

GREAT BRITAIN

For Period Nov. 1 to June 30, 1941

(See tables attached for details and remarks)

(In millions)

Estimated dollar payments.....	\$2,720
Estimated dollar receipts.....	<u>615</u>
Deficit.....	<u>\$2,105</u>

Possible dollar resources available to Great BritainIn United States

Dollar balances, official.....	\$100	
Dollar balances, private.....	290	
(British say these balances are necessary to maintain)		
Dollar securities (Market value).....	645	
Dollar direct investments.....	400	
(Estimated liquidation value)	<u> </u>	\$1,435

Outside United States

Gold (Great Britain claims this is minimum reserve.....)	<u>600</u>
Total dollar resources available if all gold is used and all American securities are sold and invest- ments liquidated.....	<u>\$2,035</u>

Other resources which might be made available
either through sale of investments or as
collateral for loans

Great Britain foreign investment other than in United States (Valued at \$16,000 million) estimated collateral value.....	\$6,000
British Empire countries resources in U.S....	1,040
British Empire countries outside of U.S.....	<u>1,300</u>
	\$8,340
Assets in the United States of countries allied with Great Britain.....	<u>1,150</u>
Total.....	\$9,490

Table I

Summary Table - United Kingdom Gold and Dollar
Exchange Assets, November 1940

(In millions)

Gold

On earmark in U.S. - Nov. 20, 1940.....	0
Held outside U.S. - Nov. 20, 1940.....	\$600 ^{1/}

Dollar Balances

Official - Nov. 20, 1940.....	100
Private - Nov. 13, 1940.....	290 ^{2/}

American Securities

British estimated market value - Nov. 15, 1940..	645 ^{3/}
(U.S. Department of Commerce estimated value about \$950 million)	

Direct Investments in U.S.

Our estimated minimum liquidation value - Nov. 15, 1940.....	400
(Estimated book value - \$800 million)	
Total.....	\$2,050

- ^{1/} On November 1, 1940, according to British reports, the United Kingdom held \$700 million of their own gold. This does not include gold of other countries held under the jurisdiction of the British Empire. We estimate a reduction of \$100 million since then.

The British assert that \$600 million of gold is the minimum amount necessary for the conduct of their international business and for their necessary monetary reserves.

- ^{2/} British authorities stated in July that their private dollar balances were reduced to a minimum necessary to carry on business and that these balances were not available to meet their foreign exchange requirements.

- ^{3/} This figure is derived from a British estimate of market value of British-held American securities as of June 30, 1940, adjusted for British-reported net sales of American securities since June 30, 1940, and movements of stock prices as measured by the Standard Statistics Index of prices of 420 stocks.

Treasury Department, Division of Monetary Research. Nov. 27, 1940.

Table II

Summary Table - Foreign Investments of United Kingdom
Outside the United States ^{1/}

(Par value in millions)

British Empire:	
Canada.....	\$2,200
Oceania.....	2,600
South Africa and Rhodesia.....	1,225
British Asia.....	2,500
Other.....	500
Non-British Empire:	
Latin America.....	3,700
Europe.....	1,100
China and Japan.....	1,250
Netherlands East Indies.....	200
Philippines.....	25
Other.....	<u>800</u>
Total.....	\$16,000 ^{2/}

We estimate these investments to have a collateral value of \$4 to \$8 billion.

^{1/} These figures are based on estimates of Sir Robert Kindersley, a well-known British authority. His estimates are of total holdings for 1938, and distribution by geographic areas for 1936. Adjustments have been made wherever additional information has been available. The estimates cover long-term investments only; they are preliminary and subject to substantial revisions. Further study of United Kingdom foreign investments outside the United States is now being made in this office.

^{2/} The possible margin of error is several billion dollars.

Table III

Summary Table - Assets in the United States
of British Empire Countries Other than the
United Kingdom, November 1940

(In millions)

<u>Gold</u> - Nov. 20, 1940	0
<u>Official Dollar Balances</u>	
Canada - Nov. 20, 1940	\$ 265
Other - Nov. 20, 1940	10
<u>Private Dollar Balances</u>	
Canada - Nov. 13, 1940	155
Other - Sept. 25, 1940	<u>110</u>
Total	\$ 540
<u>American Securities</u>	
Canada - Estimated value,* Oct. 30, 1940..	500
Other - Estimated value,* Dec. 31, 1939...	40
<u>Direct Investments in U.S.</u>	
Canada - Book value, Dec. 31, 1939.....	<u>460</u>
Other - Book value, Dec. 31, 1939.....	<u>5</u>
Total.....	\$1,005
Minimum liquidation value.....	<u>500</u>
Total - Estimated liquidation value of all assets	\$1,040
(of which, Canada	\$900)
Other	140)

* Department of Commerce estimates adjusted for net sales.
(Market value for common and par value for other securities.)

Treasury Department, Division of Monetary Research.
November 27, 1940.

Table IV

Summary Table - Assets of British Empire Countries
(Other than United Kingdom) Held Outside the United States
September 30, 1940

(In millions)

<u>Gold</u>	
Australia.....	? <u>1/</u>
British India.....	\$274
Canada.....	? <u>2/</u>
New Zealand.....	23
South Africa.....	<u>308</u>
Total.....	\$600
<u>Long-term Investments (outside U.K. and U.S.)</u>	
Canada.....	600
Other.....	<u>100</u>
Total.....	<u>700</u>
Grand Total.....	\$1,300

1/ On April 30, 1940, the Central Bank of Australia held \$5 million of gold. This is the latest figure available.

2/ On May 1, 1940, gold belonging to the Bank of Canada was transferred to the Foreign Exchange Control Board. On that date the Bank of Canada held \$212 million of gold.

Table V

Summary Table - Assets in the United States of Governments
Allied with the United Kingdom, November 1940

(In millions)

Gold - Nov. 20, 1940

Netherlands.....	\$364	
Belgium.....	167	
Poland.....	2	
Norway.....	14	
	<u> </u>	
Total.....		\$567

Official balances - Nov. 13, 1940

Netherlands.....	15	
Belgium.....	1	
Poland.....	1	
Norway.....	13	
	<u> </u>	
Total.....		30

Private balances - Nov. 13, 1940

Netherlands.....	147	
Belgium.....	143	
Poland.....	2 1/2	
Norway.....	37	
	<u> </u>	
Total.....		329

Long-term investments in U.S. - May, 1940

Netherlands.....	600	
Belgium.....	150	
Poland.....	-	
Norway.....	10	
	<u> </u>	
The estimated liquidation value of these investments is made small in view of the difficulties which the government would have in securing control of the securities		<u>224</u>

Grand Total \$1,150

1/ As of September 25, 1940. In New York Federal Reserve District only.

Treasury Department, Division of Monetary Research. Nov. 28, 1940

GREAT BRITAIN

For Period Nov. 1 to June 30, 1941

(See tables attached for details and remarks)

(In millions)

Estimated dollar payments.....	\$2,780
Estimated dollar receipts.....	<u>615</u>
Deficit.....	<u>\$2,165</u>

Possible dollar resources available to Great BritainIn United States

Dollar balances, official.....	\$100	
Dollar balances, private.....	290	
(British say these balances are necessary to maintain)		
Dollar securities (Market value).....	645	
Dollar direct investments.....	400	
(Estimated liquidation value) _____		
		\$1,435

Outside United States:

Gold (Great Britain claims this is minimum reserve).....	<u>600</u>
--	------------

Total dollar resources available if all gold is used and all American securities are sold and investments liquidated.....	<u>\$2,035</u>
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Other resources which might be made available either through sale of investments or as collateral for loans

Great Britain foreign investment other than in United States (Valued at \$16,000 million)	
estimated collateral value.....	\$6,000
British Empire countries resources in U.S.....	1,040
British Empire countries outside of U.S.....	<u>1,300</u>
	\$8,340
Assets in the United States of countries allied with Great Britain.....	<u>1,150</u>
Total.....	<u>\$9,490</u>

Treasury Department, Division of Monetary Research. Nov. 28, 1940.

TMK:d1m - 11/28/40.

MEMORANDUM FOR THE PRESIDENT:

Appended are summary tables of estimates of various categories of the foreign exchange assets of Great Britain.

There is considerable difference of opinion as to which categories of foreign exchange assets available to Great Britain would be suitable for financing purchases from the United States. This depends, in part, on whether or not the assets are to be sold within the next year or are to be held as collateral against loans.

There is also considerable difference of opinion as to the liquidation and collateral value of the various categories of assets. The following list of assets suggests the possibilities of differing opinion as to the appropriate answer to the question: How much foreign exchange can Great Britain mobilize to finance imports?

1. Gold owned by Great Britain.
2. Dollar balances.
3. American securities held by the British.
4. Direct investments in the United States owned by the British.
5. Securities of Latin America, Africa, Far East, etc. held by the British.
6. Securities and direct investments owned by the British in Empire countries.
7. Similar categories of assets owned by the other Empire countries.
8. Similar categories of assets owned by nations collaborating with the British -- Netherlands, Belgium, Poland, and Greece -- a substantial portion of which are subject to the de facto control of the British.

9. Assets located in the British Empire belonging to non-cooperating countries.
10. The Western Hemisphere possessions of the British Empire (whether these have any substantial economic value, as distinct from the military and strategic value, is open to question).

Table I

0731

Summary Table - United Kingdom Gold and Dollar
Exchange Assets, November 1940

(In millions)

Gold

On earmark in U.S. - Nov. 20, 1940.....	0
Held outside U.S. - Nov. 20, 1940.....	\$600 1/

Dollar Balances

Official - Nov. 20, 1940.....	100
Private - Nov. 13, 1940.....	290 2/

American Securities

British estimated market value - Nov. 15, 1940.. (U.S. Department of Commerce estimated value about \$950 million)	645 1/
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Direct Investments in U.S.

Our estimated minimum liquidation value - Nov. 15, 1940.....	400
(Estimated book value - \$800 million)	

Total.....	\$2,050
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- 1/ On November 1, 1940, according to British reports, the United Kingdom held \$700 million of their own gold. This does not include gold of other countries held under the jurisdiction of the British Empire. We estimate a reduction of \$100 million since then.

The British assert that \$600 million of gold is the minimum amount necessary for the conduct of their international business and for their necessary monetary reserves.

- 2/ British authorities stated in July that their private dollar balances were reduced to a minimum necessary to carry on business and that these balances were not available to meet their foreign exchange requirements.
- 1/ This figure is derived from a British estimate of market value of British-held American securities as of June 30, 1940, adjusted for British-reported net sales of American securities since June 30, 1940, and movements of stock prices as measured by the Standard Statistics Index of prices of 420 stocks.

Table II

0732

Summary Table - Foreign Investments of United Kingdom
Outside the United States ^{1/}

(Par value in millions)

British Empire:	
Canada.....	\$2,200
Oceania.....	2,600
South Africa and Rhodesia.....	1,225
British Asia.....	2,500
Other.....	500
Non-British Empire:	
Latin America.....	3,700
Europe.....	1,100
China and Japan.....	1,250
Netherlands East Indies.....	200
Philippines.....	25
Other.....	<u>800</u>
Total.....	\$16,000 ^{2/}

We estimate these investments to have a collateral value of \$4 to \$6 billion.

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Treasury Department, Division of Monetary Research.
November 27, 1940.

TK:mag
11/27/40

Table III

0733

Summary Table - Assets in the United States
of British Empire Countries Other than the
United Kingdom, November 1940

(In millions)

<u>Gold</u> - Nov. 20, 1940	0
<u>Official Dollar Balances</u>	
Canada - Nov. 20, 1940	\$ 265
Other - Nov. 20, 1940	10
<u>Private Dollar Balances</u>	
Canada - Nov. 13, 1940	155
Other - Sept. 25, 1940	110
Total	\$ 540
<u>American Securities</u>	
Canada - Estimated value,* Oct. 30, 1940..	500
Other - Estimated value,* Dec. 31, 1939...	40
<u>Direct Investments in U.S.</u>	
Canada - Book value, Dec. 31, 1939.....	460
Other - Book value, Dec. 31, 1939.....	5
Total.....	\$1,005
Minimum liquidation value.....	500
Total - Estimated liquidation value of all assets	\$1,040
(of which, Canada	\$900)
Other	140)

* Department of Commerce estimates adjusted for net sales.
(Market value for common and par value for other securities.)

