

● PSF SAFE FILE: Treasury Dept.

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THE SECRETARY OF THE TREASURY
WASHINGTON

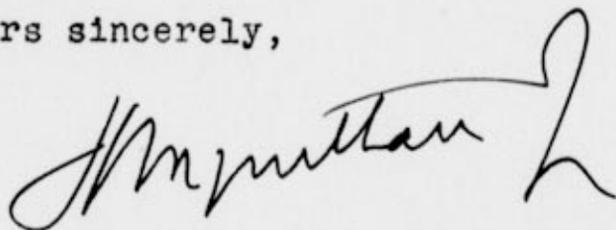
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November 2, 1939

My dear Mr. President:

I am inclosing herewith a copy of a cable from Berlin giving a report of a conversation between the First Secretary of the American Embassy and Dr. Schacht.

Yours sincerely,



The President,
The White House.

Copy

DEPARTMENT OF STATE

Washington

October 30, 1939

In reply refer to
EA 862.00/3894

~~STRICTLY CONFIDENTIAL~~

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses, for his strictly confidential information, a copy of despatch no. 1435 from the American Embassy at Berlin, dated September 28, 1939, transmitting a memorandum of a conversation of Donald R. Heath, Esquire, First Secretary of the Embassy, with Dr. Hjalmar Schacht.

Enclosure:

From Berlin, no. 1435,
September 28, 1939.

DECLASSIFIED
UNCLASSIFIED

COPY

Berlin, September 28, 1939

No. 1435

Subject: Transmitting Memorandum of Conversation
with Dr. Schacht.

~~Confidential~~

The Honorable
The Secretary of State,
Washington, D.C.

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Sir:

1/ I have the honor to transmit a memorandum of
a conversation of Donald R. Heath, Esquire, First
Secretary of the Embassy, with Dr. Hjalmar Schacht,
Minister without portfolio, and until January of
this year President of the Reichsbank.

Respectfully yours,

Alexander Kirk
Chargé d'Affaires ad interim

Enclosure:

1. Memorandum

800

DRH/hu

A true copy of
the signed original.

"HU"

Copy of a Copy

Enclosure No. 1 to despatch No. 1435
dated September 28, 1939, from the
American Embassy, Berlin, Germany.

~~Confidential~~

Memo: To Mr. Kirk.

September 27, 1939.

I had a long talk with Schacht at his home this morning. He began by reviewing his present position in the Government; i.e., he had retained his position as Minister without portfolio in the thought that a situation might eventually arise in which he could, without compromising his own views, be of assistance to the Government. This position was entirely nominal. He had seen no member of the Government since his return from India with the exception of Funk, with whom he had had one conversation. He had not attended the Reichstag meeting on September 1, nor had he been present at the von Fritsch funeral. He said his position was very similar to that of General Beck, former Chief of Staff, who was living in complete retirement in Lichterfelde. Like himself, Beck had maintained his independence and had refused to compromise on questions of principle and fundamental policy.

While he had maintained his ministerial position in the hope that a situation might develop where his services could be utilized, he saw little early likelihood of such an occurrence. His personal relations with Hitler were by no means unfriendly, however, and his farewell
interview

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interview last January had been in an atmosphere of respect, although not one of cordiality. Hitler was not ungrateful for what he had accomplished but could not forgive his refusal to become a real member of the Party. In previous years, he said, Hitler had personally besought him on several occasions to identify himself with the Party. He could understand that attitude because Hitler depended on the Party and could not remain in power without it. He, however, had certain principles, and the fact was that most of the Party leaders were not very honest men or, if they were, they were fanatics. This was the case of Hess, who was unquestionably honest but entirely fanatic and limited in outlook. He remarked that the only Party personage who would oppose his return to the Government in time of emergency and was personally inimical to him was Ribbentrop. That was for reasons of difference of policy and personal jealousy. Ribbentrop's policy and influence had certainly contributed to the tragic developments of these last weeks.

