

● PSF Treasury Dept. Henry Morgenthau, Jr. 1938

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personal*

*BSF
HM Jr*

THE SECRETARY OF THE TREASURY
WASHINGTON

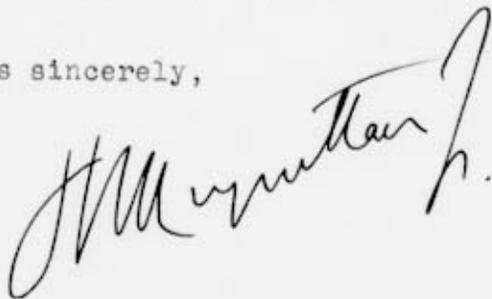
January 11, 1938

My dear Mr. President:

Upon returning to the office last night I found that Congressman Patman has introduced a bill doing away with holding companies that own bank stocks.

I have given instructions that a message on bank holding companies should be drawn up, but I feel that I would like to delay the matter until my return as I want to make sure that all Federal agencies that have to do with banks are in complete sympathy with this move.

Yours sincerely,



The President,

The White House.

THE WHITE HOUSE
WASHINGTON

BF
Magnuson

January 18, 1938.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

How about filling the following
places?

Collector of Customs, Honolulu
Collector of Customs, Memphis
Collector of Customs, Boston
Collector of Customs, Portland, Oregon
Collector Internal Revenue, New Orleans
Collector Internal Revenue, Tacoma
Assayer of the Mint, San Francisco.

F. D. R.

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*PSF
HMJ*

THE SECRETARY OF THE TREASURY
WASHINGTON

January 27, 1938

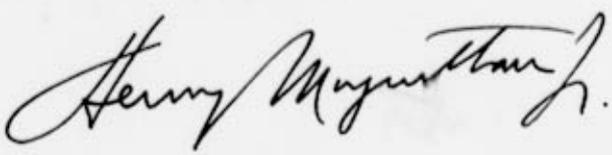
My dear Mr. President:

On Friday, at eleven o'clock, your Interdepartmental Committee on Banking will meet to consider legislation in connection with bank holding companies.

It has been intimated to me that Senator Glass would like to see you and me in connection with his introducing a bill to eliminate bank holding companies. I further understand that he feels it would be helpful to have you send a message to Congress covering this subject. We have ready a draft of a message for you.

I am taking the liberty of suggesting that you invite Senator Glass to come and see you after Cabinet tomorrow and I would appreciate an opportunity to be present.

Faithfully yours,

The President, 
The White House.



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personal*

THE SECRETARY OF THE TREASURY
WASHINGTON

*PSF
H.M. Jr*

January 29, 1938

MEMORANDUM TO THE PRESIDENT:

The Ways and Means Subcommittee has proposed three types of corporation taxation. (1) Corporations with net incomes of less than \$25,000 would pay normal taxes graduated from 12½ to 16 percent but no undistributed profits tax. (2) Corporations with net incomes exceeding \$25,000 would pay taxes at rates ranging from 16 to 20 percent, depending upon the proportion of their adjusted net income which is distributed in dividends. (3) Closely held corporations with net incomes exceeding \$50,000 would pay taxes at rates approximating those of the existing law, if they distributed less than 60 percent of their net incomes.

The Subcommittee has estimated that of the 8,500 corporations whose incomes exceed \$50,000 not more than 1,500 would fail to distribute in excess of 60 percent of their net incomes in a normal year. The Treasury has not exact figures as to stockholdings of this group of corporations, but it is estimated that around 500 to 1,000 are possibly closely held within the definition proposed. A corporation is closely held for this purpose if more than 50 percent in value of its stock is owned by one individual and members of his family; or if more than 53 percent is owned by two or less individuals, exclusive of their families; 56 percent by three or

less individuals and so on up to 75 percent by ten or less individuals.

Congressman McCormack of Massachusetts is leading a vigorous fight against the recommendation for the taxation of closely held corporations. He is supported by Congressman Lamneck of Ohio and possibly by Messrs. Boehne of Indiana, Fuller of Arkansas, Thompson of Illinois and Robertson of Virginia. The seven Republican members of the Committee are apparently solidly against the proposal for the taxation of closely held companies. The Democratic members of the Committee have held several meetings with a view to resolving their differences. Congressman Vinson believes that the proposal as to closely held companies is absolutely necessary for the protection of the revenues against surtax avoidance.

A number of witnesses appeared in the recent public hearings in opposition to the Subcommittee's proposal but none of them made a very convincing case. The principal argument advanced is that the special treatment of closely held corporations places the family business at a disadvantage as compared with the larger and more widely owned corporation. Mr. McCormack also cites the fact that many newspapers would fall within the proposal. The principal answers to Mr. McCormack's arguments are that the ordinary American corporation over the past ten years has distributed an average well in excess of 70 percent of its earnings. Consequently, no corporation need pay the additional tax if it will make the same distribution that American corporations do make on the average.

Moreover, the Subcommittee has recommended that a closely held corporation be allowed to retain all or any part of its earnings if the shareholders will consent to pay the taxes that would be due if the earnings were distributed.

The Treasury has analyzed each of the cases mentioned in the public hearings and finds no basis in them for suggesting modifications of the Subcommittee's proposal. Two of the principal cases referred to by Mr. McCormack and his supporters are those of R. R. Donnelley & Sons Company of Chicago and the Lane Company, Incorporated of Virginia. Since both companies distributed an average of over 65 percent for the three years 1934-1936, neither of them would be subjected to the tax on closely held companies if they continued their present dividend policy. Moreover, on the face of the record neither of them makes any satisfactory showing of the necessity for retaining large amounts for use in the business. Mr. Donnelley's company had adjusted net income in 1934-1936 of \$519,000; \$809,000; and \$816,000. The Lane Company had adjusted net income of \$129,000; \$137,000; and \$146,000.

Henry Magrath

My dear Mr President:
I thought this message would interest you.

file
personal

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris

DATE: February 2, 1938, 11 a.m.

NO.: 176

Sincerely,

Serry
PSF
Mogenthaue

~~STRICTLY CONFIDENTIAL~~ FOR THE SECRETARY.

In the course of a long conversation Marchandean told me last night that he wanted to express to me officially for transmission to the American Secretary of the Treasury his heartiest thanks for the statement of January 27 issued at the Treasury Department. The Treasury's statement he said had been timed perfectly, and was admirable in tone and content. The franc flight had been stopped thereby. He said he had acquired some gold yesterday for the first time since he had been Minister of Finance.

The Minister of Finance went on to say that he regarded the present Ministry as a transition government. He said that it was entirely obvious that if Stalin wanted to do away with the present Ministry he could do so by having the French Communists start a sufficient number of labor troubles to produce further capital flight. The present Minister of State, Martssard, was trying to arbitrate a dispute in the northern metal industries which might lead to a general strike in the north and a sympathetic strike in the region of Paris.