Treasury Department, Division of Monetary Research.
November 27, 1940.

TK:mgg
11/27/40

Table IV

Summary Table - Assets of British Empire Countries
(Other than United Kingdom) Held Outside the United States
September 30, 1940

(In millions)

Gold

Australia.....	1 1/2	
British India.....	\$274	
Canada.....	1 2/3	
New Zealand.....	23	
South Africa.....	<u>308</u>	
Total.....		\$600

Long-term Investments (outside U.K. and U.S.)

Canada.....	600	
Other.....	<u>100</u>	
Total.....		<u>700</u>
Grand Total.....		\$1,300

1/ On April 30, 1940, the Central Bank of Australia held \$5 million of gold. This is the latest figure available.

2/ On May 1, 1940, gold belonging to the Bank of Canada was transferred to the Foreign Exchange Control Board. On that date the Bank of Canada held \$212 million of gold.

Treasury Department, Division of Monetary Research. Nov. 27, 1940.

TMI:dlm
11/27/40.

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Summary Table - Assets in the United States of Governments
Allied with the United Kingdom, November 1940

0735

		(In millions)
<u>Gold - Nov. 20, 1940</u>		
Netherlands.....	\$364	
Belgium.....	167	
Poland.....	2	
Norway.....	<u>34</u>	
Total.....		\$567
<u>Official balances - Nov. 13, 1940</u>		
Netherlands.....	15	
Belgium.....	1	
Poland.....	1	
Norway.....	<u>13</u>	
Total.....		30
<u>Private balances - Nov. 13, 1940</u>		
Netherlands.....	147	
Belgium.....	143	
Poland.....	2 1/2	
Norway.....	<u>37</u>	
Total.....		329
<u>Long-term investments in U.S. - May, 1940</u>		
Netherlands.....	600	
Belgium.....	150	
Poland.....	-	
Norway.....	<u>10</u>	
The estimated liquidation value of these investments is made small in view of the difficulties which the government would have in securing control of the securities		<u>224</u>
Grand Total		\$1,150

1/ As of September 25, 1940. In New York Federal Reserve District only.

Treasury Department, Division of Monetary Research. Nov. 28, 1940

TMK:eah
11/28/40

6736

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Summary of Programs
No. 1, No. 2, and No. 3

	Value of product	Amount of capital required
I Air	\$3,870,000,000	\$ 900,000,000
II Munitions	1,894,000,000	300,000,000
III Ships	184,000,000	18,000,000
IV Other	<u>576,000,000</u>	
Total	<u>\$6,524,000,000</u>	<u>\$1,218,000,000</u>

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RAMP 8-2-71

~~STRICTLY CONFIDENTIAL~~Program No. 1
(X Program)

	Initial Order to be Placed for output (excluding capital amortisation)	Capital Investment necessary for creating new productive capacity
I. <u>New Airplane Program</u>		
a. Smaller scheme to produce 12,000 aircraft by June, 1942 (NOTE - \$100,000,000 paid in capital on present program, per U.S. Treasury report of Nov. 9, 1940.)	\$1,075,000,000	\$400,000,000
b. Armament, ammunition, bombs, radio and special equipment for above	125,000,000	50,000,000
II. <u>U.S.-Type Ordnance Program</u>		
a. 10 Divisions equipped with U.S.-Type weapons (<u>B Program</u>) - War Dept. estimate	600,000,000	200,000,000
b. Other U.S.-Type ordnance not yet ordered (including .50 and .30 ammunition)	75,000,000	25,000,000
c. <u>Tanks</u> and Tank guns remaining to be ordered	100,000,000	15,000,000
III. <u>Merchant Ship Construction</u>		
	<u>87,000,000</u>	<u>9,000,000</u>
TOTALS	<u>\$2,062,000,000</u>	<u>\$699,000,000</u>

This statement is in addition to orders already placed amounting to approximately \$2,600,000,000.

The "New Airplane Program" represents the first step in the expansion of the British aircraft program already established.

The "U.S.-type Ordnance Program" does not include additional items still to be formulated under the 10 Division Army Plan.

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0738

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Program No. 2
 (Additional orders to be placed
 now under negotiation)

	Value of product	Amount of capital required
I Air	\$270,000,000	
II Ordnance	369,000,000	\$10,000,000
III Ships	10,000,000	
IV Other	<u>576,000,000</u>	
Total	<u>\$1,225,000,000</u>	<u>\$10,000,000</u>

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RHP 8-2-71

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Program No. 3

Contemplated British requirements
for the continuation and expansion of programs
which have already been submitted or discussed
involving payments before August 31, 1941

(This table, together with the details already furnished to the Treasury, includes all programs which can at present be formulated. It is plain that large plans will have to be formulated in the near future and further orders will have to be placed.)

	Value of product	Amount of capital required
I. Air (Orders for release in mid-1941)		
a. Repeat orders from present capacity for output July - December 1942	\$ 600,000,000	\$
b. Repeat orders from capacity to be created under "I" program for out- put July - December 1942	900,000,000	
c. Initial order for output from further new capacity (additional 1500 aircraft per month) up to end of December 1942	<u>900,000,000</u>	<u>450,000,000</u>
Total Air	<u>2,400,000,000</u>	<u>450,000,000</u>
II. Munitions		
a. Remaining equipment to be ordered for 10-division scheme	350,000,000	50,000,000
b. Repeat orders for ordnance and ammunition now on order or under negotiation (excluding 10-division scheme) - six months output	<u>400,000,000</u>	
Total Munitions	<u>750,000,000</u>	<u>50,000,000</u>
III. Ships (Additional 60 under consideration) ^{1/}	<u>87,000,000</u>	<u>9,000,000</u>
Total	<u>\$3,237,000,000</u>	<u>\$ 509,000,000</u>

^{1/} This represents the figure under discussion by the B. P. C., but it may be absorbed in the plan tentatively discussed but not yet elaborated, for the construction of 300 ships, ~~which would cost \$200 million.~~ \$200 millions.

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December 17, 1940

At lunch with the President, I found him in a very good humor, very quiet and self-possessed, and very proud of the fact that he didn't look at a single report that he had taken with him from Washington.

The President said, after some story-telling, that the first thing he wanted to ask me was whether the English had asked me for a loan. I think he was a tiny bit displeased with what I had done, but by the time I got through, he was all right. I told him the whole story about Sir Frederick going up in the car with me, up to and including Sir Frederick's calling me last night from Cochran's office.

The President then said, "I have been thinking very hard on this trip about what we should do for England, and it seems to me that the thing to do is to get away from a dollar sign." He said, "I don't want to put the thing in terms of dollars or loans, and I think the thing to do is to say that we will manufacture what we need, and the first thing we will do is to increase our productivity, and then we will say to England, 'We will give you the guns and ships that you need, provided that when the war is over you will return to us in kind the guns and the ships that we have loaned to you, or you will return to us the ships repaired and pay us, always in kind, to make up for the depreciation.' " He asked, "What do you think of it?" I said, "I think it is the best idea yet." I added, "If I followed my own heart, I would say, 'Let's give it to them;' but I think it would be much better for you to be in the position that you are insisting before Congress and the people of the United States to get ship for ship when the war is over, and have the Congress say that you are too tough, and say, 'Well, let's give it to them,' than to have the reverse true and have Congress say you are too easy."

Well, we kept talking about it back and forth, and finally he said, "What would you think if I made a statement like this at my press conference this afternoon?" I said, "Fine. The sooner the better because the people are waiting for you to show them the way."

I then tried to show the President these various statements on the assets of England, but he didn't want to look at them. He asked, "What about this list that the English want?" and I showed him Programs 1 and 2 and 3, and I told him that Programs 1 and 2 have been cleared by the Army and Navy. He said, "Go ahead and finish the deal." The President said, "I don't think if the English are smart they are going ahead. I think that they will take the position that we haven't got the money to pay for it" and will hold back until we show our hand, and show them how they are going to get this material." I replied, "You are right because I haven't heard from the English yet." (The President's sense of trading and intuition on things like this is absolutely amazing.)

I told the President not to do anything about Donald Nelson until I got his speech which he made in Chicago. I told the President that Nelson gave a speech very much along the line of General Wood.

I then had a minute or two to tell the President about my idea of having all of export control flow through the Treasury and the Customs Houses, and if the exporter wanted a license for his money or anything else, it would go through the Customs House, and he would transact all his business there. I said that on top there would be a committee composed of the President and representatives of Treasury, State, War, Navy and National Defense Commission. The President liked the idea.

(I met McReynolds outside my door who, for the first time, told me that Stettinius, and I think he said Nelson, sent a memo to the President to read on his trip, dealing with foreign funds and the freezing of them. McReynolds said that the difference between my proposal and theirs is that I want to give the President a finished product and they want him to appoint a committee to study it.)

December 19, 1940

I saw the President this morning. Steve Early was very much disturbed about how the story broke on the three-man council. The President wanted to know where it came from, and nobody seemed to know, so I didn't say that they had been over to my office. However, later in the conversation, I had an ample opportunity to give him the memo on the work that Phil Young has been doing and to give it a good send-off. I also told him about the Greek planes and about the 10 planes which are still in the Philippines.

The last thing that happened was the President said, in a rather cross way, "I see in the Tribune that you said that England is going to be given \$3,000,000,000 worth of credit," and he added, "What can I tell the leaders in Congress? They will ask, 'How could you sell them this stuff on credit when you didn't have the authority to do it from Congress?'" So I made up my mind it was time for me to stick by my guns, and I said, "That's what I understood you to say to me at lunch; namely, that they should go ahead and place the orders for One and Two." I said, "At the time, I didn't understand it, but that's what you told me. I was very careful, contrary to what the paper says today, not to tell this to anybody until 5:00 when I sent for Sir Frederick, and I picked 5:00 in order to have it after your press conference." I then told him, "If this is what you say now, no damage has been done because Sir Frederick worked until 3:30 this morning at my request in order to list his requirements in order of preference. Nothing has been done so when I go on the Hill I can say that no commitments have been made." I told him that my record is perfect. Well, then he seemed satisfied.

I told the President that they want to place an order for 60 ships, and I said that they are not the ships which I understand the President wanted because they are only 10½ knots. He said, "No, those 60 ships are all right. I told Captain Callahan to tell Emory Land that three days ago."

I had a chance to go over the whole Chinese thing with the President, and he is just as thrilled as I am. I said, "Don't you think, Mr. President, that this may have even a

more far-reaching effect than the campaign in Greece?"
He said, "Much more. Much more." I asked him if he
wouldn't take it up after Cabinet with Stimson, Knox,
Hull and myself and he said that he would.

December 19, 1940

At 10:45 a.m., Steve Early called HM Jr, and the following is the Secretary's end of the conversation:

"Hello.

"Yes, because it is time for me to talk to my press conference.

"Good.

"Please.

"Well, here's what the President told me. He evidently had seen some story in the Tribune, which I haven't seen, where I said it was okay to go ahead with it.

"Can anybody hear what you and I say?"

"Well, this is the story. At lunch - let's see, today is Thursday. At lunch Tuesday the President did tell me to tell the English to go ahead and place that \$3,000,000,000 order, and he told me he was going to announce this thing at his press conference. So I told Sir Frederick Phillips to come around at 5:00, at which time I told him the President said that inasmuch as this had been cleared by Army and Navy and National Defense, they should go ahead and place it. Sir Frederick said, 'How can I do it?' I told him that it was up to him to figure it out. I told him to give me the following morning a list of the things in the order he would like to place them. At the head of the list are 60 ships. Now this morning the President jumps me and asks me what he is going to do, what can he tell the leaders. He said that they're going to ask why he went ahead without the sanction of Congress. I told him that I am the fellow who has got to go on the Hill and that my record is perfect because there hasn't been an order placed as of 9:30. Then I brought up these 60 ships and he said that they can go ahead with them, but he said, 'That's all until Congress tells us how to do it. They can do everything up to signing the contract.' My record is all right and everything is okay. Now there's the whole story. What are you going to tell them so you and I will say the same thing?"

