can handle the extra business, but that's a detail that can be worked out.

The main idea I had is to man the big post offices and the small post offices all over the United States with volunteers; and if that works, we can do the same thing in the banks and save them that additional cost which I'm afraid eventually they're going to kick about. But, Harold, I want to try this idea at once. See if you can't get it started Monday or Tuesday.

If you have any trouble with the Post Office, I'll call up the Postmaster General myself.

There are millions of volunteers who want to do something, and here's a chance to put them right to work. Now please get to it, and let's try it at once. Thank you.

Followed up at Defense Bonds meeting ²⁷³
10/9/41. Graves reported P.O. is objecting
HM Jr said he should keep on trying.

Follow up next Defense Savings Meeting

10/23/41-

*P.O. will not pay for
these people.*

October 7, 1941

TO: Mr. Graves
FROM: The Secretary

I asked you a couple of weeks ago to have someone placed at a desk in a Washington post office, out front, selling Defense Savings Bonds. Did they do that? If not, why not?

9/25/41

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Checked with Mr. Graves and was informed that the Post Office Department will not agree to setting up a separate booth in a post office. PMG Walker is out of town until 10/6/41, and Mr. Graves would like to have this held up until Mr. Walker returns so that the matter can be discussed with him.

Follow up 10/8/41

September 18, 1941

Harold Graves

Secretary Morgenthau

I want to start right away an experiment with a post office who will have one man - either a post office man or a Treasury man or both - who will sell Defense Savings Bonds, Stamps, and Tax Anticipation Notes. I want to start this at once. Please get together with Bell, and I would like to start it not later than Monday. I want to have it done in some place close to Washington where I can watch it - possibly right in Washington - but I want to start it Monday.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 12, 1942

TO Secretary Morgenthau
FROM Mr. Hagg

I am attaching to this memorandum four tables which bring up to date the data on the number of corporations acting as issuing agents for savings bonds purchased by their employees under the payroll savings plan. A summary of the data contained in these tables follows:

1. On May 9 there were 1,475 corporations acting as issuing agents for savings bonds purchased by their employees. These corporations employed 4.4 million persons, or approximately 22 percent of the 20 million persons under the payroll savings plan (Table I).
2. During the week ended May 9 there were 144 corporations appointed as issuing agents. This compares with 108 corporations appointed as issuing agents during the week ended May 2, and 113 corporations appointed during the week ended April 25 (Table II). The 144 corporations employed 467,000 persons, 3/4 of whom were employed by the sixteen largest corporations qualified (Table III).
3. Of the 144 corporations qualified as issuing agents during the week, 96 were large corporations -- that is, corporations employing 500 persons or more. Table IV classifies large corporations by Federal Reserve Districts and compares the total number with payroll savings plans with the total number qualified as issuing agents on May 2 and May 9. The Federal Reserve Banks of Richmond, Minneapolis, and San Francisco, it is noted, have qualified proportionately fewer large corporations than other Federal Reserve Banks.
4. Included among the large corporations qualifying as issuing agents during the week were the New York Central Railroad and the Ford Motor Company. Other automobile companies which were reported to have agreed to become issuing agents during the week had not been qualified by the close of business on Saturday.

Attachments

Table I

Corporations Acting as Issuing Agents for Savings Bonds
Purchased by Their Employees Under Payroll Savings Plans
January 31, 1942 to date

Date	Number of corpora- tions act- ing as issuing agents	Number of employees in corpora- tions act- ing as issuing agents	Number of employees in all corpora- tions with payroll plans in the country	Percent of employees in corpora- tions act- ing as issuing agents
January 31...	351	*	15,000,000	*
February 28..	686	*	17,000,000	*
March 28.....	931	*	19,000,000	*
April 4.....	980	*	19,000,000	*
April 11.....	1,050	*	20,000,000	*
April 18.....	1,110	3,179,349	20,000,000	15.9
April 25.....	1,223	3,449,927	20,000,000	17.2
May 2.....	1,331	3,934,448	20,000,000	19.7
May 9.....	1,475	4,401,738	20,000,000	22.0

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

May 12, 1942

* Not available.

Table 1

Corporations with Payroll Plans Appointed as Issuing Agents
April 11, 1942 to date

Federal Reserve District	April 11	April 18	April 25	May 2	May 9
Boston.....	8	2	3	11	4
New York.....	35	32	65	35	41
Philadelphia.....	5	6	8	8	3
Cleveland.....	3	4	11	11	16
Richmond.....	4	2	2	6	11
Atlanta.....	1	1	-	7	21
Chicago.....	10	5	11	8	24
St. Louis.....	2	5	3	2	7
Minneapolis.....	1	-	3	1	3
Kansas City.....	-	1	3	10	4
Dallas.....	-	-	-	1	3
San Francisco.....	<u>3</u>	<u>2</u>	<u>4</u>	<u>8</u>	<u>7</u>
Total.....	<u>70</u>	<u>60</u>	<u>113</u>	<u>108</u>	<u>144</u>

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

May 12, 1942.

Table III.
Companies Qualifying as Issuing Agents
May 2 and May 9, 1942

Week ended May 2			:	Week ended May 9		
Company	:	Number of Employees	:	Company	:	Number of Employees
1. Companies with 5,000 or more employees:				1. Companies with 5,000 or more employees:		
Bethlehem Steel Corporation, Bethlehem, Pa.....	:	198,453	:	New York Central Railroad, New York, New York.....	:	117,999
Western Electric Corporation, New York, N. Y.....	:	66,239	:	Ford Motor Co., Detroit, Mich.....	:	112,925
Baltimore & Ohio Railroad, Baltimore, Maryland.....	:	54,732	:	Atlantic Coast Line Railroad Co., Wilmington, N. C.....	:	16,838
Crane Company, Chicago, Ill.....	:	16,711	:	Proximity Manufacturing Co., Greensboro, N. C.....	:	12,000
Philadelphia Suburban Transportation, Philadelphia, Pa.....	:	10,362	:	Horn & Hardart Co., New York, N. Y...	:	10,585
United Shoe Machinery, Boston, Mass..	:	10,000	:	Federal Cartridge Corp., New Brighton, Minnesota.....	:	10,000
Colgate Palmolive Peet Company, Jersey City, New Jersey.....	:	6,843	:	White Construction Co., New York, N.Y.	:	8,279
Waldorf System, Boston, Mass.....	:	6,000	:	Consolidated Steel Corp. of Texas, Orange, Texas.....	:	8,042
Columbia Pictures Corporation, New York, N. Y.....	:	5,494	:	Walworth Corp., New York, N. Y.....	:	8,000
Southern New England Telephone, New Haven, Conn.....	:	5,343	:	Electric Boat Corp., Bayonne, N. J....	:	7,200
L. Bamberger & Company, Newark, N. J.....	:	5,159	:	Hazel-Atlas Glass Co., Wheeling, West Virginia.....	:	6,640
City Ice and Fuel Company, Cleveland, Ohio.....	:	5,106	:	Standard Oil of Louisiana, Baton Rouge, La.....	:	6,568
William Filene Sons Co., Boston, Mass.....	:	<u>5,000</u>	:	Butler Bros., Chicago, Ill.....	:	6,138
Subtotal Companies with 5,000 or more employees.....	:	395,442	:	General Cigar Co., New York, N. Y....	:	6,000
2. All other companies.....	:	<u>89,079</u>	:	Liggett Drug Co., New York, N. Y.....	:	6,000
3. Total all companies qualifying.....	:	<u>484,521</u>	:	Georgia Power Co., Atlanta, Ga.....	:	<u>5,113</u>
				Subtotal Companies with 5,000 or more employees.....	:	348,327
				2. All other companies.....	:	<u>118,963</u>
				3. Total all companies qualifying.....	:	<u>467,290</u>

Table IV.

Progress of the Federal Reserve Banks in Appointing Corporations
With 500 or More Employees as Issuing Agents

Federal Reserve District	: Number of : corporations : with 500 or : more employees : in the Federal : Reserve District	Number of corpo- rations with 500 or more employees appointed as issuing agents		Percent appointed as issuing agents	
		Week Ended		Week Ended	
		May 2	May 9	May 2	May 9
Boston.....	475	77	77	16	16
New York.....	902	173	194	19	22
Philadelphia.....	427	146	146	34	34
Cleveland.....	592	67	82	11	14
Richmond.....	446	34	43	8	10
Atlanta.....	228	13	30	6	13
Chicago.....	868	236	254	27	29
St. Louis.....	152	30	34	20	22
Minneapolis.....	101	9	11	9	11
Kansas City.....	147	20	23	14	16
Dallas.....	72	14	17	19	24
San Francisco.....	368	39	43	11	12
Total.....	<u>4,778</u>	<u>858</u>	<u>954</u>	<u>18</u>	<u>20</u>

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

May 12, 1942

Sales of United States Savings Bonds
From May 1 through May 11, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales	Actual Sales		Quota	Sales
	May 1 to Date	May 1 to Date	May 1 to Date	May 1 to Date	May 1 to Date	May 1 to Date	May 1 to Date					
1	\$ 12.7	\$ 12.7	\$ 14.0	90.7%	\$ 7.3	\$ 7.3	\$ 9.0	81.1%	\$ 20.0	\$ 20.0	\$ 23.0	87.0%
2	11.6	24.3	25.7	94.6	7.9	15.2	16.0	95.0	19.4	39.4	41.7	94.5
4	22.3	46.5	47.8	97.3	10.3	25.5	29.5	86.4	32.6	72.0	77.3	93.1
5	8.9	55.5	57.8	96.0	7.6	33.1	37.1	89.2	16.6	88.6	94.9	93.4
6	18.4	73.8	70.5	104.7	15.6	48.8	49.8	98.0	34.0	122.6	120.3	101.9
7	23.2	97.0	84.0	115.5	12.1	60.8	60.3	100.8	35.3	157.9	144.3	109.4
8	17.2	114.2	98.0	116.5	6.4	67.2	69.3	97.0	23.6	181.4	167.3	108.4
9	14.5	128.7	109.7	117.3	5.6	72.8	76.3	95.4	20.0	201.5	186.0	108.3
11	23.3	152.0	131.8	115.3	8.1	80.8	89.8	90.0	31.3	232.8	221.6	105.1
12			141.8				97.4				239.2	
13			154.5				110.1				264.6	
14			168.0				120.6				288.6	
15			182.0				129.6				311.6	
16			193.7				136.6				330.3	
18			215.8				150.1				365.9	
19			225.8				157.7				383.5	
20			238.5				170.3				408.8	
21			252.0				180.8				432.8	
22			266.0				189.8				455.8	
23			277.7				196.8				474.5	
25			299.8				210.3				510.1	
26			309.8				217.9				527.7	
27			322.5				230.5				553.0	
28			336.0				241.0				577.0	
29			350.0				250.0				600.0	

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

May 12, 1942.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

Regraded Unclassified

May 12, 1942
11:00 a.m.

CAPITAL ISSUES CONTROL

Present: Mr. Eccles
Mr. Purcell
Mr. Currie
Mr. McCormick
Mr. Buffington
Judge Healy

MR. PURCELL: I asked one of the other Commissioners to accompany me, and Judge Healy volunteered to, but he is getting here on a train which is due to arrive at ten-fifty at the station.

H.M.JR: Did you tell them outside he was coming?

MR. PURCELL: Yes, I did.

H.M.JR: Well, let's go ahead. We don't wait for anybody.

MR. PURCELL: Well, since we met last time, I have had Mr. McCormick and his associates go over everything that is in the shop or is impending by way of financing. Notable to me was the fact that right after we had our talk here--

(Mr. Eccles entered the conference.)

MR. PURCELL: I was just saying, Mr. Eccles, Mr. McCormick and his associates went over the issues that we had pending or that were subject to announcement of being filed and made an analysis of them from the point of view of their possible conflict with Government financing. Last week, as you probably noticed, or within the past ten days, several issues of the American Tobacco type have been filed or announced. They are not as large as American Tobacco, but they constitute

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a considerable amount all told. The over-all figure that our records shows, including actual figures, announcements from proxy material, and announcements from newspaper sources, show somewhere between six hundred twenty-five and seven hundred million dollars of financing contemplated in the relatively near future. Of that amount, about a hundred and six millions are now in the process of examination and are proposed to be offered within the next sixty days. Of those we have various types of companies including finance companies, gold mining, investment trusts - oh, I might say right there that while we haven't the definite figures for the year 1941, the investment trusts have continued and are continuing today their sales campaigns throughout the country, and on an estimate based on 1940 sales they are selling yearly somewhere between seventy-five and a hundred million dollars worth of new securities.

That, of course, competes very directly with sales of small face amount Government bonds in view of the fact that they sell to the very type of person that I think you are probably anxious to reach with your Savings Bonds.

H.M.JR: My horseback opinion is, I don't know what the others think. I think I ought to stop them.

MR. PURCELL: Well, that is just the way we feel. Right, Ted?

MR. McCORMICK: Absolutely.

H.M.JR: I think I ought to stop them.

MR. PURCELL: The trouble with that is, too, that it goes into salesman's commissions and officer's salaries very largely. The load is very heavy. The income - am I correct in this, Ted - is less than the purchaser of Defense Bonds would derive.

MR. McCORMICK: I think we can prove, by analyzing investment trusts, that an investor would be better off if he just took the Government bond and put it in a safe deposit box instead of paying the investment trust a hundred dollars. Have him take eight dollars immediately

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for a selling commission and then pay a management fee, and then pay a withdrawal fee when he gets out.

H.M.JR: If you will go back over the last ten years, I will sign a blank piece of paper and say it is so.

MR. BUFFINGTON: That is like your bulletin, those open end situations.

MR. McCORMICK: The real vicious type is the payment plan like Investors Syndicate and others where they take as much as sixty percent of your initial payment as selling commission and by the end of seven years you have accumulated a cash value equal to almost what you have paid in. It is a very vicious type of financing.

MR. ECCLES: There isn't a great deal of difference between that and some of these building and loan concerns that sell certificates on an installment plan and are heavily loaded if they carry through.

MR. McCORMICK: I think that is right. That is a type of security, of course, that is not within our jurisdiction. I think it is about the same type.

MR. ECCLES: They are getting an awful lot more than your investment trusts under the Government guarantees.

H.M.JR: Could I make a suggestion, if your staff has the time to look into that particular group?

MR. McCORMICK: Into building and loan?

MR. PURCELL: Yes, we would be very glad to.

H.M.JR: Has your staff got the time?

MR. PURCELL: We are working them pretty hard, but there is no reason why they shouldn't do a job.

MR. ECCLES: You might find out if the building and loans would invest their funds in Governments that, of course, would be the same as the insurance companies and the savings banks which - largely their revenue is going -

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the building and loan companies have advertised such high rates that they have got to get something more than the two and a half percentage to get by.

MR. PURCELL: That is right.

MR. ECCLES: Now, they, of course, have largely been in the home mortgage field, but with the restriction on new housing construction they are going to have some difficulties getting the homes, especially the high rate loans, so I don't know. You might find what the total amount of their funds are that they are accumulating and what the form of their investment - what form their investments are taking now.

MR. PURCELL: That same point can very well be made regarding these investment trusts. Our figures show, I think, somewhere in the neighborhood of only about a half of one percent of their assets being maintained in Government Securities.

MR. McCORMICK: That is right. For example, Investors Syndicate with its promise of accumulating to a certain figure just can't possibly carry Governments and meet all their expenses and meet their schedule. They just can't do it. As a matter of fact, this last period, I think, for the first time Investors Syndicate shows itself running in the hole. It showed a deficit.

MR. PURCELL: Don't they keep cash reserves or is that a different type of investment?

MR. McCORMICK: They keep some cash reserves, but not very large, I don't believe. Some of the management type that are turned over frequently keep eight or nine percent in cash, but not the plain companies.