The immediate starting point of the present war was Germany's mistake in invading Czechoslovakia last spring. That was where his policy had always been at variance with Ribbentrop's, since he had always held that Germany's predominant interests in southeastern Europe were economic and they could best be achieved by

a scrupulous respect of the sovereignty of the countries in that area. The war was utterly needless and a mistake in that it resulted in both Russian and German occupation of Poland. It was not to Germany's real interest to have alien minorities nor to have Russia on its borders, but now it would be impossible to restore an independent Poland except through the cooperation of England, France and Germany, a rather unthinkable development, to say the least, under the present circumstances. Russia had not forgotten its idea of Pan-Slavism and through the occupation of Poland and Germany's present obligation, not to say dependence on her, was in a position to push the doctrine not merely in Poland but also in the Balkans, which would not be in Germany's interest.

He regretted the fact that the Party leaders did not have a long-term international outlook or any understanding of international reactions. England would not have opposed Danzig and the Corridor returning to Germany or a rectification of the frontier at other points combined with exchange of populations. England had gone to war because of the methods that had been employed. While he likewise opposed these methods it was also to be said that it was also the fault of England in
being

being so slow and shortsighted in failing to cooperate with the Streseman government and rectifying at least a part of the intolerable inequities of the Versailles Treaty. If England had then given Germany 10 percent of what Hitler has since taken the present situation and regime would not have arisen. England had also blundered in not taking active measures to solve the remaining critical problems of Europe following the Munich Agreement. Immediately after that agreement England should have come to Hitler and said, "It is agreed to take no step likely to trouble the European situation without consultation and we have come, therefore, to consult about the problems of Danzig and the Corridor and the other difficulties." Had England taken such a step there was a possibility that the present tragedy might have been avoided. He thought that Henderson had been an unfortunate choice as Ambassador in that, until it was too late to stop the march of events, he had given the German Government the impression that England would not really go to war. The previous French Ambassador - Poncet - had been an excellent one - Coulondre's term had been too brief for him to acquire influence.

Turning

Turning to the economic side he remarked that it was tragic to see Germany losing much of its wealth and losing its trade as, for example, to Japan. He said that he and his successors in economic authority had greatly strengthened the Reich's ability to withstand war. After this remark he made a rather veiled statement in which he said he understood, however, Gamelin's strategy of postponement and that at a given time the war would suddenly blaze out into a "Material Krieg", which, he indicated, would put a great strain on Germany's supply of materials. The implication was obvious that Germany's position as regards eventual sufficiency of war materials was not good. He hoped that in some unforeseen way this useless tragic conflict could be stopped before it reached that point, not only for Germany's good but for the welfare of England and France.

He concluded by saying that he had always held that a régime which crippled freedom of thought and speech and compelled obedience by the exercise of authority to the point of terrorism must eventually disappear, and that it could only maintain itself in a country like Germany while it had a record of
success.

success. He added that he was still of that belief but that human beings could endure a great deal and it might be a long time before a change occurred. He himself was no revolutionary or intriguer and all that he would or could do, if opportunity arose, was to counsel a course of moderation and justice.

D.R.H.

DRH/hu



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THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

April 1, 1940

MEMORANDUM TO THE PRESIDENT:

The Secretary thought you would be interested in the attached copy of a cable which came through the British Embassy from the Chancellor of the Exchequer explaining the reasons for and the significance of the fall in the dollar-sterling rate in the free market in New York, and expressing views on the criticism which that fall has evoked.

out Bill

(Copy of memorandum handed by Mr. Opie of the British Embassy to Mr. Cochran of the Treasury Department at 6:15 p.m. March 30, 1940 and explained by Mr. Opie as constituting a message from the Chancellor of the Exchequer to the Secretary of the Treasury)

The following is the substance of a telegram received to-day expressing the views of His Majesty's Government on the reasons for, and the significance of, the fall in the dollar/sterling rate in the free market in New York, and on the criticism which that fall has invoked.