"Future orders?"

"That's all right.

"No orders have been placed since he has come back so that gets away from the timing. How is that?"

"That's all right.

"Is that what you are going to say because you and I ought to say the same thing?"

"He said to go ahead with the 60 ships because they have the money here marked for that - that's cash..

"No, that's for cash. They're going to pay all cash. And that's the only thing that is going to be done now. Tell them the same thing.

"Well, after all, that's the only way we can serve the President the best. Of course, the English are going to be sore as Hell at me. I think that \$3,000,000,000 story came from them.

"That's right. Then we'll be together.

0746

December 19, 1940

At Cabinet the President said that the English could place orders for anything they wanted if they said they had the money to pay for it.

Cabinet, December 19, 1940

I gave this to Press, he read it and
shook his head emphatically no!

THE WHITE HOUSE
WASHINGTON

Lubin came to see
me and said if
you set up a
new group please
put on a Labor Man
— I agree.

December 23, 1940

At 2:15 on December 23rd the President called Admiral Stark, in my presence, and told him that he wanted the Tuscaloosa to pick up the gold in Africa.

The only condition the President made was that he wants the gold insured. I told him that I thought the Treasury had a fund for that purpose, but if we did not, I would insist that the English insure this gold with Lloyds and that they pay for it.

December 27, 1940

Cabinet Dec 27, 1940.

THE WHITE HOUSE
WASHINGTON

0749

Suggested to Forester
to give Bell aircraft
6 million. They could increase
their production from 5 to 15
a day.

Pres. said he is in
favor of basing ships from
willing owners. Leave to
later taking ships from
unwilling owners.

Pres. stressed keeping of
Harvest crews.

Foley send At. General
want we have done on
Linnit ships.

Jackson said Committee on bill
knows that F. B. I. is tapping
French Embassy. Told Hoover
that he can stop tapping all wires

per as necessary is concluded.

(2)

THE WHITE HOUSE
WASHINGTON

Brought up question of
high price of wool - lumber
Pres. said we must
do something now -
also brought up
question of placing
business in middle West.

Suggested that whole
price question be ~~deferred~~
referred to Nat. Planning group.
Pres. said he would take
it up with them.

0750

December 30, 1940

0751

Hull suggested as Ambassador to England Cox of Ohio
or Owen D. Young and the President turned him down.

0752

Dear Henry,

I fear these notes
are very rough but may
be enough to recall
the points.

Sincerely

Armed

MEMORANDUM

The President warmly welcomed the prospect of receiving the statement of our requirements of weapons developed while I was in London and asked that it reach him soon. Arising out of indications that the dollar value of these would be larger than expected, perhaps of the order of \$15,000,000,000 (though this was merely a guess at this stage) discussion arose on the type of legislation which should be drafted for Congress.

The President invited Secretary Morgenthau to draft suggestions for legislation covering;

- (a) Appropriation procedure and
- (b) Procedure in connection with loan by the U.S. of weapons to the U.K., indicating we could be helpful in connection with (b)

His idea is that the legislation should follow the lines of his last night's speech whereby the weapons or their equivalent would, in due course, be returned by Great Britain to the U.S.

This was the only logical line of attack. It would be impossible to put a money value in advance to Congress since the decision as to the weapons actually to be shipped to Great Britain would only be fully known at time of delivery.

He instanced three examples as applied to the case of a 3" anti-aircraft gun which might be so loaned:

- (a) If the gun had been installed at a point where it was found after the war its use had been more or less negligible, except perhaps for practice purposes, it could be returned intact.
- (b) If the gun had been used to the point where re-rifling was necessary, Great Britain would replace the worn barrel before returning it.

- (c) If the gun had been demolished or rendered unrepairable its equivalent would be returned by Great Britain, say within five years.

The point was made that in the case coming under (c) category where applied for instance to a fighter aeroplane, lent say in the spring of 1941, and which was replaced say in 1943, a plane of the 1943 brand would be expected in return. If 1943 types were more expensive planes than the 1941 type, differences would be equated in the lesser number of planes returned.

The point was also made that the settlement under (a) ~~subsequent~~ ~~might be~~ ~~transported~~.
Provision would have to be made that weapons given under the loan legislation procedure were limited to those which were useful to the U.S. to receive back. This, the President pointed out, put a premium upon the establishment of mutually acceptable designs of the various weapons.

The President saw no reason why the loan procedure should not apply also to such commodities as wheat.

As to the possibilities of an interim meeting of the situation pending Congressional action, the President said progress might be possible by the utilisation of unexpended contractual balances and also through R.F.C. funds. Also a deficiency appropriation bill could be put through Congress fairly quickly but would be limited in its application to the wording of existing law.

On the subject of ships the President said an allocation of \$36,000,000 had been made to the Maritime Commission under his instruction in order that Mr. Knudsen could get along with the building of seven additional ship-yards, leaving open the question of appropriation sums required to pay for the subsequent output of these yards.

Washington,
December 30, 1940.

*This must have taken
place on Monday, Dec 30/40*

December 31, 1940
9:05 a.m.

Present: Mrs. Klotz

H.M.Jr: In addition to this memorandum which Purvis wrote for me, of our meeting with the President, there are several things which Purvis didn't mention.

One, the President said that Governor Cox and Owen D. Young had been recommended as Ambassadors to England, but that he didn't think well of it and he was thinking some of former Governor Winant because he thought his labor connections were such that it would be helpful in England.

After Purvis left I told the President that Winant's financial situation was not good, and if he wanted to find out more about it, he should talk to either Sam Lewison or Colonel Knox.

The President brushed both suggestions aside emphatically and said, "If he has any money troubles, they are his wife's." He didn't want to hear about them, so I let the matter drop.

During our conversation with Purvis, however, the President said that he would like me to think of somebody to send over that could be helpful on munitions. Well, I have thought it over and I talked it over this morning with Phillip Young, and neither of us could think of anybody; so I have therefore written a letter suggesting that he

make John Wiley Minister to London, because I think he would be very useful and he certainly would do any special errands that I might have.

Also in Purvis' paragraph, the last paragraph on the second page, he speaks about the President allocating 30 million dollars for ships, but he failed to mention the fact that what the President had told Knudsen last Saturday was to go ahead and build 200 ships at a cost of approximately 300 million dollars, these ships to be the nine and ten knot class; also, that the President allocated the 36 million out of his own special funds and expected to get them back from Congress. The President also said that he doubted his authority to order these ships when there was no specific appropriation for them. They were going to go ahead and do it just the same.

Purvis asked the President what he, the President, proposed to do during the interim period, meaning from now until the time the legislation passed. The President hedged on this thing beautifully. He gave Purvis no satisfactory answer.

After leaving, I told Purvis it was up to the two of us to see whether we couldn't work out some way whereby they could get these orders started somehow or other.

Purvis also failed to mention in his memorandum when he asked the President with whom should he work. The President hardly let Purvis ask the question and he snapped back, showing that he had it in the forefront of his brain, that he should work with the Secretary of the Treasury. In other words, he didn't stop to weigh the matter, but he had it very definitely in his mind.

After Purvis left, I gave the President a memorandum on freezing funds, et al, and he

said, "Well, this is a very small matter compared to the other thing that we are talking about." I told him, "Well, what about the Budget?" and he said he would take care of the Budget, but nevertheless I am going to call up the Director of the Budget myself this morning.

I also told the President that Hull was willing to go along unenthusiastically, but that the principal thing that bothered Hull was, he didn't want to be chairman. I told him that Welles was quite enthusiastic about the program when I explained to him that we could exclude England and Canada and South and Central America.

One of the important things that Purvis left out was that the President said, "I have got something very hush-hush to tell you. I want three or four million dollars from you." It seems there is some Admiral, whose name I can't remember, who now lives in Maine and who used to be the Chief of Naval Operations, who made a suggestion to the President on convoys. His thought is that they take an ordinary steamer and saw off the top of it and put a flat deck on it; and then the Admiral suggested that they put on this remodeled aircraft carrier autogyros, that these autogyros would be constantly out 15 miles sailing around the convoy and would carry one or two bombs when watching for submarines.

The President said, "I don't know whether it would work, but it is new and hasn't been tried, and it is a good idea." He said, "I also want on this ship a new plane that the Army calls a "Y" plane, which is small and can land at 30 miles an hour and can take off in a very short distance." He said, "We would like you to build one and equip it with these planes and the United States Government will equip one and we will experiment with ours and you put yours into service this spring. That is definitely worth trying."

One of the most important things that the President said and gave me an insight on as to how he was thinking, was that when he told us that he wanted the Treasury to draft the legislation, he let me know that what he really wanted was authority from Congress to go ahead and build the necessary arms for this country plus England, and that he should have a blank authority to allocate as many of these combined orders as he might see necessary at the particular time. In other words, he doesn't want 10 million, let's say, for the United States, 5 million for England, and have the amount to England earmarked; and I got the impression that what he would like to have is to have Congress say, "Go ahead and build 15 million dollars worth of munitions," and that he would say at the particular time what kind of munitions should go to a particular country.

Of course, if he could get this authority it would be excellent, but I doubt very much if he will. But he is definitely counting on the Treasury to do the drafting, which I told Foley last night, and he definitely wants it in the blank check form.

He also seems to expect us here in the Treasury to continue to be the contact for various foreign purchasing missions.

The President was in a very good humor and seemed to enjoy having Purvis for lunch. Purvis handled himself very well. After all, I pretty well told him what to say between 11 and 12, and then he had from 12 to 1 to think it over.

I may be wrong, but for the first time I just have a slight feeling that the reception that Purvis got in England has just a little bit gone to his head. But I may be wrong. I think that he is beginning to forget that he was practically out on the end of a limb when he left here, with

Beaverbrook setting up Morris Wilson as a separate air mission, as their stationery shows, and that I am entirely responsible for holding his job together for him on this side of the water; but as I say, what I am interested in is seeing that they get the aid that they need, and another few days will tell whether Purvis has changed or not.

January 1, 1941

Last night, December 31st, at the White House at dinner, the President said to me across the table, "I want to tell you, Henry, that I told the Greek Minister when he called on me that we would give him sixty planes instead of thirty." I sort of gasped and then I said, "Well, we haven't been able to give him thirty planes let alone sixty." Then the President said, "Well, at least give them thirty-three planes."

It is evident that the President told the Greek Minister he could have sixty planes instead of thirty. I decided that the President didn't know all the facts although maybe he has been "egged on" by Sumner Welles. Where we are going to get the sixty planes from I don't know.

The President said, "I told the Greek Minister to take it up with you and Purvis." I gathered that he thought the planes would come out of the English allotment.

January 2, 1941

When I told the President that I was asking the SEC to organize for me the various investment trusts into a co-operative group to buy some of the British direct investments in this country, he said he thought it was a good idea, but reminded me of his own plan which is that they give the British the right to buy these back at a fixed price.

January 2, 1941

I spoke to Steve Early at ten minutes to eight, and asked him if he had seen the Eccles' statement. He said he had. I asked him if he could tell me anything about it, and he said that Eccles brought it over to him yesterday, and said that it was the work of the Advisory Committee, and they were going to send it up to the Hill if he didn't.

Steve Early showed it to the President, and the President said, "Let it go." Early said that Eccles also told him that he had shown it to me. I said that was correct, but I told Early that if it hadn't been for Dan Bell, Eccles would have never taken it over to the White House because he intended sending it up without showing it to the White House. Bell got excited and that is why Eccles took it over. Early also told me that Eccles said he hoped the President would give it his blessing. I said I did not see how the President possibly could because the things that Eccles wanted Congress to nullify were the things the President stood for for the last seven years, and I have been up on the Hill fighting for them for the President.