MR. PURCELL: There is a place where I think you could sell some more Government bonds.

H.M.JR: Supposing, after thinking it over in this committee, supposing we brought in sort of a formal recommendation in this type of investment trusts so that - I

mean, I am just thinking out loud. We would circulate it amongst us before we came over for each of you to look at it.

MR. PURCELL: Surely.

H.M.JR: Let's say for argument's sake that we agreed, after reading it, that that was what we would recommend. Have you got the authority to stop it?

MR. PURCELL: No, sir.

H.M.JR: Have you got the authority?

MR. McCORMICK: No, sir. There is a peculiar situation in investment trusts. They will register a substantial amount of securities under the securities act and that may last them three years so they are effective, and they bring information in currently by merely supplementing their selling literature and going right ahead and selling. I imagine there is between a hundred and a hundred and fifty of these organizations with all their salesmen just out beating around the bush trying to sell as fast as they can.

H.M.JR: My suggestion again, just tentatively, would be to bring in - using this as a guinea pig, it is a good one. And you all decide that you want to do it. Then you go ahead on an informal basis and try to stop them and then you can't and then we will get the necessary legislation.

MR. PURCELL: I rather think it would turn out that way because there are some of these smaller ones that won't take any informal suggestions if they can help it.

MR. ECCLES: You won't stop those outfits without the legislation.

H.M.JR: But when we go on the Hill they will say, "Have you tried it?" and if we can say, "We have tried it and it won't work, and that is why we are here," that

will help. O.K., Marriner?

MR. ECCLES: I think that is a good way to get at it. I don't know what you want to try legislation for. You will have a fight on it. I don't know whether it might be done by Executive Order.

MR. PURCELL: Well, we think that it might. We had our legal staff work on that.

MR. ECCLES: I think that you ought to consider whether you need legislation because that is going to be a pretty difficult thing to get.

MR. PURCELL: Yes, I think so, but I think that is another subject that can be decided after you determine whether you want to do something about it.

Mr. Eccles, isn't there a group of - what do they call them under the National Housing Act, insuring banks? They are like - somewhat like building and loan associations that advertise. They use the word "Federal."

MR. ECCLES: Federal Savings and Loan.

MR. PURCELL: Yes.

MR. ECCLES: You see, what your setup there is, your Home Loan Bank setup - under the home loan - you see, there was the Home Loan Bank Board, and that was eliminated under this recent Executive Order.

H.M.JR: When you were first with us, remember that was that thing that you studied.

MR. ECCLES: Yes. I had been here - I will tell you the way that worked. I had been here four days, or three days, and I got a pile of papers about an inch thick. They had taken it over to the White House, and the President had written across this letter, "Henry, will you kindly look into this for me?" The Secretary said, "Eccles, will you kindly answer this for me?" That was the - I had been here about four days, I think, when that

MR. PURCELL: Yes, those are the complaints I have heard.

MR. ECCLES: They have three percent and three and a half percent Government guaranteed. Well, why should anybody buy Government bonds if they can put money into a savings and loan association and have the Government insure it up to five thousand dollars and guarantee them three percent or three and a half percent? That is what you are up against and that is the toughest lobby in Washington.

John Fahey is a tough man, and Horace Russell - do you remember him?

H.M.JR: Oh, yes.

MR. PURCELL: He is from Atlanta, isn't he? Wasn't he HOLC general counsel?

MR. ECCLES: He was. He got into difficulties.

H.M.JR: Have you something specific? I am at fault this morning. Have you some specific companies you want us to pass on?

MR. PURCELL: Yes.

H.M.JR: Let's do those first.

MR. PURCELL: I think we ought to bring to your attention the current ones. The first is National Distillers Products, and that is going to become effective this afternoon. Mac, would you just describe the situation there briefly? It is of the same type of operations as American Tobacco.

MR. McCORMICK: The offering is fifteen million dollars of seven year, sinking fund debentures due March 1, 1949. To the extent of eleven million dollars the proceeds will be used for the purpose of repaying outstanding bank loans of the corporation's and the balance will be placed in the general funds of the

corporation to be used for general corporate purposes. The proceeds from such loans replaced - that is the eleven million originally that was obtained from the banks was placed in the general funds of the corporation and was used to build up receivables and inventories. During the past year inventories increased four and a half million, and receivables five and a half million, and plant additions amounted to one million and a half. By paying off these bank loans the company hopes to put itself in a position whereby it can again resort to banks in the event it wants--

MR. ECCLES: It is a question of refunding its bank loans. It is entirely a refunding operation.

MR. McCORMICK: To the extent of eleven million out of fifteen, and of course, that will put them in a position where they can resort to the banks again for increasing their inventory.

MR. BUFFINGTON: I think the point Mr. Furcell has in mind was each time they clear them it leads to that same thing developing again, having to increase the public financing.

MR. ECCLES: Well, but what difference does that make? If they clear up a bank loan, I can well understand how a concern doesn't want to keep a constant bank loan. I mean, if it needs that much capital in the business, that in the first place it isn't good finance for the concern and it isn't good business for the bank, so that the bank examiners are going to be putting the bank somewhat under pressure to either put these current loans after a time on what they term - on what the bank examiners now call a term loan. We have gotten away from the slow category and we put the classification as a term loan, but - and some of these bank loans are being funded in the bank on a five year basis. They did go as high as ten but they have cut it down pretty well to five now. Or they will go outside of the bank and fund it. I, personally, don't see that that is very material. They need to put themselves, it seems to me, in a proper financial shape.

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MR. CURRIE: Doesn't this, Marriner, absorb funds of general investors that might otherwise go into Governments?

MR. ECCLES: You mean if they take it out of the bank and sell it? It may well do that. That is correct. But if it does of course the bank then is in a position to take that much more in Governments. It is a shift. Because if the bank credit is dropped, then certainly the banks are going to have to take a lot of Governments anyway, and the more liquidation that goes on in the banks of private credit, the more they can take Government bonds without inflating the banking structure. You see, it is a shift. For instance, on your - on this installment credit there is going to be a big drop in bank loans, just as in the case that you mentioned, there is going to be a lot of these short-term loans that will be funded and if they are funded the total volume of bank deposits drop along with that liquidation, and it simply means they will shift over into the Governments. So it is a question whether it is as well for the bank to own a Government in lieu of the - that loan, or whether the investor. It doesn't seem to me to make very much difference. It is quite different than this other thing you mentioned.

MR. CURRIE: Would you have any control on the further extension of bank loans, to require more inventory, you might say, or finance more receivables?

MR. McCORMICK: I think that is the point, by not having caught them at the outset they have taken two steps whereby the public at the end has invested money in increasing inventories. Apparently they are putting themselves in the position where that can be done repeatedly and as long as there is market reception for this type of security there is no limit to the amount of inventory that tobacco or liquor companies can build up, or woolen companies, any kind of these businesses that are not directly restricted by priorities. For example, limitations on steel and aluminum and items of that sort.

H.M.JR: Well, isn't this a case here, though, where

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the Government is asking the liquor companies to go into industrial alcohol for explosives?

MR. McCORMICK: That is another feature of it.

H.M.JR: I just wonder if they will be able to repeat this thing.

MR. McCORMICK: They may not. Now, we are - we have looked into the position of National Distillers, particularly from the investor's point of view, to see whether the WPB's alcohol program is such that they will not be able to build up their inventories or maintain them, and thereby actually lose their business two or three years from now because they haven't got the old whiskey; but they take the position that they can meet the present alcohol program of WPB and maintain or increase their inventories.

H.M.JR: What I would like to say is this. Speaking just for myself, I would approve this but not approve it as a type; meaning that having approved this, that everything else like it should go.

MR. PURCELL: Yes. In other words, your feeling is that so far as you can see at the present moment, this piece of financing isn't going to run contrary to the general purpose--

H.M.JR: If we had to make our hearings public, we would say, "We approve this and this goes forever," but I will just say this goes for today and we might reverse ourselves next week if we knew more about it. Is that right, Lauch?

MR. CURRIE: Yes.

MR. PURCELL: Well, we have--

H.M.JR: Is that all right, Marriner?

MR. ECCLES: Well, I don't think you can - I think you

will run into a lot of difficulties if you try to support a program of preventing a lot of these outfits that have got heavy bank loans that are absolutely contrary - to hold the Treasury and the Fed in one hand and, on the other hand, have our bank examinations proceed in another direction. It is perfectly inconsistent.

H.M.JR: But, Marriner, all I am saying today is, I would say yes on this but the time may come in a month, or two months, or six months, where we might have to do something else.

MR. ECCLES: Well, that is right.

MR. CURRIE: This is just a thought that occurs to me, Mr. Secretary. It is a curbstone opinion, not a horseback opinion.

H.M.JR: You are on safe ground. (Laughter)

MR. CURRIE: It might be helpful to the banking authorities--

MR. ECCLES: He doesn't want to get thrown for a loss.

MR. CURRIE: I don't want to fall very far. It might be helpful to the banking authorities if you could have some indication from WPB of the undesirability of increasing inventories at this time and hoarding for the sake of increasing inventories, as well as purchasing power except in some exceptional purchases. They want us now to accumulate inventories of coal at the present time, but those will be exceptional cases. By and large I think the general policy would be to try to hold down on accumulation of inventories.

MR. ECCLES: Except this - I think that is fine as far as it goes, but you have tremendous inventories in the War Production industries. Now, we have been working with the War Department and Navy in connection with doing a lot of this lending, and it is just rolling in.

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They have already, in the last two weeks, put out over sixty million dollars - that is, the banks have made loans. It hasn't - but the loans have been made, every one of them, in connection with the essential war industries, largely sub-contractors. The primary contractors had the advances. The difficulty was getting the sub and the sub-sub-contractors. Now, it is surprising, the amount of inventories that those outfits have to get. They take an order and it is ten times the business they have ever done before and in order to keep going they get the stuff when they can. They get priorities and they just have to take whatever they can get and pile it up in order to keep going. It isn't as though you could keep an easy, steady flow from one end of the factory to the other, and they have tremendous inventories in the very nature of the thing.

MR. PURCELL: The kind of thing that WPB would probably want to be given the right of way over other types of loans--

MR. ECCLES: WPB, of course, on that sort of a setup would naturally want it financed.

MR. PURCELL: Sure.

MR. ECCLES: But it is a current sort of a financing because the stuff might go on very rapidly and liquidate again. So it is all very short-term stuff.

H.M.JR: Well, Marriner, do you want to just informally say O.K. on this?

MR. ECCLES: Well, I would. I think you - as far as I am concerned I would certainly favor it.

MR. PURCELL: I agree with--

H.M.JR: Lauch?

MR. CURRIE: Yes, I think so. I was looking around to see if we couldn't get a more general principle.

There will be so many like this.

MR. McCORMICK: I wonder if a statement to the effect that public financing to replace loans of this type will be questioned in the future might warn companies now who get level with banks not to proceed to borrow and get themselves in a hole to where they have to resort to public financing again.

MR. ECCLES: I think Henderson would have a real interest in this.

H.M.JR: Well, the way I feel, I want to kind of ease myself into this thing. I don't know how deep I am going to get into the thing.

MR. CURRIE: I should think as a general national policy now the accumulation of inventories in non-defense industries would not be in conformity with the national interests.

H.M.JR: I agree with you.

MR. PURCELL: What would you think of seeking a statement from WPB on that question?

H.M.JR: Good.

MR. PURCELL: For the information of the committee.

MR. ECCLES: Can they get inventories? Isn't this the problem pretty largely now with the price-control picture and rationing as it is extending? Isn't it pretty difficult to accumulate inventories? There was a point where outfits were bidding for goods paying a very profitable price and they would bid up in order to get inventories - they were speculating on goods today with the price frozen. The manufacturer and the retailer, or the manufacturer and the wholesaler, is not anxious to let any one of their customers have all they want. You will find all over the line that it is very difficult under the present price-control picture to accumulate

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inventories, which has not been true on a constantly rising market, so that - this problem of accumulation and speculation has certainly been minimized through that price control.

MR. McCORMICK: I think that is right in a good many lines, but I think there are still some lines where inventories have been increasing. The financial press, for example, indicates that whereas loans to certain types of defense industries have actually decreased in the last six weeks, because of the fact that the Government is paying them off indirectly, that loans to other types of businesses have actually tended to offset that. Now, the question in their mind, apparently, is how long can this continue in view of the rapid decline in--

MR. ECCLES: I would think that before you could adopt a fixed policy in this you would have to wait several months to see the effect of the ceiling that the price-control office is putting on. It is my opinion that with the setup that we now have that you will find a real liquidation of bank debt rather than an increase of it.

MR. McCORMICK: I think that is probably true.

MR. ECCLES: And I don't mean a liquidation for this; I mean a liquidation as a result of a liquidation for inventories, that inventories on balance are going to go down pretty rapidly over the next six months rather than increase. There has been an increase in order to beat the rationing and in order to beat the - while prices were going up, but when it became perfectly clear that there was going to be a ceiling on prices it took away all that speculative fervor, I think.

MR. McCORMICK: There is no doubt but what the aggregate over-all bank loans will probably go down. On the other hand, there will be, I think, a tendency for certain types of bank loans to increase, although the net will go down. Now, the point, I think, is whether you are going to allow the inventories to increase

in those non-contributing industries at all, whether the decline shouldn't be accelerated by eliminating that type.

MR. PURCELL: Well, that is a real question.

H.M.JR: You have got to pass on this company this afternoon, I take it, haven't you?

MR. PURCELL: Yes, I told them I would let them know after the meeting.

H.M.JR: As far as I am concerned it is all right.

MR. ECCLES: This is what?

MR. PURCELL: National Distillers.

H.M.JR: Now, what else have you got in?

MR. PURCELL: Well, we have various and sundry other things. I mentioned the types when I first started.

H.M.JR: I mean, the ones--

MR. PURCELL: As far as imminent ones are concerned--

H.M.JR: Let's do the imminent ones.

MR. PURCELL: Public Service of Indiana is going to offer today, under competitive bidding, four million of bonds for expansion for the war effort. I take it there will be no objection to that.

H.M.JR: No.

MR. PURCELL: When Phillip Morris and Company are - is that down below five million now, Mac?

MR. McCORMICK: No, it is five, nine something. It is up above. You see, there are two offerings. The first

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one is preferred stock which they had hoped to offer on the fourteenth.

MR. PURCELL: Yes, four million nine. Is that a debt or preferred stock?

MR. McCORMICK: That is preferred stock to be offered.

MR. PURCELL: That is for refunding?

MR. McCORMICK: That is right.

MR. PURCELL: Then they are going to offer on the fifteenth six million of debt for the purpose of paying off - you have got the figures, Mac. I have forgotten how much they are.

MR. McCORMICK: The second offering is six million dollars to increase their inventory and the first is five million to pay off bank loans. You see, that is the company that has been increasing so rapidly.

MR. ECCLES: Which concern is that?

MR. McCORMICK: Phillip Morris.

MR. ECCLES: Six million to increase their inventory, you say?

MR. McCORMICK: That is right.

H.M.JR: That they are going to do today, you said, didn't you?

MR. PURCELL: The fourteenth and fifteenth is their proposed schedule. Now, they may depart from that somewhat.

MR. ECCLES: Isn't it a good thing for them if they want to hold some of this tobacco? There is plenty of it.

MR. PURCELL: Well, of course that, as I said the other day, should be one function of such a committee, as to find out - you know in this case that there is plenty of tobacco and it won't take away from the war effort to have tobacco produced, and then the only remaining question is, is the amount of this going to be such as to conflict with the Treasury program such as it has now of the continuing sales effort.

MR. ECCLES: Isn't this what happens, though? If tobacco is being financed - it is being financed largely today by the Commodity Credit Corporation. To the extent that the tobacco is turned over to these tobacco companies, the Commodity Credit is paid off and that much of the Government debt is reduced so it doesn't take anything away. It is merely a transfer of debt.