The Minister of Finance said that he did not think the present would be the time the Communists would choose to push matters to this extreme. The northeastern part of

France

France and the Paris suburbs were the only two regions in France in which Communist influence was still extremely strong; the rest of the country unquestionably was in a mood to work hard and to live a quiet life. The Communists know that if they at this moment took an extreme position the country would be against them, and the army, with national approval, could crush a general strike. The next Government then would probably be further to the Right, perhaps with Daladier at the head.

Should the Communists on the other hand decide merely to make sufficient trouble to continue to frighten the French capitalists, they could probably bring about further franc flight and then in view of the ensuing financial difficulties the fall of the present Government.

END SECTION ONE.

BULLITT.

THE WHITE HOUSE
WASHINGTON

PSF
H.M.G.

~~CONFIDENTIAL~~

February 10, 1938.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

Will you speak to me about
this when you are ready?

F. D. R.

Suggested draft of a Message
to Congress in re bank holding
companies.



*File
personal*

THE SECRETARY OF THE TREASURY
WASHINGTON

*BFI
Doquistham*

THE WHITE HOUSE
FEB 19 9 41 AM '38
RECEIVED

My dear Mr. President:

I attach hereto a description of the quantity and variety of fractional currency (shinplasters) which the Treasury has on hand. Additional amounts are being acquired from time to time.

Ordinarily the Treasury would destroy this. However, because of the special value this currency may possibly have as historical or collectors' items, the policy has been adopted of holding it intact pending further developments.

It is my intention to bring the subject to your notice again after the ultimate disposition of all the "Gold Cases". In the meantime I am advising you merely as a matter of interest and information and not, for the moment, for the purpose of obtaining your instructions.

As of further possible interest, I also attach various samples of this currency.

Faithfully yours,

Wm. C. Clegg
Secretary of the Treasury.

The President,

The White House.

Enclosures

FRACTIONAL CURRENCY RECEIVED AND HELD IN THE TREASURER'S OFFICE

<u>Denomination</u>	<u>Amount</u>	<u>Pieces</u>
3 cents	\$.66	22
5 cents	4.30	86
10 cents	54.10	541
15 cents	6.15	41
25 cents	116.50	466
50 cents	<u>164.00</u>	<u>328</u>
	\$345.71	1,484

Approximately \$21,000, face amount, has been received in the last 17 years. Of this amount, only the above listed items remain.



TREASURY DEPARTMENT
OFFICE OF THE SECRETARY
WASHINGTON

PSK
HM

March 1, 1938.

Dear Mr. McIntyre:

The President asked that the Secretary read the enclosed copy of a letter from Mr. William J. Lavery, and that he return it when he had noted its contents. Mr. Morgenthau has therefore asked me to send this back to you now.

Sincerely yours,

H. S. Klotz,
Private Secretary.

Mr. Marvin H. McIntyre,
Secretary to the President,
The White House.

Enclosure.

January 24, 1938

Mr. ___
Federal Reserve Bank
Washington, D. C.

Dear ___ :

I have been very busy since returning from Washington so have not had the opportunity to write you before.

As a resume of our last conversation, it is my opinion that no permanent good to the general conditions of this country can come about unless we admit some very fundamental situations, which seem to be generally overlooked; namely:

1. That during the four years of the war this country jumped its mechanical efficiency about 2 $\frac{1}{2}$ generations; in other words, without the addition of any extra plants we could produce for a population approximately 25,000,000 more than we have today.
2. Let us also admit that the expression: "There is no such thing as a saturation point" is fallacious. We all know there is a saturation point at every price level.
3. Let us proceed to stop reaching for lower price levels at the expense of man-power hours; in other words, let's stop putting in more and better high-speed machinery to the elimination of human hands.
4. Let's review certain things which we know have happened with reference to liquidation and to contributions to general welfare:
 - (a) We know the Farmer has been liquidated.
 - (b) We know the Real Estate mortgage holder has been liquidated.
 - (c) We know the banks have been liquidated.
 - (d) We know that railroads have been, and are being liquidated.
 - (e) We have only to look at 11,000,000 unemployed to know that the rank and file have been liquidated.

But, finally, do we find any marked example of the stock-holders being liquidated?

Many people will tell us that the liquidation of stock-holders has occurred on the stock exchange, but I would suggest that the liquidation of speculators occurred on the stock exchange.

Generally speaking, we do not find that the capital structure of the country has been written down to actualities. I mean by this (and we can take the automobile

1/24/38

industry as an example) that an investigation will disclose plant capacity sufficient to produce some 8,500,000 automobiles. This capacity, together with its equipment, is capitalized. But the probable highest sales obtainable will be less than 5,000,000 cars. I recommend that the excess capacity be written off as a contribution to lower costs; that management stop replacing men by machines, and face stock-holders with a truthful expression of what conditions are.

You will recall that in the book which I left with you, the suggestion is made that our method of selling under partial-payment plans is very fallacious -- that this type of selling as conducted in the past simply meant that the purchaser was mortgaging his future predicated upon his ability to hold a job; when the job was lost, all of his partial-payment credits were also lost. Mr. McCauley of Packard just recently has suggested that the automobile companies will not use high-pressure salesmanship with reference to partial payments. With a plant capacity already in excess of sales, we must now face the situation that the excess will be largely increased by reason of the more selectivity of sales.

I wish to draw your attention to one very important phase of the situation -- that in capital reorganization, the position of Insurance Companies must be safe-guarded. It would appear to me that before any governmental agency suggested a capital reorganization of industry, distinct plans for the safe-guarding of Life Insurance Companies be worked out. It would seem as though it would be necessary for the Government, through a loaning agency, such as R.F.C., to make loans to Insurance Companies on collateral, for the purpose of replacing doubtful and bad assets; that as long as any Insurance Company had such a loan, they could not pay dividends on their policies, and that those funds which would ordinarily go to dividends would apply against the loan, for liquidating purposes.

These are just broad statements of some of the things which we discussed and I hope we will have the opportunity in a short time to discuss them further. I anticipate that I shall be in Washington within the next three weeks. I will advise you in advance so that we may get together.

With very best wishes, believe me,

Sincerely yours,

William J. Lavery

WJL:F

THE SECRETARY OF THE TREASURY
WASHINGTON

March 1, 1938

PSF
H.M.J.

file
personal

My dear Mr. President:

I am taking the liberty of sending you the inclosed article by Edgar Ansel Mowrer.

This article gave me an entirely new angle on Chamberlain's foreign policy and I thought that you would be interested in reading Mowrer's interpretation of it.

Yours sincerely,

H. M. Mowrer Jr.

The President,
The White House.

CHICAGO DAILY NEWS

February 26, 1938.