January 6, 1941

Present: Mr. Young
Mr. Kuhn
Mr. Gaston
Mr. Bell
Mr. Foley
Mr. White

H.M.Jr: I thought you might want to listen while I dictated this stuff, so I asked you to come in.

Foley: You should have sent him the Republican Platform, eliminating the power to devaluate and eliminating greenbacks.

H.M.Jr: Would that do the trick?

Foley: Sure, that is what carried it out.

Bell: Somebody said today that if you want to get the Federal Reserve memorandum, all you have to do is read Aldrich's speech in Boston on December 12, that everything there is there except the gold coin.

(Mr. Kuhn, Mr. Young, and Mr. White entered the conference.)

H.M.Jr: Well, now, Ed, let's just dictate to my diary. What we are doing here is unusually confidential. You do the joint resolution one, will you?

Foley: The Secretary and Mr. Foley saw the President at 4:20, and took up with him the following matters:

First, the amendment of the joint resolution extending military aid to South American Republics

- 2 -

passed June, 1940, to enlarge those powers to provide material aid for those nations whose defense is vital to the defense of the United States. The President read the proposed bill section by section, asking a few questions as he went along.

Secretary Morgenthau explained that the bill had been worked over by Beaman, pursuant to his instructions, and Beaman was satisfied with it.

The Secretary also stated that the bill had been shown to and approved by Hackworth on behalf of Hull, Secretary Stimson, Knox, Dean Acheson, Ben Cohen, Eddie Greenbaum, McCloy, and Colonel Quentin. The President said that the draft carried out the matters that he had taken up in his message today, but he was troubled by the directness of it. He pointed out that Hitler was not buying iron ore from Sweden or wheat from Russia, but was buying those natural resources and commodities from corporations in those countries through corporations in Germany. This allowed Hitler to draw a distinction between direct action under the proposed bill and the action he was taking with the countries named.

The President pointed out that if a corporation could be set up by the RFC which would indemnify a private company like General Electric from loss resulting from the sale of diesel engines, for example, to Great Britain, Hitler would not be able to make the same international law point, that he would be in a position to do if we acted directly with Great Britain in making diesel engines available to that country.

The President asked Secretary Morgenthau and Foley what they thought of the plan. Mr. Foley pointed

out that the plan would involve a repeal of the Johnson Act, since General Electric would be extending credit to Great Britain.

H.M.Jr:

Just let me interrupt you a minute, and point out that when you made - when Foley made this suggestion, up to that time I felt the President was pretty well set to have it a corporation; but when Foley pointed out that we would have to change the Johnson Act, you could see that his thoughts turned a somersault. He was pretty well set on a corporation idea up to the time he pointed out the Johnson Act.

Foley:

Foley also told the President of Secretary Hull's statement when he appeared before the Banking and Currency Committee in connection with the proposed extension of credit to China. In answer to a question from one of the Senators in regard to Japan construing such an extension of credit as being a warlike act, Hull replied that if it was a contravention of international law and thereby a warlike act for a country to take action to defend itself, then Japan could say that the extension of credit to China was in violation of international law.

On the other hand, the Secretary pointed out that if we have reached the point where we are no longer willing to defend ourselves against acts of aggression on the part of foreign nations, such extensions of credit should not be made. However, he did not think that we were in that position in our thinking today, and believed that no one would say that we were violating international law.

The President said that Secretary Stimson was seriously disturbed about amending the joint resolution which had come from the Foreign

Affairs Committees of the two houses, since this would mean that the proposed legislation would go back to those committees which were made up in a large part of isolationists.

Mr. Foley told the President that by striking out the first four lines of the bill, it would stand as an independent measure, and under the rules of the House would be referred to the proper committee.

The President suggested that Secretary Morgenthau talk to Speaker Rayburn and Majority Leader McCormick, again on this point and bring up Stimson's objection. Secretary Morgenthau asked the President whether this should be done before the corporation idea was explored further. The President said no, it should be done right away. The President also asked that Secretary Morgenthau secure the initials of Hull, Stimson, Knox, Knudsen, and himself, to the proposed legislation and bring it back to him.

I guess that is most of it on that.

H.M.Jr:

Make a note that Mr. Foley can have a copy of that for his records, up to this point.

Now, shall we go on? I will go on. Gentlemen, if you ever let any of this out - this is the fun of hearing this stuff. The President said that Senator Robert Wagner came down to see him about the Eccles bill, and the President said, "I said, 'you know, Bob, this is strictly between us. Of course, I haven't said anything about this before, because I wanted to save Steve Early's face,'" but he says, "Eccles also came in and showed this thing to Steve Early," and he says, "Steve never showed it to me. I have never seen it," and he says, "So it got out as though it

had the blessing of the White House," but I said, "'Bob, I never have seen it. Of course, I want to save Steve's face.'" He said, "Why, this is nothing but what Winthrop Aldrich wanted." He said, "Everything except the -" did he say a free market for gold?

Foley: No, he didn't say a free market.

H.M.Jr: He said, "This is practically everything that Winthrop Aldrich wants."

Foley: Since it would result in increasing interest rates.

H.M.Jr: He says, "From a half to one per cent." The President then went on and repeated word for word every single thing that I told him on that morning, as his own, but verbatim. He said - you have got to help me out, I am awfully tired - "All you have got to do is to read the newspapers and you will see what they have said," and then he went on and told the thing that I told him, which was contrary to his first impression.

His first impression when I talked to him was that there is no deflation in sight. What he said he told --

Bell: No inflation?

H.M.Jr: No, no deflation in sight. That is what he told me the first time I talked to him. What he said today was what I told him. I said, "How about if there should be peace tomorrow?" And then he went on to say - he said, "Supposing something happened." He said, "I need all of these powers. How do we know what is going to happen tomorrow? Just the things that are in this thing are the

that I may need." He says, "We never know when we may be faced with that situation," and he says, "As far as inflation is concerned, we are not particularly worried about it." Is that what he said?

Foley:

He said that he didn't see any deflation in sight. These were deflationary measures. If peace came tomorrow, he might need these powers to bring down prices. There might be a scarcity of money and prices might soar. If he was in the position he was in back in '33, where he had to go and find old powers from 1917 that hadn't been used in a long time, it would be unfortunate. He thought that he should keep the powers to deal with deflation even though there was no deflation on the horizon, against the day when that contingency might arise. I don't think he mentioned much about inflation.

H.M.Jr:

No, I guess you are right, but he did talk about deflation and then I said, "Well, you know we are going to have a memorandum on this for you very shortly." I don't know just what he has in mind for the next move, but he certainly left no doubt in my mind that he is 100 per cent against the Eccles plan. He didn't say anything in favor of any part of it, did he?

Foley:

Not one.

H.M.Jr:

The thing which I forgot to tell him but which I told Foley when we were walking out was that Congressman Somers of Brooklyn stopped me on the Hill and said, "Now, if you want this thing handled in the right way --" I said, "What do you mean?" He says, "Well, I don't like the Eccles Bill, and if you want it handled right, have it worded so it comes to my committee."

Foley: Now on the Executive Order.

H.M.Jr: Oh yes. Then I showed him this clipping from Martin Dies saying that the Russians were giving their money to the Germans, etc., etc. And I said, "I don't want you to have your hand forced by Martin Dies, and I think you ought to do it before your hand is forced." So he said, "Well, didn't I take this up with Cordell Hull?" I said, "Hull is all right on this and so is Welles," but I said, "It is being held by the Director of the Budget who says he won't get around to it until you clean up your deficit." He says, "Well, I will do the deficit up tomorrow." He said, "That appears in Wednesday's paper." He says, "Wednesday I do the Budget," and that appears in Thursday's paper, and he says, "Tell Harold Smith to have this over to me Thursday morning and I will sign it, that is provided you want publicity." I said, "Yes, I want publicity," and he says, "All right, have it here Thursday morning. He says, "Won't you tell it to Harold Smith," and he says, "No, you tell it to "Pa" Watson that I want it done," which I did.

Then on my interim plan I said that I couldn't get anywhere on this, that I had tried to get the thing through before he left, and he told me what he wanted, and I couldn't get it; and he read it very, very carefully.

(Mr. Gaston entered the conference.)

And I said, "I want Stimson and Knox and Knudsen, Jones and myself together," and he said to tell Watson he would see them on that. I said it needed his support. And then, just before we left I said, "Did Wagner say anything to you about the Bank Holding Bill?" I said, "We first thought that Carter Glass was with us on the

death sentence, but he seems to be kind of wobbling on it and so does Wagner." I said, "I am afraid that Jesse Jones has been working on Carter Glass." The President didn't seem to particularly like that, but I said, "Now, I need your support. Are you for a death sentence of the bank holding companies?" And he said, "Absolutely." He said it very emphatically.

What else did we do today?

Foley: I think that covers it.
White: Quite a day.
H.V.Jr: We had a good day.

Dies Says Nazis Get Russian Funds Here, Reports \$15,000,000 Shifted in 2 Months

By HENRY N. DORRIS

Special to The New York Times

WASHINGTON, Jan. 3.—The Dies committee is investigating the transfer of money by the Central Bank of the U.S.S.R. to Germany and other Axis powers, and says that preliminary evidence would show that at least \$15,000,000 was transferred from the Soviet bank to the Reichbank in the past two months.

Representative Dies, the chairman, made this statement as his committee submitted to Congress a report covering the past two years, in which it was recommended that the committee be continued two years, with an appropriation sufficient to enable it to expand its work.

Mr. Dies said preliminary evidence of the committee's investigation would show:

1. That the Soviet Union has acted as the "financial agent" in this country for the totalitarian powers.
2. That through non-State organizations such as the German American Bund, more financial aid from this country had been extended to the Axis powers than has been given to Great Britain by Americans.
3. That in one New York bank \$15,000,000 had been transferred during the past two months from the Russian Central Bank to the Reichbank, and that preliminary investigation had disclosed "enormous sums" to have been transferred through other banks.

"While we are talking about aid to Great Britain," Mr. Dies said, "the Axis partners are getting financial aid and goods from this country, through the Soviet Government which is acting as the financial front for the totalitarian powers, and the evidence which we will make public shortly, after the committee is reconstituted, will show conclusively that the Axis

powers are getting more aid from this nation—from adherents to Communists, Bund and other organizations of those sympathetic with the German and Axis Governments—than we are giving to Great Britain.

"The investigation, you might say, has just started into this phase of the matter. We will release shortly incontrovertible evidence that more money is being funneled into propaganda in America than Congress appropriated for the Dies committee.

"And we have been down from time to time, the activities of foreign agents in our defense industries. I am afraid we are allowing them to do the same thing here that they did in France. Persons sympathetic with totalitarian powers are working in our defense industries and they are trying to prevent this country from arming and giving aid to Great Britain. It is time this nation awakes to this danger."

Holds Facts Made Prior to War

"The Soviet Government is using its position in this country to aid the German and Italian and Japanese Governments under agreements that probably were made prior to the war."

Officials were apprised of a statement in London by Hugh Dalton, British Minister of Economic Warfare, expressing concern that shipments of United States cotton and scrap rubber to Russia constituted a "leak" in the British blockade.

Official government services have said, however, that the amount of cotton going to Russia was \$5,000,000 annually, in part to replace 400,000 bales of Russian cotton which was going to Germany. It was said privately that government officials believe this amount of cotton could affect the outcome

of the war and that it was being permitted to leave these shores as part of this nation's efforts to keep Russia from openly entering the Axis partnership.

The report of the Dies committee to Congress summed up its work, containing little that has not been published heretofore. It made nine recommendations for legislation, as follows:

- "1. The enactment of legislation to bring about the immediate mandatory deportation of alien spies and saboteurs.
- "2. The mandatory deportation of aliens who advocate such a basic change in the form of our government.
- "3. The enactment of legislation requiring that all employees and officials of our Federal Government be American citizens.