MR. McCORMICK: Well, that is going back to something, that you want tobacco produced instead of something else. It is possible there may be a shortage of farm labor and then, of course, there is interference of transportation, and it always takes equipment to pack--

MR. ECCLES: But you can't stop the production of tobacco very well.

H.M.JR: They could in another year.

MR. McCORMICK: Phillip Morris would have to curtail its program without the money, I am quite sure of that.

H.M.JR: Well, I would pass it for today, but you are raising some very interesting questions, some pretty broad questions.

MR. PURCELL: I think these are the questions that are going to grow in importance. There is also that fear that you have--

H.M.JR: It is much easier to ease us into this thing because I am not looking for any new worlds to conquer.

MR. PURCELL: You know better than anybody. One time you get an issue stuck on the shelf and your bond market is severely--

H.M.JR: I know.

(Judge Healy entered the conference.)

H.M.JR: We have been having a very interesting meeting so far and I have learned a lot.

MR. PURCELL: We have been over some of the pending issues and we also, Judge, mentioned the investment trust selling. The Secretary, and I think all the rest, felt that that is something that should be looked at very sharply and off hand felt that it ought to be stopped, but asked us to make a report to the committee prior to a further meeting where we could consider the matter. They also asked us to look into the question which Mr. Eccles raised concerning building and loan association activities, perhaps Federal Savings and Loan. Although he pointed out--

MR. ECCLES: Well, the others even more than the Federals. The Federals are the best of the group. The real ones are some of these state outfits that are not under the Federal.

MR. PURCELL: There is a general consensus that so far as the really current issues are concerned, National Distillers and Phillip Morris, that there was no necessity of putting clamps on them at this time. Although the Secretary was saying just as you came in that we are canvassing here some points which are of interest and which may well become of further interest as we go along.

H.M.JR: Have you got any other issues that are coming right now?

MR. PURCELL: Describe that one on the Interim Finance Corporation.

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MR. McCORMICK: That is a new company being organized to go into the field of financing business. The offer is slightly in excess of one million dollars and - let's see, it is one million seventeen thousand dollars to be used for operating capital. The primary function of the company is to loan money to business enterprises, such loans being secured by collateral in the form of account or notes receivable, real estate or personal property, or guarantees of officers or directors. It is a new organization just getting under way to put money out so you can expand business.

MR. BUFFINGTON: May that not tie into your war effort by helping some of these little fellows get capital who may have sub-contracts?

MR. McCORMICK: It might but I wonder if a company wanting to contribute to the war effort couldn't go to a bank more legitimately and get taken care of.

MR. ECCLES: This outfit has got to go out and get the money from some place.

MR. PURCELL: That is right.

MR. McCORMICK: And you certainly won't have the controls and the examining staff that you have in the banks.

MR. ECCLES: What is the size of that?

MR. McCORMICK: One million seventeen thousand dollars. It is small but it is typical of the sort of--

MR. ECCLES: What would you class that?

MR. PURCELL: Interim Finance Corporation.

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H.M.JR: Is it a good crowd?

MR. PURCELL: I haven't any idea.

MR. McCORMICK: I think it is a group in Chicago.

H.M.JR: Then you want to look out for them. (Laughter)

MR. ECCLES: Now, I would certainly want to take a look at that kind of a thing, because you take this consumer credit regulation that the Board has put out supplementing Henderson's program, and it reaches right down into every avenue of consumer credit, not only open account credit, but - of course, we have been regulating these finance companies, and it looks to me like that is just another finance company. Now, you have got today most of these finance companies who can't get enough business to exist. The thing is liquidating very rapidly. They were built upon automobile, and Frigidaire, and washing machine, and that type of financing. That has just been going down naturally, so they are having to curtail tremendously to survive. Now, outfits like the Home Finance, which is the biggest personal loan outfit in the country, have been hit very hard; and since we have modified the regulation, they are going to be hit again. That is the biggest one in the United States, and their headquarters is in Chicago. They have about an eighty million dollar structure. So, I would think coming in and issuing a million dollars to some outfit there just doesn't fit into the picture. It isn't necessary.

MR. McCORMICK: What you are going to do is freeze it, if anything. You will probably take a million dollars and freeze it if they could sell it. That is what it amounts to. Or divert it into useless endeavors.

H.M.JR: Couldn't you look into it? It might be perfectly legitimate. On the other hand--

MR. PURCELL: We have time enough to look into that and report to another meeting on it.

H.M.JR: Would you do that?

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MR. PURCELL: Yes.

MR. ECCLES: I didn't get that. Is this a new company?

MR. PURCELL: Entirely new company.

MR. ECCLES: That makes it worse than ever.

H.M.JR: There is a good case to look into. Don't you think so, Lauch?

MR. CURRIE: Yes.

H.M.JR: Judge?

JUDGE HEALY: Yes.

MR. CURRIE: I was going to add that the proposal to establish a smaller business corporation - a hundred million dollars, isn't it, a Government corporation, which would be the same, as far as I am concerned.

MR. ECCLES: That is the Murray Bill you are talking about. Well, that is a political hot potato, and nobody wants it except Murray and some of those fellows on the Hill. Now, I know Nelson and the fellows over there certainly don't want it, but they didn't know how to say no without getting in dutch with too many Senators, I think.

H.M.JR: What else have you got?

MR. PURCELL: Well, the rest of it is miscellaneous, composed of two or three investment trust issues, a couple of gold mining issues.

MR. CURRIE: We don't want gold mining, do we?

MR. PURCELL: Well, there is twenty-five thousand dollars for the Gillem Mining Company, and forty-eight thousand for the Treasure Mountain Gold Mining Company.

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MR. McCORMICK: Three hundred fifty thousand for a Canadian gold mining company, and I understand the Government up there is allowing them to get some equipment.

MR. ECCLES: To get some dollar exchange?

MR. McCORMICK: This company is really the world's worst type. They had a property, and couldn't make a success of it, and leased it to another group, called Adventurers, which is to operate the company, and in their association with Adventurers Corporation, they thought that looked like such a good business that is what they are going to do. They are going to get some capital and go out and promote some of these lodes that are lying around.

H.M.JR: What would you do, normally, if you weren't here, with those little odds and ends?

MR. PURCELL: Well, I think that if it is felt not desirable to have them in the market at this time, while we haven't any powers, I suppose a word to the boys who are going to issue that sort of thing would be enough, don't you, Mac?

MR. McCORMICK: I doubt it. That is what we would do in the ordinary procedure. We keep making them improve their statement of the type of business to the point where it is unlikely anybody will buy the thing if they will read the statement we require them to put out, but then, there is always the widow and the orphan--

MR. ECCLES: They don't read it.

MR. PURCELL: Well, those are far enough away, perhaps so that - now, Treasure Mountain is going out the 15th.

MR. CURRIE: As a matter of principle, however, I don't see how this group can go on record as approving diversion of capital resources from our market to develop now Canadian gold properties.

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MR. PURCELL: I don't either. I just don't see it. But, the most we can do, even if that is the sentiment of the entire committee, is to go to the company and say we had a meeting down there the other day and tell them who was there and tell them they don't want them to sell this.

MR. CURRIE: Treasury could slip a word to the Canadians.

MR. PURCELL: I forgot about that; Lauch.

H.M. JR: Well, we could do that here unless you have connections. We have very good connections with the Canadian Treasury.

MR. PURCELL: We have none.

H.M. JR: Would you (Buffington) do that through Harry White?

MR. ECCLES: What do the Canadians do? Do they have to provide a registration for securities offered?

MR. PURCELL: Do they have any registration system, Judge?

JUDGE HEALY: They have a blue-sky commissioner up there who is hampered by the constitution.

MR. PURCELL: That is about what it amounts to. If he is a good man, he runs the thing the right way.

MR. ECCLES: If he doesn't, the promoters run it?

MR. GAMBLE: That is right. He gives us a good deal of help. The man in Ontario used to when we appealed to him. He would--

MR. ECCLES: Do they have one for the whole of the country, the Dominion, or one for each of the Provinces?

MR. PURCELL: Provincial, yes, although, Judge, I don't think he stops them from issuing new securities. I don't ever remember a case of that sort, do you?

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JUDGE HEALY: Well, I knew Godfrey pretty well. He has been put on the bench recently. He talked pretty freely off the record, and when he told those boys not to sell them, they didn't sell them.

MR. PURCELL: I thought he merely put them out of the brokerage dealing business.

JUDGE HEALY: Well, he took care of them one way or another. They would do whatever he wanted them to.

H.M.JR: Well, where do we stand on this, just on these last things?

MR. PURCELL: Well, you have suggested taking care of the Canadian case. Now, we have the other two, I think it is, American cases. The most we can do there is, as I suggested, to say to them that this group has the feeling that money for gold mining property shouldn't be competing with the Government program of financing. I anticipate, however, that the next thing you will hear from them is through the Western Senators and Congressmen, because these fellows have been--

H.M.JR: That is all right. I wouldn't worry about that.

JUDGE HEALY: The amount is pretty small?

MR. PURCELL: Yes, they are small, Judge.

MR. ECCLES: These are just little promotional outfits. On the face of it it looks like - it is bad enough for an established concern to come in, but this is an outfit that apparently just wants to go out and promote.

MR. McCORMICK: Incidentally, during 1918, when the Capital Issues Committee was operating during a period of four months, they had five hundred violations, most of which were by companies of this type. In other words, after they knew what the regulation was, they still went right ahead.

H.M.JR: Again, if I may suggest, even though it is twenty-five thousand, and let's say we fail, I think we have got to build up a case history there gradually.

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MR. PURCELL: I agree with you.

MR. ECCLES: Can't you stop them? You can refuse to permit them to sell their securities.

MR. PURCELL: Oh, not if they get their statement in shape.

MR. McCORMICK: All they have to do is tell the truth.

MR. PURCELL: If they tell the truth - it sometimes takes them a long time to get around to doing that; but once they do, they are free of us.

MR. ECCLES: Let the public beware from then on, is that it?

MR. PURCELL: That is right. Now, the other issues contained on this immediate list are largely public utility companies that want money for - principally for expansion, or in the case of Virginia Public Service to try to put them in some kind of shape so that they can continue to - is there any expansion in Virginia, Judge?

JUDGE HEALY: I think there is about two million dollars of construction planned there.

MR. PURCELL: But the principal aim is to get the company in shape?

JUDGE HEALY: The principal aim is to get all these mortgages into one mortgage and get rid of a lot of complications, and get some decent--

MR. PURCELL: So they won't go busted and leave the torpedo factory with--

JUDGE HEALY: Unless that company does something inside of twelve months, it will end in bankruptcy.

H.M.JR: Any question in your mind about letting that go to the public?

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JUDGE HEALY: There wouldn't be in my mind.

MR. ECCLES: You have greater powers, of course, over the utilities than you do the others?

MR. PURCELL: Oh, yes.

MR. BUFFINGTON: There is one question that has come up, and I don't know that it is necessarily important at the moment, because we have since heard that it may not go through. There was a contemplated syndicate discussed in Cleveland to sell a hundred and forty million City of Cleveland Bonds for the purpose of acquiring a seventy-five percent interest in the Cleveland Electric Illuminating Company now owned by North American Company. I have understood since I wrote this memorandum that that has been pretty much newspaper conversation; but if it developed, it might mean that there would be a large volume of municipal offerings competing with our Treasury financing.

H.M.JR: Well, let's meet that head-on when we have got a good case. Does that clean you up?

MR. PURCELL: I might just mention what we have on file and anticipated just to give you the amounts and the type without going into any detail to speak of. We have on file two hundred six million, six hundred odd thousand which includes Moore-McCormack Lines, Florida Power and Light, United Gas Corporation, Intermountain Telephone, Hastings Manufacturing, Miller Tool Manufacturing, West Indies Sugar, Hamilton Watch Company, Liberty Aircraft Products, Union Electric of Missouri, and Southwestern Public Service Company. There are a good many utility companies in there. It is necessary financing in most cases. Some of those we won't bother you with at this time. Issues that have not yet been filed but have been in the public press, including the City of Cleveland, amount to four hundred and six million. There is one, Aluminum Company of America, contemplated financing of a hundred and fifty million; R. H. Macy, who will probably be in very shortly with a twelve million dollar issue which is for inventories, paying off debt, the same type of thing as American Tobacco--

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MR. ECCLES: They have already gotten the inventories?

MR. PURCELL: I am not sure.

MR. McCORMICK: The press indicates it is largely for payment of debt.

MR. PURCELL: Childs Company is four million nine.

MR. McCORMICK: That is refunding.

MR. PURCELL: And the Dominion of Canada, a hundred million.

JUDGE HEALY: And there has been some mention of the Federated Department Stores.

MR. PURCELL: Yes, Judge, I had forgotten that. That is a private issue.

MR. CURRIE: Is that Dominion of Canada refunding?

MR. PURCELL: That I don't know.

H.M.JR: We ought to take a look at that.

MR. CURRIE: It must be.

MR. ECCLES: Yes, I would think so. I can't imagine them putting out a new issue here.

MR. PURCELL: The Judge mentioned the Federated Department Stores. We have done the best we can to smoke out so-called private placements other than actual public offerings, and we have only been able to run down two from proxy material, and that is the Walter E. Heller Company, but we know the purpose of it, that is refunding; and then the Federated Department Stores are going to issue two hundred million three-quarter debentures to the Equitable Life, and two billion three hundred to the Bankers Trust Company, debentures maturing in 1954, and the serial notes 1942 to '47, and the funds are to be used to the

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extent of two million dollars to pay off the bank debt and two million to increase inventory. That is the lot of them to date.

H.M.JR: Well, just so we won't tire these people out, so they will come back again, I would like to keep these meetings to an hour if possible; and if that takes care of you, subject to your call - and I think if there was some way you could let Mr. Jones know, he would appreciate it.

MR.PURCELL: I will do that, and I will get a report for you - we will get one to the members of the Committee generally on the investment trust - Government Loan Associations.

H.M.JR: If nothing else came out of this meeting, if we could stop those phoney sales of those investment trusts, I think that would be a good day's work.

MR. PURCELL: It would be highly desirable. Then would you like us to check in anyway on this question that Mr. Currie raised as to WPB's attitude on it?

H.M.JR: Yes.

MR. PURCELL: All right, sir.

H.M.JR: I think it is important.

MR. PURCELL: And then we had a third one we were going to report to you on, film financing.

H.M.JR: We will hold ourselves subject to your call.

MR. PURCELL: All right, sir.

H.M.JR: I think it was a good meeting. I enjoyed it.

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TREASURY DEPARTMENT

To: Miss Chauncey

Mr. Purcell had sent Mr. Buffington
a carbon of this which he has
read.

A. Olmsted

GEORGE BUFFINGTON

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4/12/42

*Mr. Buffington
would
like you to read
& return, pls*



To : Members of the Informal Committee
on Capital Controls

Re : Report of Meeting held by the
Committee on May 12, 1942

From: Securities and Exchange Commission

The conference was called in the Office of the Secretary of the Treasury at 11:00 a.m., May 12, 1942. Present were: Secretary Morgenthau, Marriner S. Eccles, Chairman Board of Governors of Federal Reserve Board, Lauchlin Currie, Administrative Assistant to the President, George Buffington, Jr., Assistant to the Secretary of the Treasury, Commissioner Robert E. Healy, Chairman Purcell, and Edw. T. McCormick of the Securities and Exchange Commission.