Chicago Daily News

See Chamberlain Maneuvering For Destruction of Soviets At Hands of Fascist Powers

BY EDGAR ANSEL MOWRER.

SPECIAL RADIO

To The Chicago Daily News Foreign Service.
Copyright, 1938, The Chicago Daily News, Inc.

Paris, Feb. 26.—Prime Minister Neville Chamberlain has thrown off the mask, which the British Tory diehards have been wearing for the past two years, namely, of defenders of world order and democracy. The extreme Tory wing of the Conservative party which has been leading the British Empire by what might be called the extreme tip of its right ear has now dropped the disguise which brought it victory in the last election. Then the Conservatives pranced about in the armor of Sir Galahad, knight errant, ready at any time to fight and if need be to die for democracy, world peace, and legality in the shape of the League of Nations.

Sir Samuel Hoare when foreign minister expressed this lofty sentiment in winged words before the League of Nations assembly. Once the election had been won, once the vast mass of League of Nations union adherents in Britain had been duped into voting Conservative, the armor became a little hot and heavy and Hoare attempted to discard it and make a little deal with Premier Benito Mussolini aided by French Premier Pierre Laval who never had hidden his contempt for "Utopias."

Eden's Idealism Helped.

The result was the famous Hoare-Laval plan. But the mass of British voters who still had not forgotten the Conservative promises, rose in wrath and Sir Samuel had to go to save the Conservative government and Premier Stanley Baldwin after a little verbal hocuspocus about "sealed lips," clapped a mask back on the party face. For the next two years party leaders had to tread warily, but they were helped by the presence in their cabinet of the idealist Anthony Eden, who had the confidence of the masses and who sincerely believed that there is something in the world but money worth fighting for.

Thanks to Capt. Eden the diehard Tories did not have to modify their policy. They refused to take really effective sanctions against Italy or to give serious help to the Ethiopians. They called off the sanctions when Mussolini scored a fairly decisive victory. Secretly they began conquering with the Fascist dictatorships. But before they could really show their hand they had to remove another obstacle in the shape of a fairly strong France.

Weakening France has always been a British sport. But unfortunately the late war showed France to be Britain's best protector. The modified British aim must therefore be to weaken France where it could and to thwart Tory plans while holding France to the main task of defending Britain against conceivable German backbite. Therefore the British had to hit the French system—Poland, Belgium, the Little Entente and Africa.

France Weakened by Move.

ident in "democratic solidarity" with Britain, threatened to offer real resistance to Fascism at its next move. Chamberlain decided to reveal his policy, which had long been developing behind Eden's back.

The London correspondent of the French weekly *La Lumiere*, states in the current number that after Hitler's intimidation of Schuschnigg Eden told the French ambassador, Charles Andre Corbin, to "let France take the initiative and we will associate ourselves with it." Whereupon the French government suggested a joint protest to Berlin conceived in the following terms:

"France and Great Britain will not tolerate any further attack on Austrian sovereignty, and will no longer accept whatever the circumstances to be placed before an accomplished fact," which was a means of saying that Germany could not annex Austria or attack the Czechs without a general war. Instead Chamberlain took exactly the opposite line.

Capt. Eden was summarily booted from the cabinet as no longer necessary. France was warned through its opposition leader, Pierre Etienne Flandin, that it would have to choose between Britain and Russia. By adroit maneuvering and prevarication a favorable vote was secured from the House of Commons before the rank and file noticed what had happened. Chamberlain was free to carry out his policy of "talking with dictators."

Prime Minister's Real Aim.

What is Prime Minister Chamberlain's real aim? Some say, like all hucksters, Chamberlain would rather bribe the brigand than fight him. Others declare that it is a Machiavellian scheme to induce Italy to desert the anti-Communist racket. Still others maintain that it is his belief that by encouraging and aiding the Fascist dictators Britain can induce them to fight and crush Soviet Russia, while France sits passively with chained hands.

Chamberlain "loves France" but does not mind tyrants and dislikes social movements. Now, too Englishmen who favored the Franco-Russian pact were Capt. Eden and Sir William Van Sittart, permanent head of the Foreign Office. Both were virtually fired immediately before Chamberlain revealed his game. Furthermore, during the latest French cabinet crisis the British embassy did all it could to prevent the formation of a fighting cabinet which would have reinforced the Franco-Soviet relationship.

The conclusion is fairly evident. Chamberlain's real aim is to allow the Fascists to isolate and eventually destroy the Soviets. If Franco is allowed to win the Spanish war or the French are compelled to abandon the Franco-Russian pact within the next six months this conclusion will become almost a certainty.

Called Risk to Democracy.

France Weakened by Move.

It was easy with Poland. Belgium was encouraged to break its military alliance with France and return to "complete neutrality" thereby leaving France intact for defense, but weakening its striking arm abroad.

France was encouraged to come to terms with Italy. And thereby Yugoslavia was induced to do the same thing, thus breaking the Little Entente. Greece was next restored to a German monarch who almost immediately turned over the government to the pro-German military dictator, Marshal John Metaxas. Then Rumania was encouraged to break with the Little Entente in spirit by the complete expulsion of the Francophile liberal elements.

At the same time a revolt occurred in Spain against the Popular Front—a revolt in which many think British banks were implicated. Some say no British banks dare to act without the encouragement of the British government. Britain immediately acted to compel the then Premier Leon Blum and the French to declare "complete neutrality" while Italy and Germany set about securing the victory of the rebels.

A rebel victory would separate France from Africa. Yet, thanks to the Soviets and to the democrats everywhere, the Spanish rebels did not win immediately. By strange coincidence the next thing to occur was the declaration of a virtual Italo-German-Japanese anti-Communist alliance, followed by a Japanese attack on China.

Meanwhile the idealistic Eden was innocently defending the collective idea at Geneva, trying to explain to the Chinese—as he had explained to Spanish Republicans—just why they could not expect help from the League of Nations.

The Far Eastern war further weakened France. Finally events reached a climax. Rebel Generalissimo Francisco Franco was not winning fast enough in Spain, but Premier Mussolini was showing signs of exhaustion, which Reichsfuehrer Hitler used to undermine Austrian independence.

Chamberlain Reveals Policy.

France, drugged by pacifism, worn by internal strife, but con-

Called Risk to Democracy.

Now not many Britishers really like Dictator Josef V. Stalin's government or international communism. But few hate both to the point that to "crush" them they are willing to risk democracy, and the British Empire, not to speak of such trifles as the French republic, Austria and Czechoslovakia. Many, perhaps the majority of the British people, are not willing.

Chamberlain's plans may fall now as they have so far failed in Spain and China. The dictators are not remarkable for tact, and they may try to drive too hard terms. But for the next few months, Chamberlain will have a chance to try.

The only comforting element in the sad situation is that henceforth the prime minister cannot hide his designs behind Capt. Eden's idealism, and must emerge as the apparent partisan of Adolf Hitler and Benito Mussolini.