Would Bar "Iams" in Schools

"4. Withhold all Federal financial support from any educational institution which permits members of its faculty to advocate communism, fascism or nazism as a substitute for our form of government to the student body of these educational institutions. (This particular recommendation is not concurred in by Mr. Voorhis (Representative Voorhis of California), not because of disagreement with the principle involved, but on the ground that the implementation of such an act is impossible without risking grave injustice being done to people seeking merely to explain the principles involved in totalitarian philosophy.)

"5. The enactment of legislation to outlaw every political organization which is shown to be under the control of a foreign government, and to bring as these organizations have legal status in the United States, to all officials for any agency of the government to deal with them. We now know that they furnish the legal apparatus for the operations of saboteurs, and the window dressing for espionage. The committee believes that legislation can be worked out to outlaw such organizations, and that this will in no sense constitute a violation of the Bill of Rights, since such legislation would only affect organizations controlled or directed by foreign countries.

Asks Immigration Curb

"6. The enactment of legislation to stop all immigration from foreign countries that refuse to accept the return of their nationals

0771

found under American law to be exportable from this country.

"The committee recommends the passage of added legislation to place restrictions on the distribution of totalitarian propaganda when that distribution involves export to the American taxpayers, and when such propaganda emanates and is shipped from foreign sources.

"We recommend that the statutory period during which citizenship papers can be revoked under existing law be extended to at least ten years.

"Due to the fact that the committee has discovered that many members of foreign-controlled organizations have traveled on American passports which have been fraudulently obtained, the committee feels that the statute of limitations should be extended from three to seven years. This is made necessary because of the unusual difficulty in apprehending those who resort to the use of fraudulent passports within the period of three years."

Probably the only new matter contained in the formal report was the disclosure that during the past year the committee investigated the organization in this country known as the Kyffhäuserbund, originally known as Stahlhelm. The English equivalent is the "League of German War Veterans."

The membership book, the report said, stresses rife and pistol practice. It also bears a line, "recommendation of organization leader as to member's ability of being trusted with confidential work."

The committee said that in its investigation of that organization it discovered also that editors of German language newspapers in the United States had been sent to Germany, with all expense paid, for purely propaganda purposes.

Chase National Issues Strategized

The periodic transfer of large funds from the Soviet Government to the Nazi Government through the accounts of the two governments with the Chase National Bank, reported by Dies investigators in Washington, was explained by the following statement released yesterday by the Chase National Bank:

"The Chase National Bank has accounts from the leading banks of practically every country in the world. In the regular course of business, there are many transactions by and between these banks. The transactions referred to are presumably of this character."

At the Federal Reserve Bank a spokesman for the institution, who was asked to comment on the transactions, explained that while the Reichsbank still had an account with the Federal Bank here it was "a very inactive account."

George Sylvester Viereck, under investigation by Dies agents when they learned of the Russian-German bank transactions, declared he knew nothing of the fund transfers, and facetiously said he was "sorry," he "didn't get some of it," adding:

"I am paid by my Munich newspaper, but I have no idea out of what funds the payments are made. The statement of the Chase National Bank shows that the transfers of funds were regular and represent a purely legal transaction to which somebody is trying to give fictitious importance."

January 7, 1941

The Secretary called the President at 12:40 p.m. today. Not being able to get him, he spoke to Pa Watson. The following is HM Jr's part of the conversation:

"When you get a chance, would you tell the President that I have had an hour with Mr. Hull on this legislation for aid to England. He has approved the draft that I showed the President yesterday with two unimportant modifications, and I hope to get to the President late this afternoon the memorandum with Hull's, Stimson's, Knox's and my initials. At Hull's suggestion, he and I are seeing the leaders in the Senate and House together tomorrow."

Cabinet — Jan 9th 1940

THE WHITE HOUSE

WASHINGTON

(attention of yours)

Knox proposes ^{give} ~~to~~ ~~the~~ ~~grabs~~
 up 30 german planes,
 off the U.S. Wash
 now at Norfolk. Refuse
 this 30 new german

^{in cyprus}
 Get word to Sir F. Phillips
 to have Sir Edward Peacock
 come at once.

Pres. wants to ^{hear} know
 why ~~what~~ was there
 a short in prices in
 German Municipal
 Bonds. (over)

THE WHITE HOUSE
WASHINGTON

0775

Mrs. Klotz; have you let
lick Jenkins know
I am coming Feb 1st --
also McKay should let
Customs know.

Bob Jackson says
gossip is Joe Skunk
case big fixed. He
did not know until I
told him that Jimmy
owed Skunk \$50,000.00.
He said he would tell
Pres (over)

THE WHITE HOUSE
WASHINGTON

0776

~~give Hill copy of
Churchill request of
Materials.~~

~~at second meeting ^{after cabinet} 2 P.M.
Pres said English
must put couple
of Billian as win dow
dressing as collateral~~

January 13, 1941

0777

MX

Last night at 7 P.M. I spoke to the President on the telephone from the farm to Hyde Park.

I suggested to him that Hull from now on ought to take full charge of the Aid to Democracies Bill. The President did not take my suggestion too well. He said, "Hull is going to testify" and I said, "I know that but up to now in the Treasury we have done everything, even to preparing the statements for Barkley and Rayburn". He said, "I know that". I said, "We are perfectly willing to continue but I think, seeing that it goes before Foreign Affairs, that Hull ought to do it". The President said he would take it up the first thing Tuesday when he got back. The important thing is that I have planted the seed in his mind.

He complained to me that he had not had a minute to himself all day and he was staying up Monday with the hope that he could have two or three hours to work on his inaugural speech.

January 15, 1941

The President told the Secretary on the train Friday night, January 10th, going to Hyde Park that Carter Glass had called him and asked him how he felt about chain banks. The President answered that he did not have any feelings about it one way or the other.

At lunch today the Secretary asked Ed Foley to get in touch with Leo Crowley and ask Crowley whether he would see Carter Glass and get the whole story.



MEMORANDUM FOR THE PRESIDENT

There is attached a draft of a bill relating to the public debt and the status of future Federal obligations from the standpoint of exemption from taxation, which I propose to recommend to Congress if it meets with your approval.

The bill entitled "A Bill To amend the Second Liberty Bond Act, as amended, and for other purposes," would accomplish the following objectives:

(a) It would fix the ceiling on the public debt at \$80,000,000,000, an increase of \$11,000,000,000 over the present statutory combined debt limit of \$49,000,000,000. The new limit, of course, would not include guaranteed obligations issued by the Reconstruction Finance Corporation and similar agencies.

(b) It would give the Secretary of the Treasury greater and more flexible authority

- 2 -

over Savings Bonds as a financing medium by giving him discretion (1) to fix their denominations, (2) to determine the aggregate face amount of them which may be held by one person at one time, and (3) to issue them on an interest-bearing as well as a discount basis.

(c) It would authorize the Secretary of the Treasury to issue, in the same manner as Savings Bonds are issued, a new obligation similar to the old War Savings Certificate called a "Treasury Savings Certificate."

(d) It would eliminate the partition between the general debt limitation of \$45,000,000,000 and the National Defense limitation of \$4,000,000,000, and would repeal that section of the Revenue Act of 1940 which earmarks certain taxes levied under that Act for the purpose of retiring, over a five-year period, any National Defense obligations issued under the National Defense debt limitation.

(e) It would remove from all Federal obligations (including those of corporations and other agencies of the Government) issued in the future the privileges of exemption from Federal taxation which they now enjoy.

H. H. H.

A BILL

To amend the Second Liberty Bond Act, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Public Debt Act of 1941.

Sec. 2. Section 21(a) of the Second Liberty Bond Act, as amended, is hereby further amended to read as follows:

"Sec. 21. The face amount of obligations issued under the authority of this Act shall not exceed in the aggregate _____ outstanding at any one time."

Sec. 3. Section 22 of the Second Liberty Bond Act, as amended (U.S.C., title 31, sec. 757c) is hereby amended to read as follows:

"Sec. 22. (a) The Secretary of the Treasury is authorized to issue, from time to time, through the Postal Service or otherwise, United States savings bonds and United States Treasury savings certificates, the proceeds of which shall be available to meet any expenditures authorized by law, and to retire any outstanding obligations of the United States bearing interest or issued on a discount basis. The various issues and series of the savings bonds and the savings certificates shall be in such forms, shall be offered in such amounts, subject to the limitation imposed by section 21 of this Act, as amended, and shall be issued in such manner and subject to such terms and conditions consistent with subsections (b), (c), and (d) hereof, and including any restrictions on their transfer, as the Secretary of the Treasury may from time to time prescribe.

"(b) Savings bonds and savings certificates may be issued on an interest-bearing basis, on a discount basis, or on a combination interest-bearing and discount basis and shall mature, in the case of bonds, not more than twenty years, and in the case of certificates, not more than ten years from the date as of which issued. Such bonds and certificates may be sold at such price or prices,

and redeemed before maturity upon such terms and conditions as the Secretary of the Treasury may prescribe: Provided, That the interest rate on, and the issue price of savings bonds and savings certificates and the terms upon which they may be redeemed shall be such as to afford an investment yield not in excess of three per centum per annum, compounded semiannually. The denominations of savings bonds and of savings certificates shall be such as the Secretary of the Treasury may from time to time determine and shall be expressed in terms of their maturity values. The Secretary of the Treasury is authorized, in his discretion, at any time or from time to time, by regulation to fix the amount of savings bonds and savings certificates that may be held by any one person at any one time.

"(c) The Secretary of the Treasury may, under such regulations and upon such terms and conditions as he may prescribe, issue, or cause to be issued, stamps, or may provide any other means to evidence payments for or on account of the savings bonds and savings certificates authorized by this section, and he may, in his discretion, make provision for the exchange of savings certificates for savings bonds.

"(d) For purposes of taxation any increment in value represented by the difference between the price paid and the redemption value received (whether at or before maturity) for savings bonds and savings certificates shall be considered as interest. The savings bonds and the savings certificates shall not bear the circulation privilege.

"(e) The appropriation for expenses provided by section 10 of this Act and extended by the Act of June 16, 1921 (U.S.C., title 31, secs. 760 and 761), shall be available for all necessary expenses under this section, and the Secretary of the Treasury is authorized to advance, from time to time, to the Postmaster General from such appropriation such sums as are shown to be required for the expenses of the Post Office Department, in connection with the handling of bonds, certificates, and stamps or other means provided to evidence payments.

"(f) The board of trustees of the Postal Savings System is authorized to permit, subject to such regulations as it may from time to time prescribe, the withdrawal of deposits on less than sixty days' notice for

the purpose of acquiring savings bonds and savings certificates which may be offered by the Secretary of the Treasury; and in such cases to make payment of interest to the date of withdrawal whether or not a regular interest payment date. No further original issue of bonds authorized by section 10 of the Act approved June 25, 1918 (U.S.C., title 39, sec. 760), shall be made after July 1, 1935.

"(g) At the request of the Secretary of the Treasury the Postmaster General, under such regulations as he may prescribe, shall require the employees of the Post Office Department and of the Postal Service to perform, without extra compensation, such fiscal agency services as may be desirable and practicable in connection with the issue, delivery, safekeeping, redemption, or payment of the savings bonds and savings certificates, or in connection with any stamps or other means provided to evidence payments."

Sec. 4 (a). Notwithstanding any other provision of law all obligations issued under authority of the Second Liberty Bond Act, as amended, and all obligations which by their terms bear interest or which are sold on a discount basis issued under authority of any other law by any instrumentality, corporation or agency of the United States or by any other corporation or entity created by, organized under, or established pursuant to authority contained in, any Act of Congress shall, as to both principal and interest or other increment, be subject to all taxes now or hereafter imposed by the United States: Provided, That any such obligations which the United States or any such instrumentality, corporation, agency or entity has, prior to the effective date of this Act, contracted to issue at a future date, shall when issued bear such tax exemption privileges as are provided in the law authorizing their issuance.

(b). The provisions of this section shall, with respect to such ob-

ligations, be considered as amendatory of and supplementary to the respective Acts or parts of Acts authorizing the issuance of such obligations, as amended and supplemented.