The meeting was called pursuant to understanding of April 28, 1942, for the purpose of reviewing the nature and purpose of certain proposed offerings of securities. It was the intent of the committee to review the private financing field in order to ascertain whether or not any of the current financing interfered or might interfere with Treasury financing to the extent that warranted prohibition of such financing. At the outset Mr. Purcell pointed out to the committee that an estimated 100 investment trust organizations were actively engaged in the sale of investment trust certificates or plans in direct competition with the Treasury's program of selling war savings bonds to individuals. It was pointed out that while the sales figures for 1941 were not available, that in recent years sales by these trusts had amounted to from \$50 to \$100 million a year. Messrs. Purcell and Healy pointed out that as a matter of fact persons who invested in this type of security uniformly realized less income than persons who invested in United States Government Savings Bonds. The Securities and Exchange Commission was requested to present as soon as possible current statistics relating to the activities of this type of institution. It was unanimously agreed by the

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committee that steps should be taken to prohibit the further sale of certificates by investment companies of this type should the data submitted bear out the conclusions reached at the meeting. It was felt, in that event, that steps should be taken to stop further sales and if it should be found impossible to stop such sales on demand, it would be advisable to obtain the necessary implementing authority through legislation or executive order.

The Securities and Exchange Commission was asked, at the suggestion of Mr. Eccles, to obtain an analysis of building and loan association operations, particularly total assets, nature of portfolio, amount of deposits and income, together with the recent trends in these items. It was also suggested that in connection with this analysis a report be presented on the activities of the Federal Savings and Loan Insurance Corporation.

Mr. Purcell next called attention to three relatively small proposed offerings by American and Canadian mining companies. He emphasized that while individually the items appeared insignificant that financing of gold mining enterprises was entirely unwarranted and that steps should be taken to terminate such offerings. In the matter of the Despina Gold Mines, Ltd., a Canadian corporation, the Secretary of the Treasury stated that he would have his Department communicate directly with the Canadian Treasury with a view to stopping financing by such ventures in the United States. In the matter of the Treasure Mountain Gold Mining Company and the Gillham Mining Company, American corporations, the Securities and Exchange Commission was directed to take steps on behalf of the committee to suspend their financing programs.

The committee next considered the proposed offering of the National Distillers Products Corporation. This company proposed to offer on May 13, 1942, \$15,000,000 of Debentures for the purpose of repaying \$11,000,000 of outstanding bank loans and increasing general funds available for the increase of inventories by \$4,000,000. The committee determined

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to raise no objection to this offering with the understanding that such action in no way constituted a precedent to be followed in like cases in the future. Mr. Currie emphasized the fact that this type of offering involved a matter vitally affecting the national interest and that further study should be made of offerings designed to finance increased inventories of materials not essential to the war effort. He pointed out that the result of the two transactions, that is, the borrowing from banks to increase inventories and then appealing to the public for funds to repay bank loans had the same net effect as a direct sale to the public for the purposes of increasing inventories. The Securities and Exchange Commission was directed to contact the War Production Board and the Office of Price Administration for the purpose of determining their attitude toward financing of this type.

Mr. Currie also suggested that a study be undertaken to ascertain the economic effects of prohibiting financing undertaken for the purpose of permitting the processing of agricultural commodities, such as tobacco, grain, etc. The Commission is going forward with this project.

The financing of Philip Morris and Company, a cigarette manufacturer, was considered next. The nature and purpose of this financing was almost identical to that of the National Distillers Corporation and here again the committee raised no objection to the offering pending further consideration of the general problems involved. A final decision on financing for inventory accumulation of non-war items will probably be made in connection with offerings for financings proposed by R. H. Macy and Company and Federated Department Stores which have been mentioned in the Financial Press but had not yet been filed with the Securities and Exchange Commission. R. H. Macy has since, on May 14, 1942, filed a registration statement under the Securities Act of 1933.

May 12, 1942
12:01 p.m.

HMJr: Hello.

Operator: Mr. Rouse.

HMJr: Hello.

Robert Rouse: Hello.

HMJr: Rouse?

R: Yes, sir. Good morning.

HMJr: How are you?

R: Pretty good. And you?

HMJr: Okay.

R: Dan was in good shape when I left there at ten o'clock last night.

HMJr: Oh, was he? Was he sober?

R: He was entirely sober.

HMJr: That's too bad.

R: I don't know what he was going to do with his poker chips.

HMJr: I see.

R: (Laughs) I called because I had a call from the Prudential Insurance, and I thought you'd be interested in knowing that they were going to subscribe for an additional fifty million today.

HMJr: Oh, wonderful. Well, now, I've been questioning how long we should leave this open.

R: Well, we've been getting some suggestions from dealers that they thought it ought to be closed this week.

HMJr: Oh, I want to close it this week; but I wondered

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whether I should give them a twenty-four hours' notice tonight.

R: How - what was the aggregate last night?

HMJr: Just a little over seven fifty.

R: A little over seven fifty.

HMJr: Yeah.

R: This will bring it up to over eight hundred.

HMJr: Yeah.

R: Probably have eight hundred and ten or fifteen tonight.

HMJr: Yeah.

R: Well, it would be my own inclination to close it. I don't think it makes very much difference as to money. It all, I think, it more depends on the reaction that Bryce and Buffington are getting.

HMJr: Well, I put Buffington on notice this morning. I told him I'd talk to him tonight about it.

R: As far as I know, this cleans up most of the big items that I thought were pending.

HMJr: Yeah.

R: And it's a case of whether these security men ought to have a little more time. It takes a good deal of time and talking to work people into this.

HMJr: Well, I put them on notice, and I'm going to talk to them again tonight. I may give them forty-eight hours' notice.

R: Uh huh. I think that might be a good way to do it.

HMJr: That would be plenty.

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R: Give them two days, and let it go tonight.

HMJr: That's right.

R: That would suit me.

HMJr: It would.

R: Yes, sir.

HMJr: Okay.

R: Okay.

HMJr: Thank you.

R: Thanks.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, May 12, 1942.

Press Service
No. 31-54

Secretary of the Treasury Morgenthau today announced that the subscription books for the current offering of 2-1/2 percent Treasury Bonds of 1962-67 will close at the close of business Thursday, May 14.

Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight Thursday, May 14, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and allotments and their division among the several Federal Reserve Districts will be made when final reports are received from the Federal Reserve Banks.

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5/12

SUBSCRIPTIONS - 2-1/2% TREASURY BONDS OF 1962-67

(In millions)

May 4 - - - - -	\$ 20.4
May 5 - - - - -	509.4
6 - - - - -	133.1
7 - - - - -	27.9
8 - - - - -	39.4
9 - - - - -	11.8
11 - - - - -	13.9
12 - - - - -	58.0
	<hr/>
	<u>\$514.3</u>

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 12, 1942.

TO Secretary Morgenthau
FROM George Buffington G.B.

Following the meetings last Friday with the securities industry representatives and the Federal Reserve group, Mr. D. W. Bell suggested that Mr. Bryce and I see you before the two committee chairmen submit their report to you.

May 12, 1942
12:15 p.m.

HMJr: Hello.

Operator: Mr. Hoover is out of the city. He's traveling today, and they expect to hear from him in the morning.

HMJr: Well, who.....

Operator: He won't be back for ten days.

HMJr: Who's there?

Operator: I'll get someone else in his place.

HMJr: I want whoever's there in his place.

Operator: Right.

May 12, 1942
12:16 p.m.

HMJr: Hello.

Operator: Mr. Tamm is acting, and he's in a staff conference with the Attorney General. It will take about five minutes to get him. Do you want the next in line?

HMJr: Yes. Somebody else. Somebody.

Operator: All right. Right.

HMJr: It must be - give me Mr. Hoover's secretary.

Operator: All right.

HMJr: Give me Mr. Hoover's secretary.

Operator: All right.

May 12, 1942
12:17 p.m.

HMJr: Hello.

Operator: I have Miss Gandy.

HMJr: Hello.

Operator: Go ahead.

HMJr: Miss Gandy.

Miss Gandy: Yes, Mr. Secretary.

HMJr: Mr. Hoover promised me - I don't know whether it was Friday or Thursday afternoon.....

G: Yes.

HMJr:that he would give me everything that he had on the Argentine.....

G: Yes.

HMJr:having to do with their - well, anything that would help us decide whether we should or shouldn't freeze their assets in this country.

G: Yes. That is being gotten together now, and it should be finished sometime this afternoon.

HMJr: Well, now, we're having a meeting - just let me find out.....

(Talks aside) What time are you meeting? Yours.

Mr. White is meeting at two-thirty this afternoon on this thing. We desperately need it.

G: Well, I'll get in touch with Mr. Tamm right away and see if it is finished.

HMJr: Well, it's to go to Dr. Harry White.

G: Dr. Harry White.

HMJr: In my office.

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(Talks aside) What's your room number?

Two fourteen.

G: We'll send it over there.

HMJr: He needs it very badly.

G: Fine.

HMJr: Thank you.

G: We'll take care of it.

HMJr: Thank you.

G: Thank you.

May 12, 1942
3:16 p.m.

HMJr: Yes, Sam.

Speker
Rayburn: There's a situation in the oil fields, about these little fellows.....

HMJr: Could you talk a little louder?

R: I say there's a situation in the oil fields about these little fellows.....

HMJr: Yes, sir.

R:and it looks pretty bad to them.

HMJr: Yeah.

R: Now, I'm just digging around - I called you - they have, I judge, in Texas, a hundred million dollars in loans from the banks.

HMJr: Yes.

R: And some of them have a loan from insurance companies, probably.

HMJr: Yeah.

R: But especially the banks.

HMJr: Yeah.

R: Now, these fellows, of course, have been shut down until - closed down on account of transportation - until they're having a devil of a time even paying their interest.....

HMJr: Yeah.

R:much less any payment on the loan.

HMJr: Yeah.

R: They're not making any money. They're having to let their help off, and this, that, and the other; and they are alarmed that one of these days when

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somebody comes along inspecting a bank and says that, well, this loan here for \$95,000 - I have one specific in mind - they never loan more than thirty per cent of the value, and sometimes twenty per cent, usually - the twenty is about usual.

HMJr: Yeah.

R: They're a little bit alarmed that somebody might come along sometime and say, "Well, now, this fellow's paying the interest, of course, but he ought to be reducing this note."

HMJr: Yeah.

R: And that the bank may be forced to call them, and if it does, of course, that means taking it over and practically a confiscation.

HMJr: Yeah. Well, let me look into it.

R: You don't know of anything like that that's ever been discussed, do you?

HMJr: No. Have you talked to anybody else about it?

R: No, not a human.

HMJr: Well, let me take a look into it.

R: Yeah.

HMJr: Will you?

R: Yes.

HMJr: I'll talk to the Comptroller about it.

R: Yeah. Yeah. These loans, now, understand, are perfectly grand loans and they all pay off like a slot machine.....

HMJr: Yeah.

R:but their production on account of this.....

HMJr: I get you.

R:six days a month, you see, and they got all

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the - got everything filled up.....

HMJr: Yeah.

R:with gasoline and oil, and it's about three days a month.

HMJr: Well, if there's anything.....

R: Of course, there's got to be, if - if a thing like that happens.....

HMJr: Yeah.

R:or began happening, of course what we'd have to do is just to pass a moratorium, that's all.

HMJr: Yeah.

R: And squeeze down on them so that they - well, the bank then probably wouldn't get either its interest or its principal. Feel around about it, Henry.

HMJr: Sam, I'll give it my immediate attention and I'll give you an answer in a day or two.

R: Fine. Thanks, Henry.

HMJr: Now, let me ask you one.....

R: Yeah.

HMJr:as long as I got you. This fellow Gore, from Tennessee.....

R: Yeah.

HMJr:is getting all this publicity on this bill.

R: Yeah.

HMJr: It hurts us like hell in the field, where we're trying to get the fellows to do it on the volunteer plan.....

R: Yeah.

HMJr:to have them read every day in the paper that it's going to be compulsory.

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R: Yeah.

HMJr: And the boys say, "Well, if we do this thing now and buy up on the volunteer plan and then later on they come on and do it to us on the compulsory, why not just wait?"

R: That's right.

HMJr: See?

R: That's exactly right.

HMJr: And it's hurting us like hell, and I'd.....

R: Well, Leon Henderson's statement didn't help you any, did it?

HMJr: Well, he's going to correct that. He said he didn't say it.

R: Well.....

HMJr: He's going to give out a formal.....

R:anybody that talks too damn much usually gets misquoted.

HMJr: Well, Leon said he'd give out a formal statement correcting it. But now let me ask you, are you fellows going to - how far is Gore going to get.....

R: I don't think he's going to get very far until the President - you and the President, and the people that are handling this situation say it's time to go.

HMJr: Yeah. Well, is it.....

R: Now that's my position exactly.

HMJr: Is there any way of kind of tipping off the public that his bill isn't going to get a real consideration?

R: I'll see if I can arrange that that I might do that in a day or two myself.

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HMJr: Well, if you could do that, Sam, it would help us like hell.

R: All right. I'll see if I can't do it.

HMJr: I.....

R: Tomorrow or next day.

HMJr: Well, that'd be wonderful.

R: All right.

HMJr: Okay.

May 12, 1942
3:23 p.m.

HMJr: Hello.

Operator: Mr. Carey.

HMJr: Hello.

James
Carey: Hello, Mr. Morgenthau.

HMJr: Hello, Mr. Carey. I thought you were coming
over to see me at quarter of four.

C: Yes, but Mr. Houghteling said that because of
the pressure you were under that - to let it
go - that he was handling it, and it was just
a matter of this space question that we're
having such difficulty with.

HMJr: Well, I'm here to help your man.

C: Oh, I was sure of that. And I received a call
from Mr. Murray just before noon, and he asked
me whether I was able to accomplish anything,
and I told him nothing definite, that I was
still waiting for Mr. Husbands who was under
Jesse Jones, to give us a decision.

HMJr: Yeah.

C: And he asked me if I had talked with you about
it, and I told him that you and Mr. Houghteling
were interested in it and helping us.

HMJr: Well, now, if there's anything that I can do
personally, I'm ready to do it.

C: Well, it's - I have the feeling that Mr. Husbands
is not home to me when I call, and I would like
to get to him. I've been trying to call him on
the telephone.

HMJr: Well, I've got you down for a quarter of four;
if you want to come over, come on over and I'll
call Husbands.

C: Well, suppose I do that. I don't want to bother
you if you're busy.

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HMJr: No, it's - I'm busy, but this is part of my business.

C: All right, fellow, then I'll come over. Will that make Mr. Houghteling feel as though I went over his head?

HMJr: No, I'll just tell him. We don't - I believe in one boss.

C: Okay, fellow. (Laughs)

HMJr: No, I'll just tell him. I expected you. I don't know. I expected you at quarter of four, and I'll tell Houghteling to be here.

C: Uh huh. Well, he told me he was handling it, and it looked.....

HMJr: Well, he's been handling it now for awhile, and hasn't got anywhere.

C: All right. Then I'll come over, and I certainly appreciate it.

HMJr: No, no. You come on over.

C: I'll do that.

May 12, 1942
3:25 p.m.

C. B.
Upham: Yes, sir.

HMJr: Who is this?

U: Upham.

HMJr: Hello.

U: Yes, sir. Upham.

HMJr: Upham?

U: Yes, sir.

HMJr: I thought his name was Cy.

U: Oh, well, it's Cy. I'm sorry. (Laughs)

HMJr: Out where the tall corn grows, huh?

U: That's right.

HMJr: Huh?

U: Yes, sir.

HMJr: Listen, Cyril, they tell me a man by the name of Rayburn - he happens to be Speaker of the House.....

U: Oh, yes.

HMJr:and they tell me they've got a hundred million dollars worth of loans - mostly in the banks - on these oil wells, and can only run six days a week in order to make good for Henderson and Ickes. They've got them shut down thirty-four days - twenty-four days - out of the thirty, see?

U: Yes.

HMJr: They're only running, and he's worried that the banks may go in and foreclose on these little fellows. So - hello.