THE SECRETARY OF THE TREASURY
WASHINGTON

March 3, 1938.

PSF
HMJ

file
personal

My dear Mr. President:

Your letter of February 28th, inviting us both to attend the service which will be held at St. John's Church on Friday morning, gave me a great deal of pleasure. We well remember the simple and dignified service of last year, and the feeling of confidence and encouragement which it left with us all.

Elinor and I shall both be present tomorrow morning at 10:30, and look forward to the meeting with you and other members of the Administration at that time.

Faithfully,

Henry M. Thatcher Jr

The President,

The White House.

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

PSF: Magill

March 10, 1938.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

Please read and talk
with me about it. I would not
show it to anyone but Magill.

F. D. R.

Letter from Thomas W. Lamont,
23 Wall Street, N. Y. C., with
memorandum on credit policies,
capital markets, public utilities.

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personal*

*PSF
HMW*

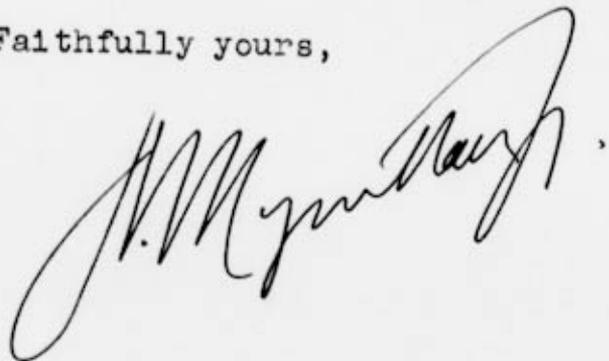
THE SECRETARY OF THE TREASURY
WASHINGTON

March 16, 1938

My dear Mr. President:

For your confidential information, I beg to inform you that we have sold today another \$2,500,000 worth of gold to Sweden, which makes a total of \$7,500,000 they are keeping on deposit with us.

Faithfully yours,



The President,
The White House.

PSF: Morgenthau
Treas

file
confidential

THE SECRETARY OF THE TREASURY
WASHINGTON

March 23, 1938

My dear Mr. President:

In view of the fact that twice last week you raised the question with me as to the advisability of the United States Treasury refusing to buy any more gold, I am taking the liberty of sending you herewith, for your confidential consideration, a memorandum giving the important reasons why the Treasury feels that we should not change our gold buying program at this time.

Faithfully yours,



The President,
The White House.

~~CONFIDENTIAL~~

March 18, 1938

The effect of a refusal by the Treasury to buy foreign gold would be:

1. The Tripartite Accord would automatically be terminated and its objectives of international economic stability be destroyed.

- (a) A period of wild and chaotic fluctuations in foreign exchange rates throughout the world would be ushered in.
- (b) World trade would become more speculative in character and lower in volume.
- (c) Exchange controls and clearing agreements would spread to even more countries in their effort to restore some stability in international currency relationships.
- (d) The objectives of our Trade Agreements Program would be violated and our existing trade agreements hampered.

2. The value of the world gold holdings -- of which we have one-half -- will be seriously threatened.

- (a) World confidence in gold as a monetary metal and as a medium of international payments would be severely shaken. Huge quantities of gold will be dumped on the London free gold market. It will come from private hoards, from the holdings of small central banks and from speeded up gold production throughout the world.
- (b) The world would be encouraged to attempt to do without gold, leaving us and England holding the bag.
- (c) Gold mining stocks would tumble, with adverse repercussions on leading stock exchanges; a serious crisis would be precipitated in South Africa and minor crises in other large gold producing areas.

3. Stocks of silver, particularly from India, would likely be dumped on the market.

- (a) Confidence in the value of silver as well as in the value of gold will be shaken. People will reason that if we refuse to buy gold now, will not silver be next? We therefore would have to buy large quantities of silver or see its price break.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-2-

4. Our price level will fall.

(a) To refuse to buy foreign gold would be a deflationary move which, in one stroke, would undo all the efforts of the Administration to restore recovery and raise the price level.

5. Germany, Italy and Japan would be made stronger by our refusal to buy foreign gold.

(a) No monetary step that we could take would be more calculated to assist those countries. They are the very countries which have the small gold reserves, compared with their possible opponents, and hence are at a serious disadvantage in the event of war. To deprive the democratic countries of much of the value of their "war-chest" is to weaken them.

6. The press the world over -- except in Germany -- would be awful!

(a) There is not a single important interest in the United States or in the world -- outside of fascist countries -- who would approve such a step.

(b) The absurd sequence of raising the price of gold to high levels, acquiring half the world's gold supply, and then throwing the price overboard would be too much even for Administration supporters to swallow quietly.

7. The United States has taken the lead in establishing order in international monetary affairs.

(a) By this step it would be taking the lead in introducing monetary chaos.

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

PS#
Mingulhan

~~CONFIDENTIAL~~

April 8, 1938.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

Will you speak to me about
this on Sunday?

F. D. R.

Memo in re income tax from automobile
corporations.



THE SECRETARY OF THE TREASURY
WASHINGTON

May 11, 1938

*file
personal
PSF
H.M. jr*

My dear Mr. President:

I should like to present the following suggestion for your consideration:

That you create informally a group of advisers who will act as your "general staff" in devising means and weighing suggestions from any source to make the new recovery program as effective as possible, to see that it is energetically carried out and to see that any stabilizing action which may later become necessary is taken in time.

For the members of such a group I would suggest Hull, Wallace, Ickes, Eccles, Jones, Hopkins and myself; and I would further suggest that regular meetings be held, say on Tuesdays.

As instances of the sort of problems such a group might consider, the following, more or less pressing at this time, occur to me:

(1) Is the measure now before the House adequate as a recovery program; and if not, in what way should it be strengthened or supplemented?

(2) What types of R. F. C. loans will have the most stimulating immediate effect and what positive effort should be made to see that the money goes out?

(3) Can and should Agriculture take steps to speed up cotton benefit payments?

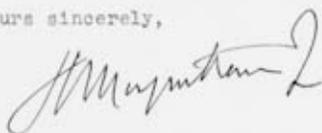
(4) Can not Agriculture under Section 32 provide substantial quantities of surplus food for relief and supplies of cotton for the W.P.A.?

-3-

I cite these merely as types of matters which such a group might consider and follow up energetically when a final decision is made by you.

If this suggestion interests you I should like to have an opportunity to discuss it with you.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "J. M. [unclear]". The signature is written in dark ink and is positioned to the right of the typed name "The President".

The President,
The White House.

THE SECRETARY OF THE TREASURY
WASHINGTON

file

May 24, 1938

My dear Mr. President:

I am sending you herewith two memoranda.

One is from Miss Lonigan, who spent last week in the field for me investigating unemployment conditions. I think you will find her report very interesting.