Sec. 5. Section 32 of the Act approved June 13, 1898, as amended (U.S.C., title 31, sec. 756); section 6 of the First Liberty Bond Act, as amended (U.S.C., title 31, sec. 755); section 6 of the Second Liberty Bond Act, as amended (U.S.C., title 31, sec. 757); section 5(d) of the Second Liberty Bond Act, as amended (U.S.C., title 31, sec. 754(d)); and sections 301 and 302 of title III of the Revenue Act of 1940 (54 Stat. 526); are hereby repealed.

Sec. 6. Nothing contained in this Act shall be deemed to alter or amend in any way the terms of any of the obligations described in section 4 hereof, issued prior to the effective date of this Act, or to impair or otherwise affect any rights, privileges, or remedies accruing to the holders of such obligations under the terms thereof or under the laws authorizing their issuance.

Sec. 7. This Act shall become effective on the first day of the month following the date of its approval by the President.

Approved: _____
 1941

WPK
 11/21 89007 9.11.76



MEMORANDUM FOR THE PRESIDENT

There is attached a bill relating to the status of state and municipal obligations from the standpoint of exemption from taxation which I propose to recommend to Congress if it meets with your approval.

The purpose of the bill is to provide the balance of the legislation necessary to enable us to complete our program of elimination of tax-exempt securities. This purpose would be accomplished by:

- (a) Making obligations issued in the future by any State, Territory, municipality, or other public body subject to income taxation by the Federal Government. To permit public bodies to take advantage of favorable market conditions, provision has been made for the refunding of outstanding callable bonds with tax exemption for the same period as the original issue.

(b) Consent to non-discriminatory
taxation by States of the interest on all
Federal obligations issued in the future.

I think it would be good strategy to have this
bill acted upon by Congress after Congress has acted
upon the proposed bill dealing with the taxable status
of future Federal securities.

Mac L.

(The dates herein used are based on the assumption that the bill will be enacted in April, 1941, so that an interval of about 60 days will exist between its enactment and the date separating the taxable issues from the tax-exempt issues.)

A BILL

To provide for the reciprocal income taxation of public obligations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Public Bond Tax Act of 1941."

Sec. 2. Section 22(b)(4) of the Internal Revenue Code is amended to read as follows:

"(4) TAX-FREE INTEREST.--To the extent provided in section 116(b), interest upon obligations issued by (A) a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing; or (B) a corporation organized under Act of Congress, if such corporation is an instrumentality of the United States (as defined in section 116(b)); or (C) the United States or any of its possessions. Every person owning any of the obligations enumerated in clause (A), (B), or (C) shall, in the return required by this chapter, submit a statement showing the number and amount of such obligations owned by him and the income received therefrom, in such form and with such information as the Commissioner may require."

Sec. 3. Sections 25(a)(1) and (2) of the Internal Revenue Code are amended to read as follows:

"(1) INTEREST ON UNITED STATES OBLIGATIONS.--The amount received as interest upon obligations of the United States if such interest is included in gross income under section 22, and if under the Act authorizing the issue of such obligations, as amended and supplemented (including the amendatory and supplementary provisions of section 4 of the Public Debt Act of 1941), such interest is exempt from normal tax.

"(2) INTEREST ON OBLIGATIONS OF INSTRUMENTALITIES OF THE UNITED STATES.--The amount received as interest upon obligations of a corporation organized under Act of Congress, if (A) such corporation is an instrumentality of the United States (as defined in section 116(b)); and (B) such interest is included in gross income under section 22; and (C) under the Act authorizing the issue of such obligation, as amended and supplemented (including the amendatory and supplementary provisions of section 4 of the Public Debt Act of 1941), such interest is exempt from normal tax."

Sec. 4. Section 116 of the Internal Revenue Code is amended by inserting after subsection (a) a new subsection to read as follows:

"(b) TAX-FREE INTEREST.--Interest upon obligations issued (1) before July 1, 1941, by a State, Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing; or (2) by a corporation organized under Act of Congress, if such

corporation is an instrumentality of the United States; or (3) by the United States or any of its possessions. In the case of obligations of the United States issued after September 1, 1917 (other than postal savings certificates of deposit), and in the case of obligations of a corporation organized under Act of Congress the interest shall be exempt only if and to the extent provided in the respective Acts authorizing the issue thereof, as amended and supplemented (including the amendatory and supplementary provisions of section 4 of the Public Debt Act of 1941), and shall be excluded from gross income only if and to the extent it is wholly exempt from the taxes imposed by this chapter. The term 'instrumentality of the United States' means instrumentality, corporation or agency of the United States, or any other corporation or entity created by, organized under, or established pursuant to authority contained in, any Act of Congress. For the purposes of this subsection:

"(1) In determining whether an obligation is issued after June 30, 1941, and whether an obligation is issued after the date of enactment of the Public Bond Tax Act of 1941 (hereinafter called 'enactment date'), it shall in either case be considered to be issued after such date, if any part of the payment therefor is received by the obligor after such date, or delivery thereof is made by the obligor after such date.

"(2) Obligations which merely replace lost, mutilated, defaced, or destroyed obligations, or obligations of larger or smaller denominations, and obligations in registered form or with coupons which merely replace obligations with coupons or in registered form, shall be treated as if they were the obligations replaced.

"(3) (A) If the terms of an obligation issued before July 1, 1941, the maturity of which on enactment date is later than June 30, 1941, are, after enactment date, changed so as to increase the principal amount or interest rate or to extend the maturity, then such obligation shall (as to interest accruing for any period after the date of the change or June 30, 1941, whichever is later) be considered as issued after such later date.

"(B) In the case of an obligation issued after the enactment date and before July 1, 1941, such obligation shall (as to interest accruing for any period after June 30, 1941) be considered as issued after June 30, 1941, if any part of the proceeds of the issue of which the obligation is a part, or if any obligation of the issue, is devoted to the retirement or refunding of an obligation the maturity of which on enactment date was later than December 31, 1941. For the purposes of this subparagraph, December 31, 1941, shall be considered the maturity, on enactment date, of an obligation the interest on which ceases to run before

January 1, 1942, by reason of such obligation being called for redemption in accordance with the terms thereof as they existed on enactment date.

"(4) If an obligation is issued after June 30, 1941 (hereinafter called 'refunding obligation'), and if --

"(A) the issue of which it is a part (hereinafter called 'new issue') is issued for the purpose of refunding one or more obligations (hereinafter called 'refunded obligations'); and

"(B) all refunded obligations have the same exemption expiration date, as defined in subparagraph (J); and

"(C) no obligations, other than those of the new issue, have been issued for the purpose of refunding any of the refunded obligations; and

"(D) the aggregate principal amount of the new issue is not in excess of the aggregate principal amount of the refunded obligations; and

"(E) interest on each of the refunded obligations ceases (by reason of such obligation, being called for redemption, in accordance with the terms thereof as they existed on enactment date, or the date of issue, whichever is later) to run upon a date not more than seven months after the date upon

which interest on the refunding obligation begins to run; and

"(F) interest on each of the refunded obligations, for the period at the end of which it ceases to run by reason of such call for redemption, is considered as interest on an obligation issued before July 1, 1941; and

"(G) the refunding obligation, in its terms, states the exemption expiration date of, and identifies, the refunded obligations; and

"(H) the interest rate on the refunding obligations for any period ending on or before the exemption expiration date of the refunded obligations is not higher than the interest rate which any of the refunded obligations had, or would (if such obligation had not been called for redemption) have had, for the corresponding period;

then the refunding obligation shall be considered as issued before July 1, 1941, as to so much of the interest as accrues for any period ending before or on the exemption expiration date of the refunded obligations, and shall be considered as issued after June 30, 1941, as to the remainder of such interest. For the purposes of this paragraph--

"(I) several obligations shall be considered as one issue, only if each is identical with all

the others in maturity, interest rate, terms and conditions, and recitals, but the fact that the denominations differ, or that some are registered and some in coupon form shall be disregarded.

"(J) 'Exemption expiration date' means--

"(i) with respect to a refunded obligation issued before July 1, 1941, the date of maturity which the obligation had on June 30, 1941;

"(ii) with respect to a refunded obligation issued after June 30, 1941, the date as of which interest thereon would (if the obligation had not been called for redemption) have ceased to be considered as interest on an obligation issued before July 1, 1941."

Sec. 5. (a) The United States hereby consents to the taxation, under an income tax, of interest upon, and gain from the sale or other disposition of, obligations issued after June 30, 1941, by the United States, any Territory or possession or political subdivision thereof, the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, by any duly constituted taxing authority having jurisdiction to tax such interest and gain, if such taxation does not discriminate against such interest or gain because of its source. The consent given in this section shall not affect those obligations issued after

June 30, 1941 which the United States or any agency or instrumentality thereof has prior to June 30, 1941 contracted to issue at a future date with such tax exemption privileges with respect to taxation by any State, county, municipality, or local taxing authority as are provided in the law authorizing their issuance, as amended and supplemented. As used in this subsection, agency or instrumentality of the United States includes any corporation of the United States and any corporation or entity created by, organized under, or established pursuant to authority contained in, any Act of Congress.

(b) For the purposes of this section--

(1) In determining whether an obligation is issued after June 30, 1941, it shall be considered to be issued after such date if any part of the payment therefor is received by the obligor after such date, or delivery thereof is made by the obligor after such date.

(2) Obligations which merely replace lost, mutilated, defaced, or destroyed obligations, or obligations of larger or smaller denominations, and obligations in registered form or with coupons which merely replace obligations with coupons or in registered form, shall be treated as if they were the obligations replaced.

(c) The provisions of this section shall, with respect to any obligation, be considered as amendatory of and supplementary to the respective Acts or parts of Acts authorizing the issue of such obligation as amended and supplemented.

January 22, 1941

I had a minute or two to tell the President, when I saw him at 11:00 a.m., what we did this morning for the English (See meeting held in my office at 9:15 a.m. on 1/22/41).

The President glanced very hastily at the attached memoranda and approved them in principle. Sullivan is writing up a memorandum on our meeting with the President.



0797

THE SECRETARY OF THE TREASURY
WASHINGTON

January 22, 1941

MEMORANDUM FOR THE PRESIDENT:

In your Budget Message you made the following statement:

**** I am assuming that the Congress will accept the recommendation of the Secretary of the Treasury that the earmarking of taxes for retirement of defense obligations be repealed; ****

The Budget document shows, based on the program set out therein, that the gross public debt will be \$49,157,000,000 on June 30, 1941, and \$58,367,000,000 on June 30, 1942. These two figures do not take into consideration the future accruals on Savings Bonds nor any contemplated aid to Great Britain. According to Treasury estimates, the balance of the borrowing authority under the combined debt limitations of \$49,000,000,000 will be exhausted in May of this year. It will, therefore, be necessary for the Treasury to ask Congress for an immediate increase in our debt limitation, and we should like to ask at the same time the elimination of the partition between the general limitation and the National Defense limitation, and the repeal of the provisions setting up the special fund into which earmarked taxes are to be deposited for the purpose of retiring any outstanding National Defense securities.

In view of the Budget program and the additional financing which may be expected of the Treasury under the Lend-Lease Bill for

- 2 -

Great Britain, I recommend that the public debt limitation be fixed at \$60,000,000,000.

The following table shows the Treasury's financing problem for the next eighteen months (exclusive of Savings Bonds, Treasury bills, and Trust funds):

	January - June, 1941	July, 1941- June, 1942	Total
	(In millions of dollars)		
Treasury -			
New cash	\$ 3,500	\$ 6,750	\$ 10,250
Refundings	1,726	1,464	3,190
Governmental Corporations:			
New cash	560	1,000	1,560
Refundings	-	1,678	1,678
	<u>\$ 5,786</u>	<u>\$10,892</u>	<u>\$ 16,678</u>

M. H.



THE SECRETARY OF THE TREASURY
WASHINGTON

0799

January 22, 1941

TO THE PRESIDENT:

The Treasury's working balance is, at the present time, down to \$742,000,000 and by the end of January it will be down to approximately \$500,000,000. It is, therefore, necessary for us to raise an additional amount of new cash at this time to meet heavy expenditures for the next thirty days. I propose, therefore, offering on Thursday of this week \$500,000,000 of National Defense notes, the income from which will be subject to all Federal taxes.