- 2 -

U: Yes.

HMJr: Supposing you get in touch with your bank examiners down there and find out what the situation is on the oil well loan situation.

U: All right.

HMJr: Because if these boys have been shut down.....

U: Yes.

HMJr:and can't produce, then we come along - the bank examiners - and tell the banks to foreclose on the loan.....

U: Yeah.

HMJr:Sam Rayburn says why he'll just declare a moratorium down there and then he said, "Then where will your banks be?"

U: Well, we won't tell them to foreclose, but they might do it without being told.

HMJr: I know, I know.

U: Yeah.

HMJr: Now, listen, don't talk to me like a bank examiner.

U: (Laughs) All right. I won't even try.

HMJr: Take a look at it and let Papa know.

U: Surely.

HMJr: Okay.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

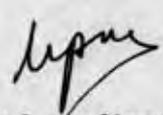
DATE May 12, 1942

TO Secretary Morgenthau
FROM C. B. Upham

After checking through our District Chief National Bank Examiner in Dallas and through him with Texas bankers; and with local people who have oil interests in Texas, I find:

- (1) So far Texas banks are taking care of customers who are hard pressed to maintain current payments on loans due to the close down of the wells for a substantial portion of each month.
- (2) Texas bankers anticipate that unless the pro-ration situation grows worse Texas banks will be able to carry the oil producers' loans without serious difficulty.
- (3) It is said that some eastern banks and Chicago banks are not quite as sympathetic or adaptable to the situation as are the Texas banks, although no specific instances of pressure are known as yet.
- (4) It is not thought likely that foreclosures will come except as a very last resort. The bankers are thinking in terms of working out some other arrangement to take care of the producers if the situation grows increasingly worse.
- (5) Our Chief Examiner assures me that he and his examiners will be sympathetic toward the problem and will cooperate in any efforts that may become necessary to help out the situation.

P. S.


Since dictating the above I have received confirmation from our District Chief Examiner in Kansas City, Missouri whose district includes Oklahoma and Kansas.

Copy to Mr. Delano

May 12, 1942
4:16 p.m.

HMJr: The C.I.O. has been very helpful to us on our War Bonds.

Mr. Samuel Husbands: Yes.

HMJr: And are doing everything they can to help us.

H: Yeah.

HMJr: So if I could do something to help them, it would be nice.

H: I see.

HMJr: What's the chance of taking care of them in this Commonwealth Building?

H: Well, I talked to your man this morning about it.

HMJr: Yeah.

H: No, it was yesterday.

HMJr: Yeah.

H: And he was going to ascertain what space was available across the street in the Normandy Building, and he never has phoned me back.

HMJr: The Normandy Building?

H: Yes. It's a building across the street that's being vacated by a tenant pretty quick.

HMJr: Oh.

H: And I told your man - I've forgotten his name now.

HMJr: Houghteling.

H: Yes. And he was going to ascertain for me what floor was going to be available and how much space.....

- 2 -

HMJr: Oh.

H:and phone me back, and I had in mind the possibility of a trade. That way we'd take their space, and give them the other space.

HMJr: Which space would they end up with?

H: They'd end up with the sixth or seventh floor, I reckon.

HMJr: In the Commonwealth?

H: No, no. In the - yes, yes. In the Commonwealth.

HMJr: In the Commonwealth.

H: Yes.

HMJr: I see. Well, I'll - what I'll do is - if Houghteling could get you some space across the way, then the C.I.O. could have this space in the Commonwealth, is that it?

H: Yes, that's the angle we were approaching it from. I want to see the space over in the other building first, in the Normandy Building.

HMJr: Yeah. Well, I'll have Houghteling either get in touch with you this afternoon if I can reach him. I tried to reach him before I called you, but I couldn't.

H: I see.

HMJr: And have him contact you immediately.

H: All right.

HMJr: And if nothing happens, I'd like to call you again.

H: All right.

HMJr: I thank you.

H: Good. Good-bye.

May 12, 1942
4:20 p.m.

HMJr: Hello.

Mr. J. L.
Houghteling: Hello.

HMJr: Houghteling.

H: Yeah.

HMJr: I just called Sam Husbands. I tried to get you earlier. Carey's here, and you're on the loud-speaker.

H: Yeah.

HMJr: And what Husbands said was that you were to let him know if you could get him that space in the Normandy Building.

H: Yeah.

HMJr: And if he could, he'd take that and then let C.I.O. have either the sixth or seventh floor in the Commonwealth Building.

H: Yeah.

HMJr: But he was waiting to hear from you.

H: Well, I've been - the Normandy Building is run by the owner, who's out of town. That space is occupied at this moment by somebody moving out June first. Ed Berney, our space man at the Treasury, found out about it.....

HMJr: Yeah.

H:and I haven't been able to identify the space. I was - I went all through the Normandy Building just now trying to identify the space, but until tomorrow morning I can't find out what the space is.

HMJr: I see.

H: Yeah.

- 2 -

HMJr: And then you'll let Carey know in the morning?

H: I'll let Carey know in the morning. We'll work on that.

HMJr: Well, I'm glad Carey came over, because we talked about a lot of other things.

H: Oh, that's fine. Well, I'm sorry I missed it, but I - because you asked me to straighten that out, I tried to save you the.....

HMJr: Well, I wanted to see Carey anyway.

H: Yeah. Well, I'm awfully glad you did. Well, I'll get on that, first thing tomorrow morning.

HMJr: All right.

H: And I'm on some other space, too, for the C.I.O., in case this doesn't go through.

HMJr: Swell.

H: All right. Thank you a lot.

HMJr: Thank you.

May 12, 1942.

George Haas
Secretary Morgenthau

After we get Monday's telegrams from these various business houses, as to sales, etc., - I mean like Sears Roebuck, A & P, and whatever ones I get on Monday - I think I would stop it. Please write a letter for my signature to thank them.

*Letters came in
for signature 5/13 -*

May 12, 1942

Dear Harold:

Thank you for your letter of May 4, 1942, regarding the proposal that the cost of changing from oil burning to coal burning furnaces be allowed as a deduction under the income tax.

In general, any further enlargement of income tax deductions must be viewed with caution since it might open the door to other deductions which are urged whenever tax revisions are being considered. Any deduction would have to be unqualifiedly desirable to warrant the risk of other deductions.

With respect to the proposed deduction, I appreciate that granting such a concession would have a beneficial effect upon the morale of families obliged to incur this additional war expense. There are, however, other considerations which lead me to believe that the proposal would not be desirable.

Among these considerations is the fact that the benefits would vary greatly among taxpayers. The deduction would give no aid to families that are below the income tax levels. For home-owning families subject to the income tax, the proposed deduction would confer benefits of widely different values increasing with the size of the taxpayer's income.

Individuals who live in rented homes as distinguished from those who own their own homes would not in general be called upon to bear the expense of changing from oil burning to coal burning furnaces, since the owners would either be allowed to expense the cost or to capitalize it and take depreciation over a period of years. Since homeowners now derive considerable special advantage under the income tax from the deductibility of property taxes and interest on debt, the deductibility on rented premises is not inequitable.

In the light of these considerations, I feel that it would not be wise to recommend the deduction.

- 2 -

I wish, however, to thank you for calling this matter to my attention and to assure you that it has received our careful consideration.

Sincerely,

(Signed) Henry

Honorable Harold L. Ickes
Secretary of the Interior

HB:dnd
5/12/42

*Pha file n.m.c.
File to Thompson*



THE SECRETARY OF THE INTERIOR
WASHINGTON

May 4, 1942.

Dear Henry:

I suggested to you somewhat casually over the telephone when we were discussing another matter a short time ago that I thought that the cost of changing from oil-burning to coal-burning furnaces would be a proper item to deduct in computing one's income tax. The more I have thought of it, the more I feel disposed to urge it upon you for consideration.

As you know, it is only in the Atlantic Coast states that, so far at least, such changes have been urged. And yet this is in every sense a war cost which the whole country should bear, at least to the extent that I have suggested. Not only do people in the East, wherever they can, have to change from oil-burning to coal-burning, they are also called upon to pay higher prices for petroleum products, due to higher costs of transportation.

It wouldn't mean much to the country to grant this concession. It wouldn't even mean much to the beneficiaries. Certainly it wouldn't compensate them for out-of-pocket losses, but it would be a gracious gesture that would have a good effect on morale, because it would be persuasive that the government was overlooking no chance to be as considerate as the circumstances warranted.

Sincerely yours,

Harold G. Fehs

Secretary of the Interior.

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

May 12, 1942

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. White's Office
May 12, 1942
11:30 A.M.

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

Mr. Gromyko called and reported briefly the Soviet internal loans.

Mr. Gromyko said that Secretary Morgenthau has asked the Ambassador for information on the "conditions" of the Russian loans. He wished to leave a memorandum describing the 1941 Loan.

The latest internal loan was issued within the past month, in an amount of 10 billion rubles. Within two days of issuance, it was over-subscribed. (According to the press, the rapid response was stimulated by prior activity of trade-unions, as well as organizations of peasants, soldiers, and sailors.) Citizens were asked to subscribe at least one month's wages, but participation is, according to Mr. Gromyko, entirely voluntary on the part of individuals. Each subscription is to be deducted from payrolls over a ten-month period. This type of bond issue is undertaken once each year. The purchaser can select twenty-year interest bearing bonds (4 percent coupon for each year) or lottery certificates. Mr. Gromyko said that the lottery certificates are generally preferred in his country. The lottery has several interesting features.

- (a) In the course of twenty years, every holder of a 100 ruble lottery certificate will receive a premium, ranging from 150 rubles to 3000 rubles, including the nominal value of the certificate, which is retired when its number is drawn.
- (b) There are four drawings per year, beginning with the first year after the loan is issued — or eighty drawings over the twenty-year period. However, approximately two-thirds of the issue is retired after the tenth year — and one-half is taken up between the fifteenth and twentieth years. Over the twenty-year period, a total of 159 million rubles are paid to retire each 100 million rubles of certificates.

WLU:as
5/13/42



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

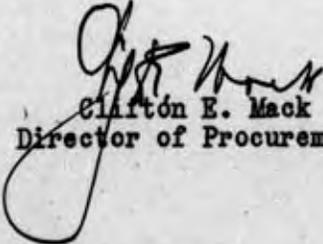
May 12, 1942

OFFICE OF THE DIRECTOR

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended May 9, 1942.

On May 11, Lend-Lease traffic activities heretofore carried on at New York City and Newport News were consolidated at Washington and arrangements made for direct participation with the Central Traffic Committee, composed of all Government procurement agencies under the Lend-Lease program. The purpose is to avoid duplication and to relate information as to supplies ready for shipment with available cargo vessels to avoid delays in forwarding.


Clifton E. Mack
Director of Procurement



LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF MAY 9, 1942
 (In Millions of Dollars)

	Total	U. K.	RUSSIA	CHINA	ADMINISTRATIVE EXPENSES	UNDISTRIBUTED & MISCELLANEOUS
Allocations	\$1402.4 (1402.4)	\$692.6 (684.6)	\$253.5 (257.2)	\$ 55.2 (55.2)	\$ 1.6 (1.6)	\$399.5 (403.8)
Purchase Authoriza- tion (Requisitions)	\$ 946.3 (920.5)	\$633.9 (621.8)	\$263.3 (250.3)	\$ 44.1 (44.0)	-	\$ 5.0 (4.4)
Requisitions cleared for Purchase	\$ 888.5 (866.3)	\$612.9 (597.3)	\$229.6 (223.6)	\$ 41.7 (41.6)	-	\$ 4.3 (3.8)
Obligations (Pur- chases)	\$ 860.4 (836.6)	\$595.2 (577.3)	\$222.3 (216.5)	\$ 39.0 (39.0)	\$ 1.0 (.9)	\$ 2.9 (2.9)
*Deliveries to For- eign Governments at U. S. Ports	\$ 346.1 (335.1)	\$274.5 (270.7)	\$ 51.7 (44.6)	\$ 18.6 (18.6)	-	\$ 1.3 (1.2)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of May 2, 1942.

EXPLANATION OF CHANGES IN RUSSIAN
ALLOCATIONS FOR WEEK OF MAY 9

The decrease in Russian Allocations is the result of the disapproval or cancellation by the War Production Board of Requisitions R-957, R-700, R-699 and R-698 for Chemical Manufacturing Equipment, and adjustments between estimated costs and actual costs of contracts.

The total estimated costs of materials on requisitions received during the week less the decrease in allocations caused by cancellations and adjustments results in a net decrease of \$3,830,101.21.

MAY 12 1942

My dear Mr. President:

I am enclosing report on our experts
to some selected countries for the period
ending April 20, 1942.

Faithfully,

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

The President,
The White House.

Enclosure.

S. S. Galt. 3:45
M.M.C.
Copy to Dr. White

HDW:msh
5/2/42

Ret. to Secy's office

May 11, 1942

Exports to Russia, Free China, Burma and other blocked countries, as reported to the Treasury Department during the ten-day period ending April 20, 1942

1. Exports to Russia

Exports to Russia, as reported during the ten-day period ending April 20, 1942, amounted to nearly \$67,000,000. Motor trucks and military tanks were the principal items. (See Appendix C.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to about \$5,335,000. Military equipment accounted for about 80% of the total. (See Appendix D.)

Exports to Burma amounted to \$639,000. (See Appendix E.)

3. Exports to France

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

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Switzerland amounting to \$2,093,000.

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STRICTLY CONFIDENTIAL

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

July 28, 1941 to April 20, 1942.

(In thousands of dollars)

	July 28 to <u>Mar. 31</u>	Period ended <u>April 10</u>	Period ended <u>April 20</u>	<u>Total Domestic Exports</u>
U. S. S. R.	\$279,183	\$51,698	\$66,850	\$397,731
Free China	60,695	4,836	5,335	70,866
Burma 2/	11,110	447	639	12,196
France 3/	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	28	-	-	28
Spain	2,833	12	4	2,849
Switzerland	7,679	11	2,093	9,783
Sweden	15,900	1,572	19	17,491
Portugal	7,411	1,077	256	8,744
French North Africa 4/	6,283	-	5/	6,283

Treasury Department, Division of Monetary Research

May 8, 1942.

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

2/ 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.

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

4/ Includes Morocco, Algeria, and Tunisia.

5/ Less than \$500.

JMW:rl 5/8/42

Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 26, 1941 - April 20, 1942
(Thousands of Dollars)

	Exports to Free China	Exports to Burma 3/	Exports to U.S.S.R.
July 26 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		986
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	68	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/	4,889	1,054	13,315
Feb. 10 - Feb. 20	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	28,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31 6/	2	2	42,435
Apr. 1 - Apr. 10	4,536	447	51,698
April 11 - Apr. 20	5,335	639	66,906
Total	73,469	11,083	398,222

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

SECRET

APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
April 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 66,906
Principal Items:	
Motor trucks	8,272
Military tanks - light	5,642
Military tanks - medium	5,183
Dried egg products	4,735
Sausage, canned	3,976
Landplanes - bombardment	2,250
Other aircraft parts and accessories	2,116
Explosive shells and projectiles	2,056
Landplanes - pursuit and fighter	2,000
Pork, canned	1,605
Steel sheets	1,717
Steel bars	1,366
Lard	1,322
Brass and bronze plates and sheets	1,154
Insulated copper wire	1,132
Aircraft engines	1,113
Sugar, refined	1,036

Treasury Department, Division of Monetary Research May 11, 1942

APPENDIX D

Principal Exports from U. S. to Free China
as Reported to the Treasury Department
during the ten-day period ending
April 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 5,335
Principal Items:	
Military equipment	4,243
Absorbent cotton, gauze and sterilized bandage	220
Printed matter	180
Medicinal and pharmaceutical preparations	119
Boric acid	101
Harness and saddles	92
Auto parts (for assembly)	86
Zinc slabs and plates	75
Industrial chemicals	56
Motor trucks	52

Treasury Department, Division of Monetary Research May 11, 1942

APPENDIX E

Principal Exports from U. S. to Burma
as reported to the Treasury Department
during the ten-day period ending
April 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 639
Principal Items:	
Military equipment	220
Motor trucks	171
Barbed wire	127
Copper wire - bare	64
Auto replacement parts	33

Treasury Department, Division of Monetary Research May 11, 1942

ISF/efe
5/11/42

Treasury Department
Division of Monetary Research

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Date.....19

To: Miss Chauncey

From: Mr. White

The tables for transmittal to the Secretary of State, the Coordinator of Information and Mr. Perkins differ from those being sent to the President in that certain military figures are not broken down.