Second, I am sending you a report from the Federal Surplus Commodities Corporation, showing how much food they are allocating to Illinois, Michigan and Ohio.

Yours sincerely,

H. M. ...

The President,
The White House.

~~Confidential~~

May 23, 1938

To: The Secretary
From: Miss Lonigan, *EL.*

What happens to relief families in Cleveland when food orders are stopped? The answers are varied.

"Some families manage for a while. It's a challenge. They go back to relatives who give them a little. They get credit at the grocers."

"They take it. But they take it in a way that scares you. They go into their shell."

"The grocers in poor neighborhoods have been closing down their shops. They say they cannot bear to refuse food to the families if they stay open."

"Surplus commodities had to close its local stations because the city had no money. The workers had to stand in line for hours at central stations to get commodities. It was the most awful thing. Sometimes the line was three or four blocks long. It's bad to have unemployed men gathered together for a long time like that. They get ugly. I saw one man take four pounds of butter and I involuntarily asked him how many children he had. He said, 'Nine, and what the hell is that to you.'"

"The gas company is withholding suspensions if the relief agency gets the notice in time. Families do not always know how to make arrangements in time."

"One family had been within two months of establishing residence in Connecticut, but was sent back under the settlement laws. The man worked at Good Will Industries to get a stove, but had no money to have the gas turned on. We can't decide whether to use their money for cold food, or spend it one week to have the gas turned on."

"Teachers write in that the children stay home from school. City doctors demand emergency food orders."

"In our station the families say at three o'clock, 'I have to go now. If I don't I won't get any food when they throw it away at the market.' The spoiled and unused food is dumped into the street when the market closes. The workers bring baskets and bags and take it home." (This district includes cheap salesmen, little racketeers and the unskilled labor for the steel mills.)

"The worst cases are those that just stand there and cry and cry. They're like dogs that have been whipped so much they don't dare to bark. I'd do anything to put a little fight into them. We thought of going down, a group of us, to President Roosevelt -- not a pressure group or representing anybody but those who knew the families -- and ask him please to restore Federal relief."

There is nothing new in this situation. It has been going on, at intervals, since 1935. Its counterpart can be found in many States.

Sources

I talked with WPA executives, heads of relief agencies, members of the Unemployment Compensation Commission, and officers of the CIO.

The States

The Ohio legislature was convened in special session May 16th to deal with the latest relief crisis. They promptly appointed an investigating committee to study relief chiseling in the cities. The committee was made up chiefly of members from rural counties who were said to be extremely hostile to urban relief. No relief bill can be passed before June first.

At the last relief crisis the Ohio legislature appropriated, in several bills, about \$12,000,000 for state relief for the entire year. The League of Municipalities is asking \$70,000,000 for about half a year. The minimum estimate for Cleveland is about a million dollars a month.

The legislature assumed that the cities would match State funds, but the law provided that levies above the bond limits must be approved by 65 per cent of the population. It is not possible to get such approval. Even families on relief vote against relief levies. They have voted for heavy sales and other taxes which they thought were going to the unemployed. Now they will not vote more, at least not by a 65 per cent vote.

The City

Cleveland has four kinds of aid for the needy. WPA, city relief, surplus commodities, and county aid for transients and unemployables.

WPA had 21,000 workers in Cleveland on December 15th, and 65,000 in mid-May. They had 17,000 applications of certified workers on file, of whom 13,000 were employable. The other 3,500 workers were classified as "employable" by relief authorities but were not able to work on WPA.

WPA has given to Cleveland one of the highest quotas in the United States. Standards of admission to WPA are very much easier than for relief.

The State auditor is now insisting that WPA, and not the city, should make the supplemental payments to WPA workers who get extra relief.

The city now has 25,515 families on direct relief. On Monday, the 16th, the City Council of Cleveland made another emergency appropriation of \$75,000. This was sufficient to give 7 day food orders to all relief families. The last previous order had been a 3 day order, given only to families with illness or other critical necessities. Before that there had been no food orders, only surplus commodities. Rents are paid only in case of evictions. Several reductions have been made in food budgets.

For several weeks the only relief funds have been transfers from funds earmarked for sponsors' contributions to WPA. The most recent funds were taken from salaries of street cleaners and other city workers. The street cleaners are near-relief families. They will promptly appear in new relief applications.

Staff workers in relief offices have not been paid since about April 25th. They are borrowing, selling insurance, not paying their rent. In some offices there are no funds for office expenses and the unpaid office workers pay for pencils, paper, paper towels and other conveniences.

Satellite Cities

The Governor of Ohio also obtained last spring a law providing for complete decentralization of relief for employables, on a city instead of a county basis. As a result the metropolitan county of Cuyahoga administers relief through a large number of cities, all in the same industrial zone. In one of the small outlying cities a large manufacturing plant is located. The city has just finished a million dollar school house, with swimming pools and shower baths, and a beautiful new City Hall. It has almost no relief problem. Its unemployed workers live in Cleveland.

Cleveland gets the residual relief load from the surrounding industrial areas, but has as a tax base only property within the corporate limits of the city itself. That is why the relief problem of the cities is incurable.

The County

Under present Ohio law, the county takes care of non-residents and unemployables, "paupers".

A great deal of energy is used by city and county

agencies in deciding who is in charge of whom. This would all be abolished under a county-wide system.

For example, a man disabled by tuberculosis whose cousin gives him a room can get no aid from the county because he is not a pauper. The city can pay no rent to relatives. But if his cousin puts him out and sends him to a cheap rooming house he can get county aid.

Curiously, county aid in Cuyahoga is now far more generous than the city aid. The voters approved a 65 per cent levy for county funds because it was for general administrative expenses, at the same time that they turned down purely relief levies in Cleveland. The county is spending more than its budget on relief. The money is being taken from hospital and other State departments.

About half the total expenditure goes to non-residents, while Cleveland families do not have food.

The county maintains an excellent system of workshops (very much like the Washington Self-Help Exchange) where workers (unemployables) repair county furniture, make clothing, repair shoes, provide barbering, and run the house for homeless men.

Surplus Commodities

With the stoppage of food orders, Surplus Commodities Corporation shipped to Cleveland dry skimmed milk, potatoes, prunes from the coast, and ten carloads of flour, above the regular allotments of rice, beans and peas.

Purchases are limited to officially declared surpluses of the Department of Agriculture. The purchased food is shipped

to the nearest available distributing center, to save transportation cost. Ownership of the commodities stays with FSCC until they are ready for physical distribution.

Physical distribution of surplus commodities is usually a WPA project assigned to an agent of the FSCC. In Cleveland distribution is by the county and city.

Because the city has no money for trucking services (about \$1000 a month) the Corporation had to abolish its retail outlets, and reestablish a bread line. "I saw fomenting in that crowd ideas that might make trouble - It's dangerous to have men in such a state of mind so close together for a long time", said one worker.