If our legislation to raise the debt limit and to tax the income from all Federal securities is passed before the middle of February, I contemplate an issue of Reconstruction Finance Corporation securities during that month in the amount of about \$500,000,000. This will enable that Corporation to meet its commitments as well as return to the Treasury some \$350,000,000 of capital funds as recommended in your 1941 Budget. If this legislation is not enacted by that time, I may have to offer another issue of Defense notes.

When this legislation is passed, I also contemplate issuing before March fifteenth around \$1,000,000,000 of Treasury securities for new cash and, in addition, refunding \$1,222,000,000 of securities maturing on March fifteenth. It is hoped that the Treasury can at this time issue a long-term Treasury bond, the income from which will be subject to all Federal taxes.

Wm J

January 23, 1941 (Cabinet)

Cabinet Jan 23

THE WHITE HOUSE
WASHINGTON

0800

I want Puff Odegard
my home 8:30 Friday P.M.
does ~~Hildegard~~ know Puff

Tell Sullivan
of the Frank Knox

Pres. has on his
desk from Jones
paper to sign ~~on~~
~~order~~ for Army & Navy
to buy 835 for British
(see)

0800
INFORMATION
LAW OFFICE 140708

THE WHITE HOUSE
WASHINGTON

Crown Prince Norway said
his father said Germans
might attack England before
Feb 15.

0801

January 25, 1941

HM Jr spoke to the President today at 11:10, and the following is the Secretary's end of the conversation:

"Good morning, sir.

"I am all right. I thought if you had a couple of minutes, I think it is sufficiently important to let me tell you of two conversations that I have had with Cordell, both of which he initiated. He is terribly upset. It will take me no more than five minutes.

"I am worrying about the lend-lease bill. Rayburn is trying to get us together tomorrow and Hull will not come. That's the only reason I am anxious to see you.

"Hull will not come to any meeting unless you request him to do so. I think you ought to have a little of the background.

"Yes, I can come over at 12:15.

"Do I understand that after you have heard my story you will call the Speaker?"

"That's fine. I will be very brief. Thank you, sir."

(When the Secretary told the President that Hull would not come to the meeting, the President said, "Well, then I will go to the meeting.")

January 26, 1941

Sunday night before supper I gave the President a draft of the four amendments on the 1776 Bill, which Foley had given me a little earlier. He asked me what was in them, and I told him very briefly what they contained, and they seemed to be okay with him.

The thing that surprised me was that he seemed to know just what the amendments were. Possibly Hull or Sam Rayburn had told him. I also gathered from his conversation that when he talked to Hull Sunday at 1:00, it was the first time that he had talked with him since I had seen him.

(c) No defense article shall be manufactured, procured, tested, inspected, proved, repaired, outfitted, reconditioned, or otherwise put into good working condition pursuant to this section, unless such action, in the opinion of the Secretary of War, the Secretary of the Navy, or the head of the department or agency of the Government concerned, can reasonably be completed before July 1, 1943; and no defense article shall be released for export, nor shall title or possession thereto be transferred, pursuant to this section after June 30, 1943.

Page 3, after line 18, insert the following:

(c) Neither the President nor the head of any department or agency shall, after June 30, 1945, exercise any of the powers conferred by or pursuant to subsection (a), except to carry out a contract or agreement with such a government made before July 1, 1945.

Page 3, after line 18, insert the following:

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of conveying vessels in combat areas, as prescribed under the Neutrality Act of 1939, by naval vessels of the United States.

Page 4, line 3, before the "The" insert "(a)"

Page 4, after line 11, insert the following:

(b) The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems it not compatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.



THE SECRETARY OF THE TREASURY
WASHINGTON

0808

Feb 10th 1941

MEMORANDUM

(Handwritten initials)

TO: The President
FROM: Secretary Morgenthau
SUBJECT: Action To Be Taken Pending the Enactment of H.R. 1776.

Consideration should probably be given, as soon as possible, to the three following problems, so that no delay will result in carrying out the Lend-Lease Bill, if and as soon as it is passed:

- (1) Having the regulations ready for signature the day you sign H.R. 1776;
- (2) Having the requests for appropriations ready to go to Congress the day the bill is signed; and
- (3) Having ready for disposition the defense articles which the Army and Navy have on hand, and which they can reasonably spare to meet the urgent needs of Britain, China and Greece.

OK

(1)

Regulations

- (a) Do you want the regulations ready for your signature the day you sign the bill?
- (b) Should War, Navy and Treasury start at once to prepare such regulations?

OK
1/10/41

(2)

Appropriations

(a) Should the Secretaries of War, Navy and Treasury get together informally now to frame the policy upon which the appropriation requests shall be made?

AK

(b) After such policy is framed and approved by you, should the Secretaries of War, Navy and Treasury consult with the Director of the Budget and proceed to prepare the requests so that they can be passed upon by Budget and sent up to Congress immediately after H.R. 1776 is signed by you?

(3)

Disposition of Army and Navy Material on Hand

AK

(a) Should the Secretaries of War, Navy and Treasury get together informally, as soon as possible, to determine: (1) As of today, or within the next two months, what are Britain's, China's and Greece's most pressing needs; and (2) In relationship to these needs, what defense articles do the Army and Navy now have on hand that they could reasonably transfer?

W. M. Stewart

February 10, 1941

H.M.Jr:

I was at lunch with the President today. I asked him if he had thought about how we were going to handle the appropriation for the Lend-Lease Bill, and he said he hadn't. I gave him this memorandum.

At first the President thought the State Department ought to be in on all of it, and on second thought he thought only as regards to regulations. I asked him if he had thought about who should go up on the Hill in connection with the bill, and he thought it should be Army and Navy and Knudsen when it was not strictly military matters. I agreed with him. I said that I was perfectly willing to go up if he thought I should, but I didn't see where it was necessary. Then I got onto the handling of the negotiations after the bill passes, and I said I didn't want to handle it myself. I also didn't think that Jesse Jones should.

Well, the President mentioned that Jones had cleared five contracts with factories this last week, and I said I knew about that but that that was only during the present phase and that once the bill passed that Jones wouldn't figure in on any more of them. I said that I was afraid he would try to make too sharp a bargain, and he agreed with me.

He then told me about how he told Stimson to go ahead and make available 20 million

rounds of small arms ammunition, plus the Enfield rifles, and that he told Stimson, based on the recent Supreme Court decision, that he, the President, considered it to be unneutral to inform the Germans of this transaction but that he, the President, at a later date, would inform Congress.

So I told the President that I also was on the hot spot, because while I told Congress that practically all English purchasing had stopped as of the 18th of December, that as a matter of fact the first of January, up to the time I had left, they had signed contracts for around 120 million dollars and that I had entered into an agreement with the British Purchasing Mission and Sir Frederick Phillips when I left that they could do between 30 and 35 million dollars a week. I said that we had or were getting letters both from the British Purchasing Mission and Sir Frederick to cover all of these purchases and that I was following out what I thought was in the President's mind when he told me that just as long as the British wanted to buy, let them continue to buy. He said yes, that was right.

I then said that looking ahead once this Bill passed, that I would like to sort of drop out of the picture unless the President either ordered or requested me to continue. Well, the President said, "Why?" That seemed to take him quite aback. So I said, "Well, I felt that it should be up to the Army and Navy," but I just wanted to tell him that I had told this to Purvis and twice Purvis had spoken to me that he felt absolutely sick about my not having to continue.

The President said, "Well, I have got an idea. Why can't you assign the Assistant Secretary of the Treasury to work with Purvis, and that will keep you informed and you can continue to guide Purvis." So I said I would give it consideration and talk it over with him.

I was pleased that the President wanted me to continue, and I think that gradually we ought to sort of drop out of the picture provided, always, that Purvis could get the kind of service that he is entitled to.

I then brought up the question of the frozen funds and told the President about my conversation with the State Department the day I left, and he seemed to be very much interested. He said, "Where does it stand now?" I said, "Well, it awaits my return." Whereupon he took a pencil and paper and wrote Hull a note which, to the best of my memory was addressed, "C.H.: Henry Morgenthau will return today, and what can we tell him as to frozen funds." And he sent it over to Hull. I told the President that I personally didn't care where it was done. I asked him whether he didn't want to get together with Bob Jackson, Leon Henderson, and myself and discuss it.

As I said, I felt confident that while it would take us two years to get ready to get an Army of a million 400,000 men fully equipped, that within two weeks we could have an effective economic warfare starting.

I then told him about Hughes, who was formerly Assistant Secretary of the Treasury, working for Colonel Maxwell and told him that I thought that Hughes was just a S.O.B.,

and that he, Hughes, was trying to build up a big organization over there with Maxwell. The President said he didn't even know he was back in town.

I then gave the President a memorandum that Merle Cochran had given me as to the resources of the Crown Princess of Norway. He was very much interested in it, and said he discussed with Crown Prince Olaf what they were going to do next summer. He seemed very much surprised that they were spending \$8,000 a month and said he didn't see how they could do that. He said including the four children and five servants and the rest of them, he figured they had a household of 14; allowing \$500 a month for their rent, he didn't see how they could spend more than \$1,500 a month.

The President had a bad cold, and seemed tired. He told me that he was going to go away - he was going up to Hyde Park over the 22nd, and that he hoped to get away on the first of March on some boat somewhere off Florida.

The President told me that he was very much disappointed that Mrs. Franklin Roosevelt was not going to South America. He very much wanted her to go, at least to make the trip on the West Coast, and evidently he said that they had offered her every inducement, including that she take Elinor Morgenthau with her. I said, "I don't think my Elinor knows it." He said, "I don't think she does either," but it was between the State Department and the President, and that was the plan.

I then told him that I thought Eleanor Roosevelt really wanted to go to England. He said he was absolutely opposed to the two Eleanors going, that they would be treated like royalty on the other side and it would be a great source of worry to the English.

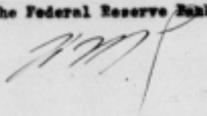
February 10, 1941

Files

Mr. Cochran

Mr. Schmidt telephoned me at 11:55 this morning in answer to my inquiry made on Saturday, at the request of the State Department, on behalf of the President, as to the annual income of the Crown Princess of Norway.

Mr. Schmidt stated that the Crown Princess opened on September 5 an account with the Riggs Bank which she jointly controls with the Court Chamberlain who is with her. This account is free both for deposits and withdrawals insofar as our control is concerned. The original deposit was for \$50,000. Since then three deposits totaling \$24,800 have been made. One of these was for \$17,000, the second for \$6,000 and a third for approximately \$2,000. \$24,000 have been withdrawn from the account to date, leaving at present a balance of \$50,800. Since the account has now been running five months and \$24,000 have been withdrawn, the monthly rate of withdrawals is slightly under \$5,000. The funds for this account come from the Norwegian official account with the Federal Reserve Bank at New York.



February 8, 1941

Files

Mr. Cochran

At 11 o'clock this morning Mr. Livesey telephoned me from the State Department and asked me to speak with Mr. Stanley Woodward of the Protocol Division who was in his office at that time. Mr. Woodward told me that the State Department had received a request from the White House to ascertain the annual income of the Crown Princess of Norway. The President was endeavoring to advise her in regard to a house, etc., and wanted this information. Mr. Woodward told me that the stay of the Crown Prince in this country is only temporary, and that he is expected to return to London shortly.

Upon receiving this call, I telephoned Mr. Schmidt in the Division of Foreign Funds Control, who promised to telephone me back as such information on this subject as is available here.

A.M.P.