MAY 12 1942

My dear Mr. Secretary:

I am enclosing copy of report on our
exports to some selected countries for the
period ending April 20, 1942.

Sincerely yours,

Signed) Henry Morgenthau, Jr. *H.M.*

Secretary of the Treasury

The Honorable,
The Secretary of State,
Washington, D. C.

Enclosure.

M.M.C.
cc - Dr. White
By Messenger *Recd 4:20*

H.M.C.
5/1/42

Ret to Secy's Office

May 11, 1942

Exports to Russia, Free China, Burma and other
blocked countries, as reported to the Treasury
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1. Exports to Russia

Exports to Russia, as reported during the ten-day period ending April 20, 1942, amounted to nearly \$67,000,000. Motor trucks and military tanks were the principal items. (See Appendix G.)

2. Exports to Free China and Burma

Exports to Free China during the period under review amounted to about \$5,335,000. Military equipment accounted for about 80% of the total. (See Appendix B.)

Exports to Burma amounted to \$639,000. (See Appendix E.)

3. Exports to France

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

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Switzerland amounting to \$2,093,000.

STRICTLY CONFIDENTIAL 558

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

July 28, 1941 to April 30, 1942.

(In thousands of dollars)

	July 28 to Nov. 30	Period ended April 10	Period ended April 20	Total Domestic Exports
U. S. S. R.	\$279,163	\$21,698	\$66,680	\$367,541
Free China	80,695	4,835	5,335	90,865
Burma 2/	11,110	447	639	12,196
France 3/	6	-	-	6
Occupied France	2	-	-	2
Unoccupied France	28	-	-	28
Spain	2,833	12	4	2,849
Switzerland	7,679	11	2,093	9,783
Sweden	15,900	1,572	19	17,491
Portugal	7,411	1,077	266	8,754
French North Africa 4/	6,283	-	5/	6,283

Treasury Department, Division of Monetary Research

May 8, 1942.

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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.

NW:rl 5/8/42

APPENDIX B

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Exports from the U. S. to Free China, Burma and
U.S.S.R. as reported to the Treasury Department
July 26, 1941 - April 20, 1942
(Thousands of Dollars)

	Exports to Free China	Exports to Burma 1/ 2/	Exports to U.S.S.R.
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Mar. 10 - Mar. 20	8,058	23	28,556
Mar. 20 - Mar. 31 6/	3	3	42,435
Apr. 1 - Apr. 10	4,836	2	51,698
April 11 - Apr. 20	5,335	447	66,906
Total	73,469	11,083	398,222

These figures are in part taken from copies of shipping manifests. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China. It is presumed that a large percentage of exports to Burma are destined for Free China. Beginning with February 1 figures will be given for 10-day period instead of week except where otherwise indicated. 5-day period. 11-day period.

APPENDIX C

Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the ten-day period ending
April 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 66,906
Principal Items:	
Military equipment	23,574
Motor trucks	8,272
Dried egg products	4,739
Sausage, canned	3,976
Pork, canned	1,605
Steel sheets	1,717
Steel bars	1,386
Lard	1,322
Brass and bronze plates and sheets	1,154
Insulated copper wire	1,132
Sugar, refined	1,056

Treasury Department, Division of Monetary Research May 11, 1942

APPENDIX D

Principal Exports from U. S. to Free China
as reported to the Treasury Department
during the ten-day period ending
April 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 5,335
Principal Items:	
Military equipment	4,243
Absorbent cotton, gauze and sterilized bandage	220
Printed matter	180
Medicinal and pharmaceutical preparations	119
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Harness and saddles	92
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Motor trucks	52

Treasury Department, Division of Monetary Research May 11, 1942

APPENDIX E

Principal Exports from U. S. to Burma
as reported to the Treasury Department
during the ten-day period ending
April 20, 1942

(Thousands of Dollars)

TOTAL EXPORTS	\$ 639
Principal Items:	
Military equipment	220
Motor trucks	171
Barbed wire	127
Copper wire - bare	64
Auto replacement parts	33

Treasury Department, Division of Monetary Research May 11, 1942

ISF/efe
5/11/42

MAY 12 1942.

My dear Colonel Donovan:

I am enclosing copy of report on our experts to some selected countries for the period ending April 20, 1942.

Sincerely yours,

(Signed) Henry Morgenthau, Jr. *WIX*
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.
cc- Dr. White

Vand 4:10

NDW:mah
5/1/42

Ret. to Secys Office

MAY 12 1942

My dear Mr. Perkins:

I am enclosing five copies of the report on our experts to some selected countries for the period ending April 20, 1942.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.
Secretary of the Treasury *HS*

Mr. Milo Perkins,
Executive Director,
Board of Economic Warfare,
Room 3710,
Department of Commerce Building,
Washington, D. C.

Enclosures.

H.M.C.
cc - Dr. White

By Messenger

Vouch 4:20

HDW:mah
5/1/42

Ret. to Secy's office

ECONOMIC DEFENSE BOARD
WASHINGTON, D. C.

OFFICE OF THE EXECUTIVE DIRECTOR

MAY 12 1942

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

Thank you for your letter of April 28, 1942,
enclosing five copies of your report on domestic
exports to selected countries covering the period
from July 28, 1941 to April 10, 1942. This informa-
tion is of considerable interest to us.

Sincerely yours,

Nils Pershing
Executive Director

JOHN EDGAR HOOVER
DIRECTOR

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Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

PERSONAL AND
CONFIDENTIAL

May 12, 1942

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

My dear Mr. Secretary:

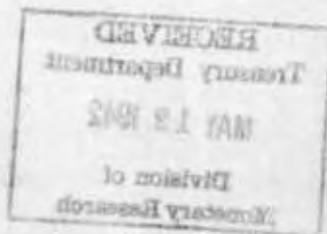
Apropos of our recent discussion at the Economic Defense Board meeting last Thursday, I am transmitting herewith copy of a memorandum, dated today, relating to Axis activities in Argentina.

Sincerely,

J. E. Hoover

Attachment

By special messenger



May 12, 1942

AXIS FUNDS AND FINANCIAL ACTIVITIES IN ARGENTINA

Argentina, according to information received, is at the present time the center of operations of most of the Axis organizations in Latin America. Prior to and since the entry of the United States into the war, important Axis agents have been moving to Argentina. Correspondingly, there has been a movement of Axis funds from the other countries of the Western Hemisphere to Argentina. All of the Republics of Latin America with the exception of Argentina and Chile have broken off diplomatic relations with the Axis and have frozen Axis funds, but information received indicates that Axis individuals and organizations succeeded in removing a substantial portion of their funds from banks prior to the freezing orders and a large part of these funds has since been taken to Argentina.

Argentina has long been regarded as a country friendly to the Axis because of the attitude of its present government. It has not broken off diplomatic relations with the Axis Powers and little affirmative action has been taken with respect to the control of Axis nationals or Axis funds.

The presence of large amounts of Axis funds in Argentina constitutes a serious menace to the safety of the other Western Hemisphere Republics. These funds are utilized throughout the Western Hemisphere to finance Axis propaganda and intelligence activities; in financing economic and commercial transactions to the detriment of the Allied Powers; for the purpose of bribing or coercing local government officials; and, for the promotion of the interests of the Axis Powers wherever these funds may be utilized with effect.

Although exact data are not available with regard to the amount of funds accessible to Axis interests in Argentina, from statistics available it is evident that these funds are substantial. The extent of Axis interests in Argentina is reflected in the United States "Proclaimed List of Certain Blocked Nationals", which contains the names of 527 individuals, firms and organizations in Argentina. There is summarized below information which has been received concerning the more important sources of funds available to the various Axis Powers in Argentina.

Germans

The total of German investments in Argentina is not impressive as compared with the British and American interests in Argentina, but these investments are utilized almost in toto to the fullest extent for the benefit of the German Government. (German investments have been estimated at approximately 10,000,000 dollars.) There is conclusive evidence that the

- 2 -

leading German firms play a prominent part in Nazi intelligence and propaganda activities. In the economic field these firms endeavor to assist the German Government by hampering the economic program of the United States and by bribery of local officials. Among the more important German firms which have establishments in Argentina and which are known to participate actively in the German program are the following:

Bromberg y Cia.
 Cardimex Cia. Argentina de Imp. y Exp., S. A.
 Delfino y Cia. A. M.
 Farma Platense
 Hasenclever y Cia.
 La Quimica Bayer, S. A.
 Lahusen y Cia.
 Lloyd Norte Aleman
 Mannesmann Sociedad de Tubos
 Merck Quimica, S. A.
 Quimica Schering, S. A.
 Siemens-Schuckert, S. A.
 Staudt y Cia., S. A. C.
 Thyssen-Lametal
 Carl Zeiss
 Banco Aleman Transatlantico
 Banco Germanico de la America del Sud
 Anilinas Alemanes, S. A.
 A. E. G. Compania Argentina de Electricidad, S. A.
 Stinnes, S. A. C.

The Germans have been extremely active in Argentina in connection with raising funds locally which are expended for purposes of prosecuting the current war. According to the findings of the Argentine Congressional Committee in 1941, from July of 1940 to July of 1941, the German Embassy in Buenos Aires received 7,722,950 Argentine pesos and expended 5,983,100 pesos during the same period. It was pointed out that the normal expenses of the embassy should be approximately 1,100,000 pesos. The expenses of the United States Embassy for the same period were only 506,500 pesos and those of the British Embassy amounted to 1,829,400 pesos. (The Argentine peso is valued at approximately 24 cents in American currency.)

The funds of the German Embassy were allegedly spent for the financing of propaganda and intelligence activities, such as the notorious Nazi newspaper "El Pampero" which has received substantial help from the German Embassy. The expenses of this newspaper for the first six months of its existence were alleged to be 1,026,297 pesos and its receipts for this period were only 605,045 pesos. It was also shown that the Nazi

- 3 -

Transocean News Agency which is actively engaged in both intelligence and propaganda activities spent 1,124,280 pesos from 1937 to 1941, but collected only 26,900 pesos for the same period.

With reference to the raising locally of funds for the use of the Germans in Argentina, it appears that various means are used. The Argentine Congressional Investigating Committee revealed that the German Chamber of Commerce regularly collects money which is credited to the account of the German Embassy. A part of the funds available to the German Embassy during the year 1940 to 1941 was obtained from the credit balances due Germany through an Argentine-German Trade Treaty. These funds were supposed to have been earmarked for the purchase of Argentine goods but were misused by the German Embassy.

The Federacion de Circulos de Beneficia y Cultura, an ostensible German charitable society believed to be the cover name for the German Party, has collected yearly large sums supposedly for charitable purposes, but which have found their way into the hands of the German Embassy and the propaganda organization of the Nazis. During July 1940 to July 1941, it is alleged that 1,565,550 pesos were collected by this organization.

There also exists in Argentina the German Winterhilfe Fund which is supposed to be utilized for the assistance of needy Germans, but which has universally utilized its funds to further the interests of the German Government. It is alleged that 1,337,723 pesos were collected for this fund in the year 1940 - 1941.

Information has been received that Argentine bonds have been requisitioned from the conquered countries of Europe by Germany and these bonds used to promote German organizational activities in Argentina. Likewise information indicates that the German Government has seized quantities of jewelry in the occupied countries which was sold in Argentina in order to obtain funds for operation in the Western Hemisphere. As early as 1940 one Michael Holzmann brought a large quantity of jewelry to Argentina which was confiscated by immigration authorities after they were notified that he was endeavoring to smuggle the jewelry into Argentina. Holzmann was definitely identified as acting in the capacity of an agent of the German Government.

Another serious problem is presented by the property and investments in Argentina of the nationals of those countries which have been conquered by Germany. The Argentine Congressional Investigating Committee pointed out in 1941 that there were 1,500,000,000 pesos invested in Argentina by French, Dutch and Belgian nationals. These investments are subject to control by the German Government, but little action has been taken by the Argentine Government to assure that the funds available will not be used to the detriment of the Western Hemisphere.

- 4 -

There are also known to be in Argentina certain refugees who have managed to bring out of occupied countries in Europe considerable funds under suspicious circumstances. It is believed that some of these refugees may be utilizing this money for the benefit of the German Government. For example, Fritz Mandl, an Austrian financier who is located in Buenos Aires, brought from Europe a relatively large sum of money and has engaged in various commercial activities. Information indicates that Mandl may be working for the benefit of the Germans.

In September 1941, information was received from Europe that one Leo Hirsch, a German agent, left Lisbon, Portugal, for Buenos Aires on a Spanish ship to organize German espionage and propaganda activities in Latin America. It was stated that an initial deposit of 1,000,000 dollars had been made to his account with the Banque Franco-Italienne Pour l'Amérique du Sud at Buenos Aires. Hirsch was later seized by the British and taken to Trinidad at which time a large amount of American currency was found in his possession. A one thousand dollar bill in United States currency found in his possession was traced and discovered to have been withdrawn from the Chase National Bank in New York City by the German Consul General on October 10 1939.

Prior to the President's Executive Order providing for the regulation of foreign exchange and foreign owned property in the United States with respect to the Axis countries, issued on June 14, 1941, there have been many indications of transfers of funds between the United States and Argentina on behalf of Axis countries. For example, during May 1941, G. W. Schuetz, New York representative of the Reichs Kredit Gesellschaft, deposited \$98,000 in the Central Bank and Hanover Trust Company, New York City, to the credit of the Banco de la Nacion in Buenos Aires, Argentina, thereby transferring these funds. One C. J. Duncker, who was engaged in New York City in the business of shipping food packages to Germany and who is presently interned as an enemy alien in the United States, transferred \$69,000 from New York to the Banco de la Nacion in Argentina between January 31, and May 31, 1941.

Information was received from a confidential source that the Banco de la Provincia de Buenos Aires had 368,000 Argentine pesos on deposit for German Embassy and Consular officials of Central and South American countries prior to the entry of the United States into the war.

Italians

The amount of funds in the possession of the Italians in Argentina is substantial but does not represent the potential danger that the funds of the Germans indicate. This is chiefly due to the fact that most of the Italians in Argentina are not active Fascists and many of them are anti-Fascist. Confidential reports reflect that the Italian Government has

- 5 -

endeavored to emulate the German Government in utilizing its firms and institutions to its benefit in Argentina but has been far from successful.

Among the Italian firms and institutions which are active in connection with the utilization of their funds for the benefit of Italy are as follows:

Fiat Argentina, S. A.
 The Italmar Sociedad Anonima de Empresas Martinas
 The Italcable Companhia Italiana Dee Cabi Telegrafici
 Sottomarini, S. A.
 The Banco di Napoli
 Banque Francaise et Italienne Pour l'Amerique du Sud

It is known that the Alia Littoria, the Italian Government-subsidized air company, owns a majority of stock in an Argentine air line.

The Stefani News Agency, subsidized by the Italian Government, operates in Argentina and acts as a principal propaganda distribution center, thus constituting an organization which can be used for the collection of intelligence information.