Employees have not been paid. The workers have appeared every day for work, worked overtime, and maintained normal discipline.

People interested in surplus commodities think an expansion of commodities is the best possible solution of relief. "The grocery order is dynamite. Grocers made good". Purchase of supplemental foods by the county would provide a balanced budget. (Social workers are bitterly opposed to commodity distribution.)

The value of commodities distributed in Cuyahoga County in 1937 was \$438,000. In the entire State it was \$2,149,770.

The quantity of commodities distributed in Cleveland in April 1938 was:

Appless	34,294 bus.	Potatoes	1,337,380 lbs.
Butter	51,597 lbs.	Rice	<u>5,707 lbs.</u>
Oranges	139,850 lbs.	Value	\$ 75,451.90

Toledo

Toledo is much better off than Cleveland. They have not stopped relief. They borrowed some money from the sinking fund, which Cleveland could not or would not do. They are running on credit. The city is \$300,000 in debt. It does not pay its grocery bills. Wholesalers carry the local grocers. The State auditor in Toledo permits them to spend beyond their assets. The State auditor in Cleveland stops expenditures. This may be part of the Mayor's program.

Toledo is now, however, getting close to the end of its credit. The staff in Toledo is still being paid. School-teachers are still hired at their basic rate, but paid a percentage of their salary.

Landlords raised rents generally in Toledo this March. One specific instance was an increase of 67 per cent. They will not even discuss temporary rent reductions. Tenants in Federal houses are suffering severely. Agents make no allowance for unemployment and will not even wait for WPA checks. When they moved in the tenants had sold their stoves and iceboxes because they didn't need them. They bought new furniture which the installment companies take back. When they are dispossessed they have nothing to move.

HOLC is dispossessing new delinquents, who made their payments until the factories shut down. The workers want the rules on foreclosure to be adjusted locally, instead of having each single case referred to headquarters. Families are using money needed for food to make HOLC payments.

Employment is estimated to have decreased since April. The outlook within industry is extremely unfavorable.

The expected machine-tooling program did not get under way in automobiles. There are rumors that the automobile show will be postponed until January, a change which would postpone revival of employment until the end of the year. (The astounding fact is the total absence of reliable information about the automobile industry, and the consequent power of rumor to affect public feeling.)

Mine workers in the southern counties are on half-time or less. Placements in lake shipping average about 50 per cent of a year ago. Two-thirds of the farm labor in rural counties is on WPA. Farmers are buying machinery to take their place. The WPA wage-rate is about twice the farm labor rate.

The WPA assumes that its "static load" after the next recovery will be twice as high as it was in 1937.

"The New Deal has saved CIO." Two-thirds of the CIO workers are outside the factories. CIO is forming WPA auxiliaries to organize their former members now on WPA. WPA officials are keeping in close touch with CIO local leaders, helping them to understand reasons for WPA policy, giving them aid in meeting problems of relief procedures, and helping them prepare material for relief hearings. CIO members are fully aware of the aid the administration has given them.

Sabotage

There seems to be no question that powerful forces in industry are seeking to prolong unemployment to defeat either the

New Deal or CIO or unemployment compensation or all of them.

"Normal men in industrial circles who used to talk frankly about anything now froth at the mouth -- It's even invaded our homes. We have had to ask our guests not to discuss national politics -- One of my friends went to Ireland for six months. He said he had plenty of time to read the American papers. He even found propaganda in the recipes, remarks about the shortage of foodstuffs or insinuations about high prices."

It is still possible, however, that forces outside of industry may defeat any conscious or unconscious sabotage. Commentators ignore entirely the possible effects of European arms purchases, the American naval program, or the bottom put under deflation by other government spending. They ignore also the fact that Henry Ford may quite suddenly decide to go into volume production. It would not take the others long to follow.

Violence

There are no outward signs of violence today. Under the surface the materials for violence are there, inert, under terrific pressure, safe unless a match sets them off.

In the matter of relief Michigan is in far better shape than Ohio or Illinois because three governors, two Democrats and one Republican, have refused to put politics into relief. If violence comes, the eruption in Michigan will be far worse than in any other State.

FEDERAL SURPLUS COMMODITIES CORPORATION

1901 D STREET NW.

WASHINGTON

J. G. BLAND, SECRETARY

May 24, 1938.

MEMORANDUM TO MR. J. W. TAPP
President.

Attached is the schedule of distribution rates for commodities now available in Cleveland, Chicago and Detroit.

In checking these recommended quantities with actual disbursements to relief families, it is reported by the State Directors of Distribution for Illinois, Michigan and Ohio that these quantities are actually being given to approximately 90% of the families receiving commodities.

Some families however are receiving larger quantities of foodstuffs on the recommendation of case workers because of the existence of special need. Likewise in certain instances some families are receiving less than the suggested quantities on the recommendation of case workers.

Reports from the field indicate that the rates indicated are generally as large as can reasonably be cared for by recipient families in view of limited storage space and inadequate facilities to transport larger quantities of available foodstuffs to their homes.

The quantities of each food being distributed do not meet the full requirements of a food budget for an adequate diet at minimum cost. The complete lack of other resources of many recipient families however indicates that any real increase in the present distribution rates of the foodstuffs now available will greatly increase the likelihood that a portion of the commodities will be traded for other goods and services to provide in part other essential requirements of the families' budget, provision for which is now lacking.

It is recommended therefore that consideration be given to increasing the type and kinds of foodstuffs available for these families rather than attempting to distribute to them larger supplies of the commodities now available.

James E. Brickett
James E. Brickett,
Distribution Officer.

SCHEDULE OF QUANTITIES OF COMMODITIES
ISSUED TO VARIOUS SIZE
FAMILIES DURING ONE MONTH

NAME OF COMMODITY	UNIT	RECIPIENT FAMILIES				
		1 Person	2 Persons	3 or 4 Persons	5 or 6 Persons	7 & over Persons.
Apples (Fresh)	lbs.	12	24	36	48	72
Beans (Dried)	lbs.	1	2	3	5	7
Butter	lbs.	2	4	6	8	10
Cabbage	lbs.	5	10	15	20	25
Celery	lbs.	5	10	15	20	25
Flour (Potato)	lbs.	1	2	3	4	5
Flour (Wheat)	lbs.	12 $\frac{1}{2}$	12 $\frac{1}{2}$	24 $\frac{1}{2}$	36 $\frac{3}{4}$	48
Grapefruit (Fresh)	lbs.	10	15	20	30	40
Milk (Dry Skim)	lbs.	2	4	6	8	10
Oranges	lbs.	10	15	20	30	40
Peas (Canned)	cans	2	4	8	12	16
Potatoes (White)	lbs.	10	20	30	40	50
Prunes	lbs.	1	2	3	4	5
Rice	lbs.	1	2	4	6	8

9-1-38
6/15/38

THE WHITE HOUSE
WASHINGTON

DSE
H.M.J.