The only practicable correctives that could be undertaken to prevent the fall in the rate are:-

- (i) Direct intervention in support of the rate, thus providing an official demand for sterling on which the market could rely, and
- (ii) measures designed to limit the supply of sterling by immobilising sterling held by neutrals.

Action of the first kind would be to give away with our left hand reserves of foreign exchange which we are trying to conserve with our right. The second course would not only prejudice the international status of sterling as a currency, but it would also seriously penalize willing holders of sterling for the sake of preventing a withdrawal of balances now in foreign hands.

There is no sign at present of any mass withdrawals, and the volume of sales in the free market accounts for only a small fraction of the total transactions in sterling. The fall in sterling is mainly due to our recent measures of export control

/which

which have the effect of reducing the demand for free sterling and of increasing the proportion of our exports which can be used to pay for imports. The effect of lowering the rate is natural and was expected; what we have done is to strengthen our exchange control, and it would be a travesty to say that by so doing we are deliberately depreciating our currency. On the contrary, weakness in sterling due to the erratic market abroad is the natural corollary of an efficient control over exchange transactions, and it must be expected that despite the effects upon the rate for free sterling we shall continue to strengthen and extend our control in this and other ways.

Criticism which asserts that the fall in the rate is damaging to our prestige is due to the failure to appreciate that the market and the rate are dominated by the official transactions, and that the free markets deal only with a small overflow which we are concerned to diminish but not to manage. The relative unimportance of the movements in the free sterling rate is demonstrated by the advance of the quotation from the low point of 3.44 to 3.60 while this telegram was being drafted. The thinner the market the larger the fluctuations are likely to be.

30th March 1940.



THE SECRETARY OF THE TREASURY
WASHINGTON

February 13, 1941

My dear Mr. President:

I have had the enclosed very confidential chart prepared, based on information secured for me by O. N. I.

Please note that although the imports are below the stated requirements, they are almost equal to those of the first year of the war.

I have asked O. N. I. to please try and get the December figures as soon as possible, because I am under the impression that they will show an improvement.

Yours sincerely,

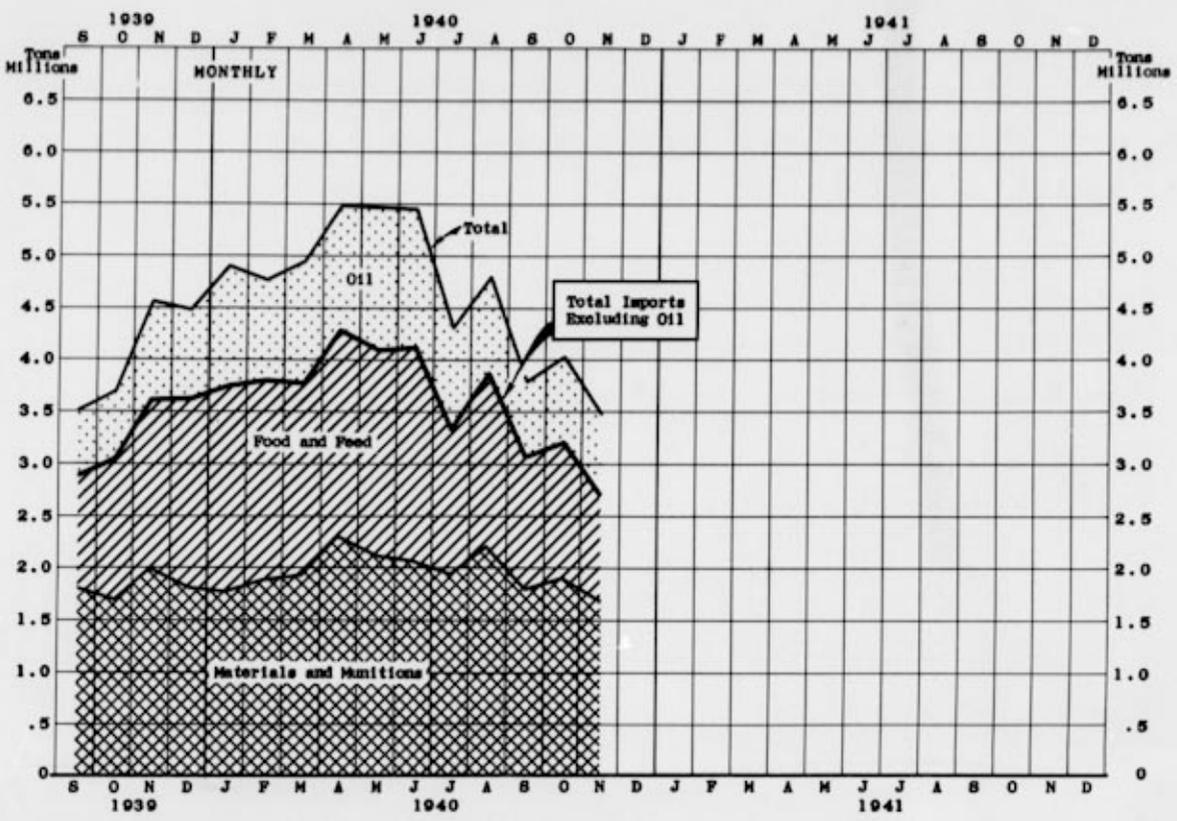
A handwritten signature in cursive script, which appears to read "H. Morgenthau Jr.", written in dark ink.