Japanese

The Japanese colony in Argentina is not large nor are the investments of the Japanese in Argentina impressive in size. However, all Japanese firms and institutions have been more intimately connected with the efforts of the Japanese Government than have the representatives of the other Axis Powers. The Japanese have always been chiefly interested in commercial espionage and this has almost solely been carried on by the representatives of the large Japanese firms.

The following Japanese firms and institutions in Argentina are of importance with reference to Japanese activities, according to information received.

Argentina Comercial e Industrial de Pesqueria -

A Japanese fishing company which has a large fleet of boats including two modern, fast boats which could be converted to torpedo boats. Confidential sources have reported that this fleet has been utilized in thoroughly charting and exploring the entire coast line of Argentina. The manager of this firm, Kingo Kaway, is said to be the leader of the Japanese movement in Argentina and to have more power than the Japanese Ambassador.

- 6 -

O. S. K. (Osaka Syosen Kaisya) - Branch
The Japanese shipping line.

Mitsubishi Argentina -

The Japanese commercial monopoly which appears to have control of Japanese commerce in Argentina. Employees of this firm have been unusually active in connection with intelligence activities of the Japanese.

Yokohama Specie Bank

Oficina de Turismo de Japon -

Ostensibly a Japanese tourist agency, but it is utilized by both the Japanese propaganda and intelligence organizations in their work.

Nambel Compania de Importacion y Exportacion, S. A.

Confidential information has indicated that the Japanese funds in Argentina have been supplemented by funds sent by the Japanese Government, all of which funds are intended to be utilized in conducting intelligence and propaganda activities throughout the Western Hemisphere.

A reliable, confidential source has reported that the following is a budget for the Japanese intelligence work for the year 1942 in Argentina:

For propaganda purposes

Printing	-	12,000 pesos
Radio	-	6,000 pesos
Salaries of seven employees	-	72,000 pesos
Dissemination of war news:		
Domei	-	7,200 pesos
Purchase of stationery	-	6,000 pesos
Short-wave recording, printing, machinery	-	2,400 pesos
Movies and lectures (probably cultural)	-	2,400 pesos

For intelligence activities within Argentina

Entertainment	-	6,000 pesos
Funds for espionage activities, espionage expenses	-	6,000 pesos
Publication of photographs, articles, editorials in newspapers and magazines	-	12,000 pesos
General expenses including investigations	-	5,000 to 7,000 pesos

General intelligence activities

Agents dispatched to Chile, Paraguay and Brazil	-	6,000 pesos
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Subscriptions to Allied Nations' magazines and periodicals - 5,000 pesos
 Communication expenses, excluding telegraphic - 5,000 pesos

Special fund

The purchase of secret documents which were bought from military personnel - 20,000 pesos
 Donations - 10,000 pesos

Spanish

Spain has close ties with Argentina and has substantial investments in the commercial field, as for instance the Chacabry, chiefly owned by Spanish capital, is the operator of the newest and most modern subway system in Buenos Aires. Confidential information indicates that the Spanish Government expects to collaborate more closely with the Axis Powers in the future and in so far as is possible, Spanish funds in the Western Hemisphere will be utilized for the benefit of the Axis.

Recent confidential information reflected that Argentina and Spain have signed a treaty providing for an exchange of about five hundred million Spanish pesetas worth of products. Argentina will supply Spain with wheat, beef, and other surplus products and Spain will supply Argentina with machinery which it is expected will come from Germany. Negotiations have been made between Spain and Argentina for the establishment of an air line across the Atlantic. Such an air line would provide a direct Axis route to the Western Hemisphere for Axis agents and mail, and would be extremely detrimental to the program of the United States in Latin America.



Treasury Department
Division of Monetary Research

374

Date..... May 12, 1942 ..19

To: Secretary Morgenthau
From: Mr. White

Italy - Switzerland - Germany

We have received two very curious cables involving Italian payments to Germany via Switzerland. According to these cables Italy has sold about \$6 million worth of gold and is now selling considerable amounts of livestock to Switzerland because she needs free Swiss francs. These Swiss francs are said to be needed to "satisfy a part of Italy's obligations to Germany for war material deliveries".

It is surprising that Italy should sell gold and cattle -- both of which she needs very much -- merely to get Swiss francs. It is all the more surprising since previous information has indicated that war materials supplied either by Germany to Italy or vice versa were furnished free, without any necessity of payment.

It is possible that these two cables are in error.

Bern, No. 1809, April 30, 1942
Bern, No. 1811, April 30, 1942

MR. WHITE
Branch 2058 - Room 214½

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YDEPARTMENT OF STATE
WASHINGTON

May 5, 1942

In reply refer to
FF 654.6531/65

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits paraphrased copies of telegrams no. 1809 and no. 1811, both from the American Legation at Bern dated April 30, 1942, concerning the export of Italian gold to Switzerland to obtain Swiss franc exchange for the purchase of 500,000 Swiss francs worth of cattle from Rumania and Hungary by Italy.

Enclosure:

Paraphrased copies of
telegrams no. 1809
and 1811.

Copy:bj:5-11-42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, BERN
DATED: April 30, 1942, 4 p.m.
NO. : 1809

CONFIDENTIAL

A competent Swiss official source has informed me that negotiations have not been concluded although under way between private Swiss and Italian interests. These negotiations look toward the initial purchase by Switzerland from Italy of 500,000 Swiss francs worth of cattle which Italy had purchased from Rumania and Hungary. Delivery is to be made during a two-week period. Upon the possible conclusion of this arrangement and if it works satisfactorily, the Swiss officials envisage successive contracts along the same line, but to a not yet determined amount. In so far as the origin of this livestock is from a third country, free Swiss francs will be paid to the Italians. This is in accordance with the provisions of the Swiss-Italian clearing arrangements.

HARRISON

377

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, BERN
TO : Secretary of State, Washington
DATED: April 30, 1942.
NO. : 1811

STRICTLY CONFIDENTIAL

The proposed release of Hungarian and Rumanian live-stock to Switzerland by Italy which is still urgently required in Italy as reported in my no. 1809 of April 30 indicates apparently the need for free exchange by Italy. I have been informed in strictest confidence by a Swiss official that very recently the Swiss authorities were surprised to learn that gold has been exported to Switzerland from Italy and 25,000,000 Swiss francs of it were sold here. This is the equivalent of about 5,000 kilograms. So far as our informant has been able to ascertain these free francs are being employed to satisfy a part of Italy's obligations to Germany for war material deliveries. Italy's present debt balance in the Italian-Swiss clearing which on April 15 amounted to 78,000,000 Swiss francs is not being reduced by the employment of these funds.

HARRISON

Copy:bj:5-11-42

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378

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 840 Frozen Credits/6170

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report received from a confidential source within the government:

"Statement of Account of the French Chancellery in Buenos Aires.

"Information which may be of possible interest to you, has been received from a reliable, confidential source advising that the following is a summary of the account of the French Chancellery in Buenos Aires, Argentina, for the period from October through December, 1941:

<u>1941</u>	<u>Income</u>	<u>Disbursements</u>	<u>Balance</u>
October	\$42,424.59	\$36,042.24	\$6,382.35
November	54,343.12	51,184.69	3,158.43
December	55,423.99	36,674.35	18,749.64"

Reference is made to this Department's letter of
February 6, 1942.

Treasury Department 379
Division of Monetary Research

Date..... May 1419 42

To: Miss Chauncey

From: Mr. White

The Secretary might be interested
in seeing some of the Chinese newspaper
reactions to the financial aid.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 12, 1942

TO Mr. White
FROM Mr. Friedman

Subject: Chinese reaction to \$500 million financial aid.

1. Dr. Kung, in statement on financial aid issued on March 24, spoke of the financial aid as a demonstration of the faith of the American Government and people in China's ability "to fulfill its part in the sacred union of free peoples against tyranny." He said that he wished particularly to thank President Roosevelt, Secretary Morgenthau and other cabinet members and congressional leaders who had shown interest in aiding China. He stressed the unprecedented nature of the loan aid said that it was China's firm intention to make the best possible use of the financial assistance.
2. At the press conference at which the above announcement was made, Dr. Kung pointed out that no strings were attached to the American aid, although the Chinese Government would probably consult the American Government in matters requiring technical assistance for applying the loan most effectively. Dr. Kung also informed reporters present that detailed arrangements regarding the British 50 million loan had not yet been agreed upon but that arrangements in this regard would probably follow generally the lines of the American aid.
3. Newspaper comment in Free China was entirely favorable. For example, the Ta Kung Pao wrote: "We are most gratified by the spirit of mutual help implicit in the words of the Agreement. ... Such liberality can only be between two countries which share happiness and misfortune together like fast friends. With such a precedent, we are confident that the spirit and terms of the Sino-British Loan Agreement cannot be different." The Hsin Hua Jih Pao wrote: "The wording of the Agreement is in the spirit of true equality. The Second Article makes no reference to security or other serious obligations. This is unprecedented in the history of Sino-American financial and diplomatic relations." The latter newspaper went on to say that the Chinese people as a matter of national pride should after the victory repay all loans which helped them to win their freedom.

COPY

381

DEPARTMENT OF STATE

Financial Division

May 12, 1942

TO: Mr. Dietrich

FROM: Mr. Livesey

Attached are corrected copies of Section 2 of telegram no. 467, dated April 27, 1942, from Chungking.

The telegram as received was transmitted to the Treasury on April 29, 1942, and a previous correction of Section two was transmitted on May 2, 1942.

/s/ FL

FD:FL:EM

Copy: vw: 5-13-42

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CORRECTED COPY

382

HRL

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Chungking

Dated April 27, 1942

Rec'd 9:51 p.m., 28th

Secretary of State,

Washington.

467, April 27, 1 p.m. (SECTION TWO).

(3) It would be most embarrassing for to renege on November 1 agreement entirely. Proposal enables Board to withdraw from it gracefully and with minimum loss, December 8 being logical date for termination of obligation under agreement. Board might have asked for receipts from November 1 to December 8 but they would have been small as general license 75 became operative only on November 12 and British has made no arrangement to canalize remittances from sterling area. Further there was some doubt as to whether November 1 agreement was not intended to be retroactive to mid-August, and as it was impossible to lay hands on receipts prior to November 1 Board felt it was getting off lightly and that receipts from November 1 to December 8 were not worth making issue of.

(4) N. (?) B. Proposal involves no change in Board's relation to Exchange Control Commission. Board has never had any power over Commission's action. In this respect proposal leaves things as they were. Situation in which control over foreign exchange is vested in two agencies and one admittedly not best possible, but for this neither November 1 agreement nor Board's new proposal is responsible.

VINCENT

WSB

Copy:bj:5-13-42

Treasury Department **383**
Division of Monetary Research

Date.....5/12/42.....19

To: Mr. White

From: Mr. deBeers

Subject: Cuba Mission.

You may be interested in the attached copy of a press statement issued by the President of Cuba, following the return of Dr. Garcia Montes from his visit to the United States.

The press statement comments very favorably on the work of the American Mission to Cuba.

COPY

10177

AIR MAIL

REQUIRED

(In accordance with Department's instruction of July 7, 1941, File No. 102.81/5011)

"Dr. Oscar Garcia Montes the Finance Minister called on the President to report on his mission to the United States. He informed him of the impression of confidence which he had received in all circles, official as well as private, in the Cuban Government's credit and in the close accord existing between the two countries in their struggle against the Axis nations.

"He also reported on the favorable attitude of the United States Treasury toward the bill providing for the purchase of gold and stated that a satisfactory agreement on the gold purchase could have been reached if the Cuban House of Representatives had approved the Senate Bill". ||

"He also described the report made to the Cuban Government by the American Mission which studied the establishment of a Central Bank, pointing out the care and competence which the members of the mission had devoted to this important problem.

"The mission studied the Central Bank in all its aspects and particularly with regard to the following points: The Bank's capital; management, loans and investments; note issue and reserves; reserve requirements of commercial banks; and the status of the dollar and of the Exchange Stabilization Fund in their relation to the Central Bank.

"The mission's entire report reveals the care with which the officers of the Treasury Department and the Federal Reserve Board have studied the problem as well as their confidence in the economic stability of the country and in the credit of the Cuban Government. ||

"The President expressed to Dr. Garcia Montes his desire that the report be published as soon as it has been translated."

copied by mgb
on 5/12/42

MJF

PLAIN

London

Dated May 12, 1942

Rec'd 9:16 p.m.

Secretary of State,
Washington.

2601, Twelfth

Department's 2010, Eighth

FOR SECRETARY OF TREASURY FROM CASADAY

1A. Section 11 of the Finance Act (Number 2) 1939 provided taxation relief for persons whose incomes were reduced because of the war. The Chancellor of the Exchequer speaking during the debate on the war budget on September 27, 1939, (Hansard, column 1367) explained the purpose of the measure as follows: "I have by no means overlooked the great practical difficulties that will face many people in view of their immediate drop in income if this higher rate were charged automatically on what I may call their conventional or statutory income that is the figure that was arrived at of what they earned last year. Therefore I am making special provision to mitigate the severity of this increase of tax in the case where
an individual

-2- #2601, May 12

from London

and individual is this year experiencing a substantial drop of earned income. I say 'substantial' because it would be a pity to disturb the whole arrangement for a comparatively small difference. Provision will be made to the effect that where such an individual proves that his directly assessed income this year is reduced by circumstances connected with the war below the figure of his assessment based on last year's income by as much as 20% he shall be entitled to substitute this year's actual income for last year's income as the basis on which he is assessed."

This provision has been extended in the Finance Act of 1940, the Finance Act of 1941 and the recently issued Finance Bill of 1942, a copy of which is being forwarded by air pouch.

13. The Courts (emergency powers) Act of 1939 forwarded with the Embassy's despatch no. 3364, September 15, 1939, conferred "on courts certain powers in relation to remedies in respect of the nonpayment of money and the nonperformance of obligations (including powers in relation to bankruptcy and winding up proceedings)".

The Solicitor General in the Commons debate on
the bill

-3- #2601, May 12. . . . from London

the bill on September 1, 1939 (Hansard, columns 155 to 159) said: "This bill really comprehends in one bill a series of measures which were brought into operation during the last war. The aim of the bill is to make less onerous the burdens which may come upon His Majesty's subjects on account of obligations which they have incurred or on account of rights which other people have against them which exists in time of peace. It is for lightening these burdens subject to certain exceptions that the bill is introduced. The general scheme of the bill is that in the main in a series of cases where people have rights against others they should not be permitted to proceed against them except with the leave of the court."

10-The liabilities (wartime adjustment) Act which became law on June 12, 1941, constitutes a series of amendments to the Courts (emergency powers) Act of 1939. It provides for the appointment of liabilities adjustment officers and the settlement of creditors' claims in the light of debtors' ability to meet their obligations under circumstances arising from the war. This law is referred to on page 37 of the memorandum on British War Insurance and

Compensation

-4- #2601, May 12,

from London

Compensation Schemes dated February 4, 1942, and is discussed in the Commons debates reported in Hansard volume 371 columns 277 to 322; 957 to 1043 and 1739 to 1751.

2. Treasury officials state that there has been a tremendous decrease in the scale of living of the upper income classes during the war. No figures measuring the change are available although the data on the number of persons in various income groups promised by Inland Revenue and the Central Statistical Office in response to your telegram no. 1511 of April 10 and still not supplied may throw some light on this. It was emphasized that by no means all of the reduction in living scales have been the direct result of income tax but that much of it is due to rationing or shortages of goods, restriction of travel and entertainment facilities and perhaps most important of all to the shortage of domestic service owing to absorption in the war effort.

It was not thought that liquidation of assets was being practiced on an important scale in the mere effort to maintain former living standards. Much of the liquidation that has taken place has
resulted

-5- #2601, May 12, . . . from London

resulted indirectly from the war such as the inability to operate large estates, the conversion of property to new uses, the requisitioning of property by the Government and altered patterns of living generally.