February 19, 1941

HM Jr called the President at 3:45 today and the following is their conversation:

HM Jr: I just thought in view of the difficult situation that I wanted to tell you what I was doing to make sure that it is agreeable to you. Instead of borrowing any money in the normal way, we thought we would just do a refunding and then borrow money temporarily through bills. I have always kept that as an emergency. This market might settle down. They do not expect it, and I think it will fool them.

The Pres.: Yes, that's very smart at this time.

HM Jr: It's going to surprise everybody, and it may put a underpinning under the whole market. I want to prepare the market tomorrow, but I do not expect to do the financing until Tuesday.

Purvis would like to show the whole chart that he showed you to Stark and Marshall, but he is going to get Churchill's permission first. Is that all right with you? (Chart is titled "British War Requirements for 1941-42")

The Pres.: Yes, but I would show them the original but would not leave any copies with them.

February 24, 1941

HM Jr called the President at 1:00 p.m., and the following is HM Jr's part of the conversation:

"Well, they have got to own some. This is a refunding. Have they bought all the baby bonds they could use?"

"I see. Well, there will be plenty of bonds for everybody.

"I have been working extra hard here on this as some of our boys think because this is the first time we are selling taxable bonds, it will be extra difficult. We have been thinking of a bond that would run from seven to nine years with a 2% coupon. You see we have got to figure that any corporation subscribing to these bonds will, for the first time, have to pay a 24% corporate tax on the interest that they receive. Some of them are looking ahead, figuring that they will have to pay up to 30%.

"In case something should happen Tuesday, Wednesday or Thursday, we thought that we would offer a two-year note with a 3/4% coupon. If nothing happens, about three-quarters of the conversion will go into the bond. If something should blow up, the note is there as an anchor to the windward. That's as near fool-proof as anybody could make it. It is cheap money even at that. It is a little over one billion two, and they would pay 2% interest.

"How is the celery business? What is it going to be H. and R. or R. and H. celery?"

"We are going ahead on that basis unless something happens the rest of the day."

The President's answer was that he thought it was very clever.

February 27, 1941

H.M.Jr:

I saw the President this morning, and I was with him between half and three quarters of an hour. He sounded very quiet. He was not looking very well, and evidently not feeling very well. I think his nose and sinus are bothering him.

He pointed to the headlines of the New York Times about this two o'clock meeting yesterday. He said, "This story about our meeting yesterday - " he said, "I am afraid it is going to kill the Lend-Lease Bill." So I said, "Well, I think that Forrestal isn't to be trusted too much. I don't like - on three different occasions he has brought me messages from Clarence Dillon in regard to assets of the English, and I don't think that he is much more of a salesman than he is anything else. I don't think he has too much intelligence."

I said, "Do you think my criticisms are unfair?" And he said, "No."

I then told the President - he asked me how my bond issue went, and I said it went satisfactorily. But I said, "Now that it is over, I would like to say it certainly wasn't helpful to me to pick up the paper in the morning on my offering and read that you sent up a request on the Hill for three billion 700 million for the Army." He said, "That is not my fault. Do you know when I sent it? I signed it Friday. That is up to the Director of the Budget." I said, "He washes his hands of all responsibility. I talked to him yesterday before talking to you. I didn't want him to feel I was going over his head."

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I said, "It seems to me -" I said, "over a period of months, we are just as completely in the dark as to what the expenditures are going to be, and don't you think that I ought to know and I ought to sit in when the final decisions are made?" And he said, "Absolutely." He said, "I don't know why you don't." He said, "You ought to have what Knudsen calls a 'flow sheet' showing the different appropriations. I take it you don't want to sit in on the many details. I get four or five requests a day." I said, "No, I don't, but," I said, "when the Director of the Budget comes in on the important matters, on the big amounts, and when you are about to make up your mind, that is the time I would like to sit in," and he couldn't have been nicer. He said, "Absolutely, of course you should sit in."

I was amazed how he accepted my suggestion and seemed to be surprised that I hadn't been in on it and didn't seem to know that I wasn't getting the stuff.

I then told him that I was going up on the Hill this afternoon to meet at the Speaker's office and discuss whether or not we should go ahead with the bill to eliminate state and municipal tax-exempt bonds. He said that was all right, and I said, "You know, I have been advocating and I am going to continue to advocate that the taxing and spending committees of Congress should get ahead, and I want to let you know that, is that all right?" He said, "Absolutely."

It was fortunate I told him this, because I see by his appointments that he is seeing Doughton at twelve o'clock, so it always

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pays to tell him in advance what I am doing.

I then got onto the English situation, and I gave him just this one document to read.

(See attachment.) *memorandum 3/24/47*

I made no comment, waiting for the President to comment. He said, "Well, they are placing quite a lot of responsibility on me," and I said, "Well, that was my thought, that it is all very nice for them to do this in this manner, and I told them that my horseback opinion was that I wouldn't let you accept this responsibility because if the English stockholders and taxpayers were dissatisfied, let them be with their own representative and not with you or me," and the President absolutely agreed.

I then told him that Sir Frederick Phillips had been in this morning at nine o'clock and told me that as of March 1 they would have 68 million dollars and that they had 450 million dollars expenditures between now and the first of July, and that early in March they would be out of money. I told the President that I told Phillips that I certainly could not go on the Hill before the bill passed to get any authority to be of any assistance to them, because the first question Congress would ask me is, "Well, why haven't they sold part of their 900 million dollars worth of direct investments?" And I would have to say, "I have got no answer." I said, I begged you to do it, and now you are up against it." And I said, "You have just got to find some way to pay your bills until this legislation passes," and I said, "After that I will try

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to find some way to advance you some money -"
I didn't say that. "I will try to find out
some way of being of assistance to you."

I said, "Can't you take the Belgian gold?"

Well, he didn't know, so the President said,
"Well, you know Jesse Jones has a way. He
wants to get legislation."

I said, "I know, but we ought to keep it in
the Treasury, and the way to do it is to
advance them the money through the Stabilization
Fund and then let them do the selling, take
full responsibility for the selling; and as
they sell, they can repay us the money against
what they have borrowed."

I said, "Does that sound all right?" And he
said, "Yes, that sounds O.K."

(But I will have to say something to Jesse
Jones so we don't get crossed up on this
thing.)

In all of my discussions with the President,
I have found him most considerate and entirely
in the frame of mind that he wanted to listen.
When I got through he said, "If you have a
little extra time, I would like you to take
something and see whether you can work it out
for me."

So I said, "I have always got time."

He said, "Well, you know the 500-acre law
in Puerto Rico has been found constitutional."

I said, "Well, I didn't know that."

ROOSEVELT MOVES TO TRANSFER ARMS TO BRITAIN FROM ARSENALS AND YARDS; C. I. O. STRIKES AT BETHLEHEM PLANT

AID STEPS MAPPED

Defense Chiefs to Rush Arms to Docks as Soon as Bill is Adopted

CONFER AT WHITE HOUSE

British Air Marshal Calls Reports of Impending Nazi Drive Are Canvassed

By FRANK L. KLUCKHOHN

Special to The New York Times

WASHINGTON, Feb. 25.—Acting upon the assurances of Senate and House leaders that the lease-lend bill will be passed without further substantial amendment, President Roosevelt took steps today looking to the transfer to Great Britain of all war supplies from the present stores of the Army and Navy which could be spared without crippling the American armed forces.

A series of conferences at the White House was attended by key officials and advisers, including Harry L. Hopkins, who is mentioned to an increasing degree as the prospective coordinator of the lease-lend program.

Attending the first conference were Secretaries Hull and Stimson, James V. Forrestal, Acting Secretary of the Navy; General George C. Marshall, Chief of Staff, and Admiral Harold R. Stark, Chief of Naval Operations.

They were with the President for most of the morning. Immediately after luncheon they returned for another conference and were joined by Secretary Morgenthau.

Meanwhile Mr. Roosevelt talked with Sir Hugh Dowding, British air marshal, and during this conversation Mr. Hopkins, who lives at the White House, was called in. The meeting between the British air official and the President was arranged by John G. Winant, who is preparing for his departure to his new post as Ambassador to England.

Final Inventories Checked

Today's was the first definite major move the President or any one else in the government has made toward assembling existing American war supplies and moving them in the direction of embarkation ports for England.

Mr. Roosevelt has refrained from moving supplies out of arsenals and Navy yards pending adoption of the lease-lend bill. Congress leaders informed him yesterday that the measure would be voted soon despite the increasing fury of debate in the Senate.

Administration sources revealed that the final inventories of British war needs and existing American supplies were checked at the White House conferences to determine what war stores the United States can spare so that they can be shipped to the docks without any loss of time when the green light is given by Congress.

Britain has listed long-range bombers, ships, field guns, machine guns, ammunition and a host of supplies which are needed quickly, and some informed officials today expressed the opinion that about \$500,000,000 worth of material would be shipped as soon as Congress acts.

Military Situation Canvassed

The military situation in Europe also was canvassed at the White House meetings. Official information reaching Washington continues to indicate that a major German move may be expected at any time.

Although Administration sources said that shipments will be undertaken as soon as the legislation is adopted, Army and Navy chiefs also are preparing requests for appropriations and authorizations for defense factories and materials to be constructed or acquired in connection with the lease-lend program.

In general, those who went to the White House were disposed to give away no defense secrets or any facts which might be interpreted as secrets. Some merely would not talk. Sir Hugh Dowding snapped at the reporters:

"I don't talk to the President and then come out and tell what was discussed."

Mr. Forrestal remarked, laugh-

ing: "I speak only Chinese."

Later in the afternoon the Presi-

dent saw Geno Dunn, senior production consultant of the OPM. Mr. Dunn presented to the President a report upon "the adequacy of the steel industry for national defense under conditions of maintaining civil production." The President will reveal the gist of this report on Friday, Mr. Dunn said.

Mr. Roosevelt received also William Paley, president of the Columbia Broadcasting System, who discussed with the Executive the opening Sept. 1 by his radio chain of a reciprocal service with all Latin-American countries except Honduras and Haiti.

Mr. Paley said Mr. Roosevelt appeared greatly interested in plans for interchange of programs through local stations in the Americas, linked into a network with sixty-four local outlets.

"The important thing is that each of these stations has agreed to carry a minimum of one hour a day of broadcasts from the United States, which will give us a dominant position in Latin America as compared with any other nation," Mr. Paley declared.

"The Germans, of course, have purchased time on the radio, but we will have the dominant position with this arrangement."

Mr. Paley said that United States programs will be sent to Latin America by short waves and rebroadcast by local stations on their normal wave lengths.

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He said, "Well, I would like you to work out a five-year plan whereby we buy the land. I don't know how you would finance it. You have got to figure that out."

He said, "We would say to a land owner who owns 2000 acres, 'we will take two per cent the first year, 40 acres.'" We won't take it out of the heart of his farm. We would take it where it was convenient. Then we could buy this land in small tracts of four to eight acres and spend about a thousand dollars on each homestead, title to remain with the government.

He said, "We would put tenants on there, 'tenants at will', which evidently is a legal term. These tenants to be placed on the land, and as long as he conformed with certain conditions, he can stay on the land and so can his children. We would insist that a certain amount of the crops would be for subsistence of the family and half of the land possibly to be used for speculative crops, the tenant to pay a small ground rent, say one per cent of the total value of the property."

He said, "The first time Governor Swope comes up here, I will talk to him about it."

I think he had forgotten that when I returned from Puerto Rico I had discussed this whole plan with him.

I said, "Well, the way to finance this thing is to use the sugar benefit money for this purpose, because," I said, "it is the sugar benefit money which keeps the land up to \$900 or \$1000 an acre, and if you put the sugar benefit money into a trust fund, the

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value of the land would come down considerably, and you can go ahead with this plan."

I want to discuss this with Foley, because I have had him look into it. I think the best man to talk with is Beany Baldwin, who runs Resettlement over in Agriculture, and who has made an outstanding success over there.

I told him I would be delighted to do it, and it would be fun to work on it.

It is interesting to me that he should put a thing like that up to me rather than up to the Secretary of Agriculture or the Secretary of Interior, because it is pretty far afield; but he knows my real interest in land resettlement.