The President,
The White House.

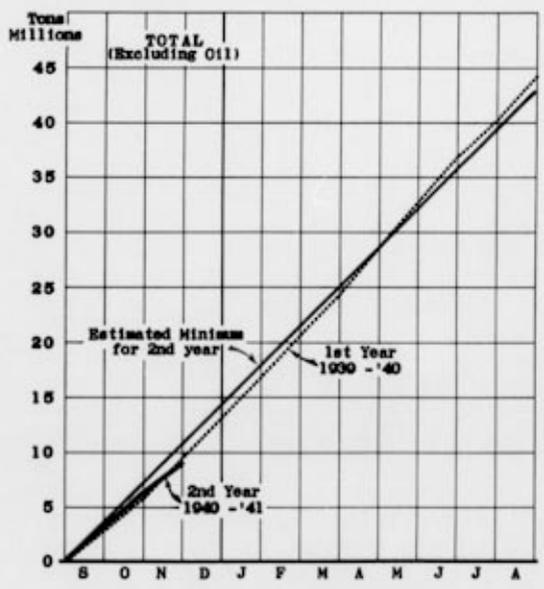
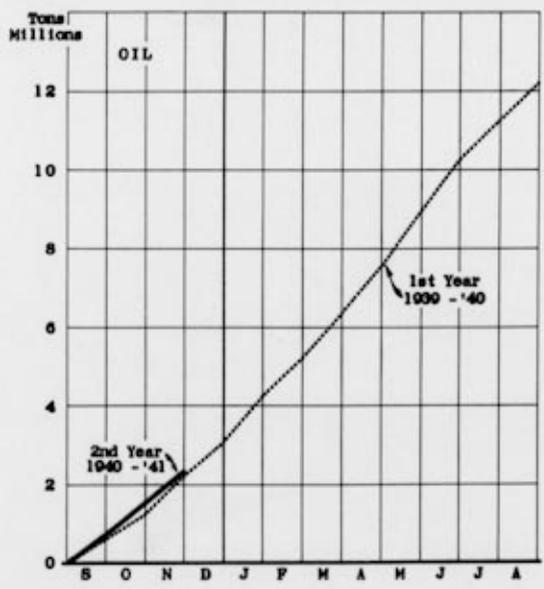
~~STRICTLY CONFIDENTIAL~~

~~STRICTLY CONFIDENTIAL~~

TONNAGE OF IMPORTS INTO THE UNITED KINGDOM



Cumulative Monthly, Second Year of War Compared with First Year



~~STRICTLY CONFIDENTIAL~~

~~STRICTLY CONFIDENTIAL~~



THE SECRETARY OF THE TREASURY
WASHINGTON

February 25, 1941

My dear Mr. President:

For the first time, I have received very highly confidential information as to the disposition of American planes once they leave our factories. I would appreciate it if you would destroy the enclosed statement after reading the same.