3. On May 5, 1942 in the debate on the Finance Bill (Hansard column 1301) Captain Crookshank said "As regards what is called the legal avoidance of tax, that a problem with which this House has had to deal year after year has been that of clever people who have found loopholes to get out of their proper legal obligations. This is the first Finance Bill of the year - I except the number 2 bills because they did not amend the law - since 1935 in which it has not been found necessary to propose any clauses to deal specifically with that problem. Perhaps we may hope that we have blocked up all the loopholes but in case there are some ingenious minds working on the problem it is just as well to remind them that the warnings given by my right honorable friend and his predecessors still hold good and that if people try and find loopholes the Chancellor of the Exchequer considers himself free to take action retrospectively in those cases."

The new

-6- #2601, May 12.

from London

The new Finance Bill does contain some clauses designed to prevent fraud (Clause 32 providing that the ordinary time limit of 6 years shall no longer apply for the purposes of assessment or penalties in cases of fraud; Clause 33 making it possible for Inland Revenue to prosecute taxpayers on the basis of any evidence voluntarily submitted by taxpayers in a pretended full admission of fraud and Clause 34 empowering the Commissioner of Inland Revenue to require taxpayers to produce books and records in any case in which the Commissioners are not satisfied with the information furnished) (see also in connection with these clauses Hansard, May 5 columns 1242 to 1244).

Treasury officials interviewed personally in response to your inquiry likewise admitted that there has been considerable evasion and avoidance in the past but felt that most loopholes have now been effectively closed. It was pointed out that one effect of the provisions of the 1942 Finance Bill is to enable Inland Revenue to proceed against a taxpayer and throw the burden of proof upon him whenever there is even the appearance of an intent to defraud and even if the particular device used

is of

-7- #2601, May 12, from London

is of itself within the letter of the law.

4. Treasury officials felt that high tax rates in the upper income groups have not seriously reduced incentive to continue in gainful occupation. Undoubtedly there have been some cases of this but there are two offsetting tendencies. First there is considerable social pressure towards taking an active part in the war effort. Second some ordinarily highly paid persons have volunteered to work for far less than their usual incomes or even for nothing if they are allowed liberal expense accounts or other perquisites such allowances being tax free and also sometimes involving special privileges. A good many wealthy individuals it is said have thrown themselves enthusiastically into unfamiliar and poorly paid war work for the simple reason that it gives them a social prestige and quite possibly a greater command over consumption goods and services than they would otherwise enjoy in the present circumstances.

WINANT

JRL

May 12, 1942

Mr. Lacey

Mr. Nichols

Will you please send the following cable to the American Consul, Suva, Fiji Islands.

"Dear Treasury.

Your procedure outlined in telegram No. 20, April 27, 1 p.m., it was anticipated that the Bank of New Zealand would deliver the excess U. S. paper currency in the manner outlined in your No. 21, May 6, 1 p.m."

100-10-10

TELEGRAM SENT

FH
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

May 12, 1942

6 p.m.

AMERICAN CONSUL

SUVA (FIJI ISLANDS)

21

FROM TREASURY

QUOTE. Under procedure outlined in telegram
20, April 27, 1 p.m., it was anticipated that the
Bank of New Zealand would deliver its excess U.S.
paper currency in the manner outlined in your 24,
May 8, 1 p.m. END QUOTE.

HULL
(FL)

FD:FL:BM

Mr. Livessy

May 12, 1942

Assistant Secretary Sullivan

Will you please send the following cable to the American Consul, Calcutta.

"From Treasury.

Please inform the Imperial Bank of India, Calcutta, that it is hereby designated a depository of public monies of the United States. Under this designation the Imperial Bank of India and its various branches in India are authorized to accept and maintain on their books accounts to the official credit of Finance Officers of the United States Army and their agents and Disbursing Officers of the United States Navy and their agents in such amounts as may be deposited from time to time. Advise Imperial Bank of India letter follows."

TELEGRAM SENT

HRL

PLAIN

May 12, 1942

AMERICAN CONSUL

CALCUTTA (INDIA).

231, twelfth.

FROM TREASURY

QUOTE. Please inform the Imperial Bank of India, Calcutta, that it is hereby designated a depository of public monies of the United States. Under this designation the Imperial Bank of India and its various branches in India are authorized to accept and maintain on their books accounts to the official credit of Finance Officers of the United States Army and their agents and Disbursing Officers of the United States Navy and their agents in such amounts as may be deposited from time to time. Advise Imperial Bank of India letter follows.

END QUOTE.

HULL
(FL)

FD:FL:BM

May 12, 1942

File

Mr. Dietrich

This morning I called the Department of Commerce, Division of Foreign Trade Statistics, Miss Schmechel, and mentioned to her the shipment of Russian gold valued at approximately \$5,700,000, which arrived in New York on May 9. I told Miss Schmechel that this gold was shipped by the Bank of Canada to the Federal Reserve Bank of New York and that the customs documents would indicate that the shipment was from Canada. I pointed out to her, however, that the gold originally came from Russia and that the Division of Foreign Trade Statistics should mark their records accordingly.

May 8, 1942

Superintendent,
United States Army Office at New York,
New York, New York.

Sir:

On or about May 9, 1942 there will be deposited with you by the Federal Reserve Bank of New York 99 ounces of gold for the account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics.

Upon receipt of this gold you are hereby authorized and instructed to melt and determine its value. After determination of the value you are further authorized and instructed to purchase the gold at the flat price of \$35 per fine troy ounce without subtracting the one fourth of 1 percent handling charge, to prepare the deposit certificate accordingly, to issue your check for the net value of the gold (less the usual mint charges) to the order of the Federal Reserve Bank of New York for credit of "Secretary of the Treasury, Special Account", and to deliver the check to the Federal Reserve Bank of New York for the credit of the "Secretary of the Treasury, Special Account". Please prepare 10 copies of Mint Form 42-2 in the usual manner inserting in the prepared spaces at the foot of the report the total value of the gold, the melting charge, the handling charge, the total charges and the net value of the gold, with the handling and other charges debited. These forms are to be forwarded to the Secretary of the Treasury, Attention Frank Pietrich, Room 275, Treasury Department, Washington, D. C. You will observe from the instructions in this letter that you are not to debit the one fourth of 1 percent handling charge.

Very truly yours,

(Signed) Herbert E. Gaston

Acting Secretary of the Treasury.

Initialed: FD * SBF * BB * FAS * WH * WNT

FD:lc:5/8/42

May 9, 1942

File

Mr. Dietrich

Mr. Lang of the Federal Reserve Bank of New York informed me this morning that the 99 cases of Russian gold, referred to in my previous memorandum, arrived at New York and was being delivered to the Assay Office.

Mr. Lang stated that the express bill of the Canadian National Railways was dated May 6 at Halifax and that the gold was consigned to the Federal Reserve Bank of New York in care of the United States Assay Office in New York. From this information it appears that the Bank of Canada delivered the gold to the Canadian National Railways at Halifax, N. S., and not at Argentia, Newfoundland. If such was the case, it is possible that the gold may have been transhipped at Argentia to Halifax, or the ship carrying the gold did not put in at Argentia but was diverted to Halifax.

Stabilization Fund

MAY 8 1942

Federal Reserve Bank of New York,**New York, New York.****Attention: L. W. Knack**

The Treasury has been informed by the Ambassador of the Government of the Union of Soviet Socialist Republics that approximately 99 cases of gold will arrive in Argentina, Newfoundland, about May 9.

In accordance with instructions received by the Treasury from the Soviet Ambassador, the Federal Reserve Bank of New York, as fiscal agent of the United States, is hereby authorized and instructed to arrange with the Bank of Canada for the shipment of this gold from Argentina to New York at the risk of the Government of the Union of Soviet Socialist Republics by rail route and to deposit the gold at the United States Assay Office in New York for account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics. You are not to insure the gold from Argentina to New York. Appropriate instructions will be given by the Treasury to the Assay Office regarding the disposition of the gold. The Soviet Ambassador has requested that the Federal Reserve Bank of New York communicate with the State Bank of the U.S.S.R., Moscow, relative to the reimbursement of any expenses incurred in connection with the transshipment of this gold.

(Signed) D. W. BELL

Acting Secretary of the Treasury.

FD-5-6-42

Initialed: FD * BB * FAS

COPY

400

Embassy of the
Union of Soviet Socialist Republics
Washington, D.C.

May 8, 1942

My dear Mr. Secretary:

There is en route to the United States a shipment of 99 cases of gold shipped by the Government of the Union of Soviet Socialist Republics and I understand that it will arrive in Argentina, Newfoundland, about May 9, 1942. Will you please request the Federal Reserve Bank of New York to arrange to have the gold transhipped from Argentina to New York at our risk by rail route and to deposit it at the United States Assay Office in New York for account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics. This shipment is not to be insured by the Federal Reserve Bank of New York from Argentina to New York. The gold contained in this shipment is to be applied against the amount sold under the agreement of January 3, 1942. Will you please request the Federal Reserve Bank of New York to communicate with the State Bank of the U.S.S.R. in Moscow, relative to the payment of any expenses which it may incur in connection with the transshipment of this gold.

Sincerely yours,

/s/ Maxim Litvinoff

The Honorable

The Secretary of the Treasury

Washington, D. C.

Copy:vw:5-8-42

May 8, 1942

Files

Mr. Dietrich

Shipment of Russian GoldMay 4 --

Mr. Haskoy received the attached letter from Mr. Dewley relative to a shipment of 99 cases of gold bullion from the U.S.S.R. which was expected to arrive at Argentina, Newfoundland about May 9. Upon receipt of this letter Mr. Haskoy called Mr. Gromyko at the Soviet Embassy who said that he did not know anything about this shipment. Mr. Haskoy requested that Mr. Gromyko call for the name of the consignee. Mr. Haskoy also called Mr. Knake and advised him of the contents of Mr. Dewley's letter and Mr. Knake said that he would get in touch with the Bank of Canada immediately.

May 5 --

Mr. Lang informed Mr. Haskoy today that Mr. Knake had talked with Mr. Park of the Bank of Canada who said that he had heard about the shipment but did not know any of the details.

May 6 --

Mr. Dietrich received a call from Mr. Lang who said that the gold was due in Montreal either on the afternoon of May 6 or the morning of May 7 and that it would leave Montreal on May 8 and arrive in New York on May 9.

May 8 --

This morning Mr. Lang informed Mr. Dietrich that he had been advised by Mr. Cameron of the Bank of Canada, Montreal, that the shipment consisted of 99 cases containing 495 bars. The gold content of the bars was reported as 191,789.428 fine ounces, valued at \$6,712,689.96. Mr. Lang inquired of Mr. Cameron if he knew to whom the gold was consigned and he said he did not.

Mr. Dietrich called Mr. Gromyko about 11:30 to inquire if he had heard to whom the gold was consigned. Mr. Gromyko said that he had not. Mr. Dietrich explained to Mr. Gromyko that the gold was now at Montreal and was to be shipped to New York this afternoon and that, in the circumstances, the Soviet Embassy should deliver to the Treasury a letter of instruction for the Federal to arrange with the Bank of Canada for the gold to be shipped to New York for deposit at the U. S. Assay Office for account of the Secretary of the Treasury of the United States by order of the Government of the U.S.S.R. Mr. Gromyko said to prepare a draft of the letter and send it to him. Accordingly, the attached draft was prepared and approved by Mr. Bernstein and forwarded to Mr. Gromyko.

May 6, 1942

Mr. Crounse

Mr. Dietrich

Attached is a draft letter to be written by the Ambassador to the Secretary of the Treasury, and a copy of a letter which the Treasury received from the British Treasury representative in Washington regarding the shipment of gold now en route.

FD:lap-5/6/42

DRAFT

My dear Mr. Secretary:

There is en route to the United States a shipment of 99 cases of gold shipped by the Government of the Union of Soviet Socialist Republics and I understand that it will arrive in Argentina, Newfoundland, about May 9, 1942. Will you please request the Federal Reserve Bank of New York to arrange to have the gold transhipped from Argentina to New York at our risk by rail route and to deposit it at the United States Assay Office in New York for account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics. This shipment is not to be insured by the Federal Reserve Bank of New York from Argentina to New York. The gold contained in this shipment is to be applied against the amount sold under the agreement of January 3, 1942. Will you please request the Federal Reserve Bank of New York to communicate with the State Bank of the U.S.S.R., Moscow, relative to the payment of any expenses which it may incur in connection with the transshipment of this gold.

Sincerely yours,

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

Approved by BB

FD-36-42 (2)

COPY
THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

Box 680
Benjamin Franklin Station
Washington, D. C.

SECRET AND CONFIDENTIAL

May 1, 1942

Dear Mr. Bell,

With reference to Sir Frederick Phillips' letter to you of April 1st about a shipment of gold bullion from the U.S.S.R. I am instructed to inform you that a further shipment of 99 cases of bullion are expected to arrive at Argentia, Newfoundland about May 9th. You will no doubt make whatever arrangements may be necessary to collect the consignment.

Yours sincerely,

(Sgd.) T. K. Bewley

Mr. D. W. Bell

Under Secretary

United States Treasury

Washington, D.C.

Copy:imc
5/6/42

COPY NO. 13.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 156

CORRECTION: OPTEL No. 155. Heading MALTA - in first line for "26 bombers" read "76 bombers".

Information received up to 7 A.M., 12th May, 1942.

1. NAVAL

A small Norwegian ship which was sunk by bombs north west of the HEBRIDES on ninth shot down the attacking aircraft.

2. MILITARY

BURMA. The fall of BHAMO and MYITFYINA has been confirmed.

RUSSIA. A German attack by two infantry divisions and part of an armoured division, preceded by a short but intense bombardment, was launched against the centre and south sector of the KERCH front on the eighth.

3. AIR OPERATIONS

WESTERN FRONT. 11th/12th. A Hudson twice attacked and hit a 10,000 ton ship in convoy south of AALESUND, causing fires on board.

MALTA. Between noon 10th and two-thirty P.M. 34 bombers with fighter escort attacked. HAL FAR aerodrome was rendered temporarily unserviceable but no other damage is reported. 9 German and Italian aircraft were destroyed. Nine others probably destroyed and 14 damaged by our fighters. 4 others were shot down by anti-aircraft fire. 1 of our fighters is missing.

BURMA. Our advanced headquarters of the KALEWA-TAMU road was bombed by 15 aircraft on the 9th without effect, the next day IMPHAL was attacked by Japanese aircraft.

406



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

May 12, 1942

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

Dear Henry:

The attached is a summary on present British
Political Warfare attitude, European target.

Sincerely,

Bis
William J. Donovan

Campaign: a) Growing spirit of revolt occupied countries, increasing signs of failure of Hitler's new order.

b) Losses in Russia accentuate German manpower shortage, combat intensified by desperate effort, foreign labor, satellite armies.

c) Growing Anglo-American production, British aid to Russia and R.A.F. offensive.

d) War of nerves y psychological exploitation of R.A.F. bombing, indirect suggestions of formation of second front, and Commando raids.

e) Incitement of the population in occupied areas to interfere with transport, hamper production, cooperate in lowering German morale.

Propaganda field more fertile in Germany at present than since beginning of war. The whole propaganda tempo must be speeded up by striking Germany directly and indirectly through the occupied countries.

Time has come for United Nations to take political offensive, Germany has lost political warfare initiative. Further pronouncements of Britain's role in Europe are necessary to stimulate imagination, quicken spirit of resistance to new order by visioning a realizable alternative, undermining the desperate will to resist to bitter end as preferable to alternative of annihilation. A solid message of hope to individual Germans is necessary in very near future.

Advisable to cut down number of items on 'future' totals, because of dubiety of 'paper armaments' while stressing Russian production beyond the Urals, and Anglo-American production.