MEMORANDUM FOR MISS GRACE TULLY:

As the President has asked to have
this returned, I expect he wants it for his
private files, don't you?

Roberta

WORKS PROGRESS ADMINISTRATION

WALKER-JOHNSON BUILDING
1734 NEW YORK AVENUE NW.
WASHINGTON, D. C.

HARRY L. HOPKINS
ADMINISTRATOR

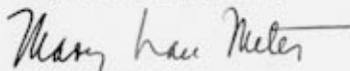
June 14, 1938

Mr. Marvin McIntyre
The White House
Washington, D. C.

Dear Mr. McIntyre:

Mr. Hopkins has asked me to return the
attached to you.

Very sincerely yours,



Mary Van Meter
Secretary

ENC

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

June 10, 1938.

MEMORANDUM FOR

HON. HARRY L. HOPKINS

TO READ AND RETURN

F. D. R.

THE SECRETARY OF THE TREASURY
WASHINGTON

June 9, 1938

My dear Mr. President:

I am sending you herewith a
copy of the latest report on the
situation in Cleveland.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "A. M. Grant".

The President,
The White House.

Confidential

June 6, 1938

To: The Secretary
From: Miss Lonigan *et al.*

Surplus Commodities in Cleveland.

There has been no increase in the allowance of surplus commodities made to each relief family, since the financial crisis in Cleveland relief. The quota for surplus foods, established by the Department of Agriculture, allots to families only a scheduled amount of each commodity, which is supposed to be extra consumption, above their normal needs.

If only three or four commodities are supplied, out of a possible fifteen, the quota for the three or four remain unchanged. If the normal needs are not supplied by relief grants, rules of the Department of Agriculture absolutely prohibit increasing the quantities allowed per family. Local relief officials virtually never make a change in these quotas, even when no relief orders are issued.

Mr. Rowley, the very able supervisor of commodity distribution, estimates that commodities in Cleveland constitute about 5 percent of the standard budget. Less than this is distributed, if fewer commodities have been purchased by the Corporation. Cleveland food budgets have been twice reduced so that they are now 28 percent below Department of Agriculture standards. Surplus commodities make up less than one-fifth of this loss.

Relief families in Cleveland were getting, in the week

of June first, a double ration of rice and dried beans. Flour was also being issued immediately, although it was not scheduled for release for two or three weeks. Dry skim milk was not being distributed because they had not finished packing it. Canned peas were in storage but had not yet been released for issue by Federal Surplus.

That week the car load of flour arrived on Wednesday. Families who got their supplies early in the week got only butter, rice, and green beans. They had to come in a second time for flour. About 25,000 families in all receive commodities. Furnished room families get them too if they can cook.

After the week is over, there will be practically no surplus commodities in storage in Cleveland. The thirty-day supply was used up long ago. Warehouses are empty. Spring and summer surpluses are exhausted.

COPY
FEDERAL RESERVE BANK
OF NEW YORK

RSE
HM/j

June 24, 1938.

Dear Mr. Secretary:

The largest long-term security flotation during the past week was the public offering of \$60,000,000 Metropolitan Water District of Southern California bonds, which dealers acquired from the Reconstruction Finance Corporation. The bonds are 4s, due 1946-86, were acquired from the Reconstruction Finance Corporation at 107, and were reoffered to yield 2.65 to 3.65 per cent. According to the incomplete reports available, the issue was well received. Other municipal bond awards during the week totaled about \$6,000,000, and corporate issues about \$12,700,000, of which \$10,400,000 was Consolidated Gas, Electric Light and Power Company of Baltimore 3 1/4s of 1968, placed privately, for refunding.

The two offerings to stockholders--\$7,800,000 of Philip Morris and Company convertible preferred stock and \$40,000,000 Commonwealth Edison Company convertible debentures--which have been subject to subscription rights during the last two or three weeks were terminated this week, both quoted at substantial premiums and doubtless

almost entirely taken up by stockholders. The success of these issues, combined with the recent strong advances in the stock and bond markets, will go a long way toward eradicating the remaining ill effects of the last offerings of this kind, the unsuccessful Pure Oil and Bethlehem Steel issues last fall.

In the field of short-term financing, the Federal Home Loan Banks this week sold \$41,500,000 of one-year debentures at a price to yield 0.435 per cent, an issue which was immediately oversubscribed.

Additions have been made to the list of prospective corporate issues in July, so that the expected total is now about \$225,000,000, of which slightly over half will be new capital. The final amount may readily surpass the June total of \$245,000,000.

Yours faithfully,

/s/ Allan Sproul,

Allan Sproul,
First Vice President.

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

PSF: Treasury: Bx 99
Morgenthau, 1938.



OFFICE OF THE CHIEF
SECRET SERVICE DIVISION

TREASURY DEPARTMENT
WASHINGTON, D. C.

*file
personal*

Re Reorganization of Secret Service Division
under the direction of Secretary Morgenthau

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~



TREASURY DEPARTMENT

WASHINGTON, D. C.

OFFICE OF THE CHIEF
SECRET SERVICE DIVISION

July 9, 1938

Memorandum for the Secretary

From the Chief, Secret Service Division.

In compliance with your request there is submitted herewith information relating to the reorganization of field offices of the Secret Service Division since you were appointed Secretary of the Treasury. The following fifteen changes in supervisory positions were made since January 1, 1934, as a result of improper conduct, inefficiency or other causes warranting disciplinary action:

<u>Date</u>	<u>Name</u>	<u>Action Taken and Basis for Action</u>
<u>AGENTS IN CHARGE</u>		
3-1-35	Jervis, Richard L. Washington, D. C.	Relieved in charge White House Detail; salary reduced \$1,000; transferred to Memphis; drinking.
7-1-35	Brown, Bert C. Detroit, Mich.	Removed from the Service; connection with "Famous Brands" Corporation and failure to make proper income tax returns.
8-9-35	Straight, Alan G. New York, N. Y.	Relieved as Agent in Charge; salary reduced from \$4800 to \$3200; transferred to Detroit office; inefficiency in conduct of the office.
8-24-35	McHugh, Edward J. Buffalo, N. Y.	Relieved as Agent in Charge; Buffalo headquarters changed to Syracuse; inattention to duty.
8-31-35	Rebentish, Adolph Dallas, Texas.	Resignation requested; accepted with prejudice; debts; neglect of duty; association with women of objectionable character; false reports.
9-16-35	Ashe, William W. Los Angeles, Cal.	Resignation requested; accepted without prejudice; drinking.