We have had a great deal of trouble with both the State Department and the Department of Justice trying to get permission for the English to fly the new Consolidated bomber overseas with English crews. The matter is not yet straightened out. The trouble originated when the State Department filed a complaint with the Department of Justice.

Yours sincerely,

The President,

The White House.

~~Confidential~~

Declassified per T.O. 160
RHP, 1-21-72

STATEMENT of AIRCRAFT SHIPPED to U.K.
& OVERSEAS COMMANDS

Type	Destination	Assembly Point	By Sea during week ending Jan. 25.41	By Air during week ending Feb. 15.41
<u>Douglas</u>				
Boston I	-	-	-	-
Boston II	U.K.	U.K.	13	-
<u>Lockheed</u> •				
Hudson I	U.K.	U.K.	1	-
Hudson III	U.K.	U.K.	-	2
Hudson IV	U.K.	U.K.	3	-
Electra	U.K.	U.K.	3	-
<u>Curtiss</u>				
Tomahawk	M.E.	Takoradi	100	-
<u>Glenn Martin</u>				
Maryland	M.E.	Takoradi	20	-
<u>Consolidated</u> •				
PBY	-	-	-	-

British Air Commission
February 19th, 1941

• The Consolidated PBY's are flown via Bermuda and the Lockheeds via Montcal, Halifax. (This information was given by phone by the British Purchasing Commission at 3:30 p.m., February 20, 1941.)

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THE SECRETARY OF THE TREASURY
WASHINGTON

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July 11, 1941

My dear Mr. President:

I am sending you herewith a chart which I have had checked by Mr. Lubin.

Please note that in the period from January 5 to July 5, inclusive, the Navy has received only 100 flying boats and the British Empire, 87; that there are only 896 flying boats on order, of which 75 are for the British Empire.

Yours sincerely,

J. M. Gurnea Jr.

The President,
The White House.

Copies to:
Secretary of War
Secretary of the Navy
Mr. Knudsen
Mr. Hillman

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4-Engine Bombers, 2-Engine Bombers, and Fly

Actual Deliveries January 5 to July 5, 1941
 Scheduled Deliveries as of July 5, 1941
 Covering Orders of the Army, Navy, and British Empire

Classification and purchaser	Actual deliveries January 5 to July 5, 1941	Unfilled orders as of July 5, 1941	1941											
			July 6 to July 31	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Estimated
4-engine bombers														
Army.....	51	3,178	6	9	19	35	43	58	79	86	87	87	91	
Navy.....	-	-												
British Empire.....	20	139	12	21	23	23	23	18	12	7				
Total.....	71	3,317	18	30	42	58	66	76	91	93	87	87	91	
2-engine bombers														
Army.....	280	6,001	54	75	106	171	150	279	329	426	511	465	471	
Navy.....	-	8								4	4			
British Empire.....	823	1,915	176	204	137	172	196	163	197	160	160	160	100	
Total.....	1,103	7,924	230	279	243	343	346	442	526	590	675	625	571	
Flying boats (4-engine and 2-engine patrol bombers)														
Army.....	-	74								6	15	22	16	9
Navy.....	100	747	11	31	22	18	16	10	13	14	23	36	48	
British Empire.....	87	75	6	3	8	11	14	16	14	3				
Total.....	187	896	17	34	30	29	30	26	33	32	45	52	57	

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

Source: Reports from individual companies.

Note: Lease-lend orders are placed by the Army and Navy and are classified as such rather than by the destined recipient; therefore

* Excludes spare parts.

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