<u>Date</u>	<u>Name</u>	<u>Action Taken and Basis for Action</u>
6-1-36	Smugai, Leo A. St. Louis, Mo.	Relieved as Agent in Charge; inefficiency.
6-15-36	Buck, Harry H. Cincinnati, Ohio.	Resignation requested; accepted without prejudice; drinking; association with questionable women; intimate with criminal.
8-7-36	Boatwright, Grady L. St. Paul, Minn.	Transferred to Salt Lake City; alleged improper investigation of activities of Department of Justice.
1-1-37	Reidy, James H. Hartford, Conn.	Transferred to Birmingham; not competent as Agent in Charge.
1-1-37	Morris, Fred'k W. Newark, N. J.	Transferred to New York City; not fitted for Agent in Charge.
2-15-37	Bratton, Bartholomew Baltimore, Md.	Transferred to Philadelphia; drinking; neglect of duty.
12-2-37	Harper, William G. Cleveland, Ohio.	November 26, 1937, was notified services discontinued December 1, 1937, with prejudice. December 1, 1937, recommendation made that resignation be accepted without prejudice, which was approved; connection with "Famous Brands" and disregard of Secretary's instructions.
7-1-38	Kett, John A. Buffalo, N. Y.	Transferred to New York City; incompetent as Agent in Charge.

SUPERVISING AGENTS

7-1-38 Houghton, William H. Relieved as Supervising Agent; incompetent to manage large district.

In 1937 the administration of the field work of the Secret Service Division was greatly improved through your action in establishing fifteen Treasury Department enforcement districts of from one to four states under the control of supervising agents. Formerly the work of the Secret Service Division was conducted through thirty-six independent offices directed by

agents in charge located at various points throughout the country, and the change to fifteen districts was made because the efficiency of the thirty-six offices and the degree of cooperation existing between them were not satisfactory. In addition to the fifteen district headquarters offices we have established sixteen branch offices in cities which in the past had no local representative of the Secret Service, and we now have forty-two branch offices directed by fifteen supervising agents. Valuable assistance in connection with the reorganization of field offices was rendered by Mr. Harold N. Graves, the former Coordinator of the Treasury Department Law-Enforcement Activities. The coordination of the Treasury Department agencies has been continued by the present Coordinator, Mr. Elmer L. Ireby, with very satisfactory results, and close contact is now established between the Secret Service Division and other enforcement agencies of the Treasury Department.

As a part of your reorganization program the official designation of field representatives has been changed from Operatives to Agents. All agents of the Service were given for the first time a thorough course of training in the production of genuine money at the Bureau of Engraving And Printing and at the Philadelphia Mint. They were also given an intensive course in law-enforcement and criminal law for a period of two weeks under the instruction of experienced agents of the Treasury Department Training Section. For the first time in thirty years a conference of all field Supervisory Agents was held in Washington in June of 1938.

The agents have been trained in the use of firearms by experts of the U. S. Coast Guard. During the period since January 1, 1934, there

has not been a case in which embarrassment has been caused the Treasury Department on account of the injury or death of bystanders or of suspects or defendants through the careless or unjustifiable use of firearms at the time raids or arrests were being made.

On July 1, 1937, the supervision of 210 uniformed guards protecting the immense values at the Treasury Building and the Bureau of Engraving And Printing was assigned to the Chief of the Secret Service. The efficiency and appearance of this organization has shown a marked improvement. When the Secret Service took over this function, 46 men, or 22% of the force, were officially qualified by the Coast Guard in the use of firearms, and at the present time 167 men, or 83-1/3% of the force, are so qualified.

Through the reorganization an important change in the policy of the Division was made possible in connection with the notification of and education of the public in reference to dangerous counterfeit notes in circulation throughout the country, and warning notices are now extensively used. Heretofore, an extremely limited number of crude warning notices were issued by the field offices, and slight effort was made by supervisory agents to instruct the public. Present procedure requires agents to instruct merchants and bankers in groups, and an intensive educational campaign has been conducted. It is felt that at the present time merchants and bank employees are counterfeit conscious to a greater degree than ever before, and that losses of retailers through the acceptance of counterfeits are likely to be materially reduced. During the last three months agents carrying out this new policy called at 104,194 retail stores in New York City and vicinity, displaying to the merchants

specimens of counterfeit notes and leaving an illustrated circular describing methods to detect counterfeit notes. The agents also conducted neighborhood meetings at which 20,743 merchants and bank representatives in New York City were instructed on how to detect counterfeit notes and the proper action to promptly take to aid the Government in apprehending the professional passers. During this period approximately 560,000 warning notices describing the principal counterfeit notes in circulation at that time in New York City and vicinity were distributed through the cooperation of banks, through personal calls by the agents, and through our mailing lists. Many letters commenting favorably on the action of the Department in educating the public have been received. It is planned to continue the efforts of the Secret Service along this line in order to aid merchants in better protecting themselves against counterfeit notes which may appear in the future.

Below is a statement reflecting a favorable trend in the amount of counterfeit notes in circulation which were surrendered by banks and other sources during the fiscal years 1934 to 1938, inclusive, and it will be noted that the losses incurred by the public have been materially reduced.

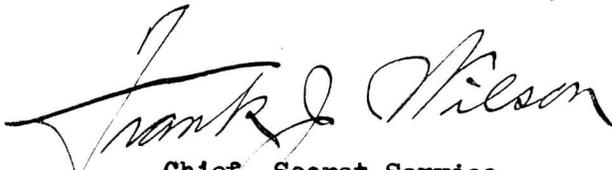
	<u>Notes Not in Evidence</u>	<u>Coins Not in Evidence</u>
1934	\$ 743,046.43	\$71,521.78
1935	1,037,784.75	69,745.63
1936	736,223.23	67,535.37
1937	519,366.86	67,510.21
1938	378,682.10	50,219.91

In addition to the action taken in connection with the fifteen Agents in Charge it was also necessary to take action in reference to thirty-six employees, and a list is attached reflecting the facts in these cases. During the period covered it was necessary to separate

from the Service, for cause, thirty-three employees, and eighteen were demoted or transferred. The removal of the supervisory agents and field agents who were not functioning to advantage, the selection of new supervising agents who are capable, the establishment of fifteen Treasury Department enforcement districts to conduct the field work, and other changes directed by you have accomplished satisfactory results.

The very active and personal interest evidenced by you in directing these constructive changes in connection with the reorganization of the Secret Service Division, and the wholehearted cooperation extended by you, the Administrative Assistant to the Secretary, and the Coordinator of Treasury Department Enforcement Activities in reference to the reorganization and all other matters concerning this Division, made it possible for the present personnel of the Division to carry out your program without difficulty, and also made our work at all times very pleasant.

Many of the agents of this Service have strongly expressed their satisfaction over the many constructive plans that have been inaugurated and accomplished by you in the Secret Service Division since you became our Secretary, and I am sure that their expressions reflected the sentiment of the entire organization. For the personnel of this Division I desire to take this opportunity to express our sincere appreciation for your earnest efforts and for the consideration which you and your staff have shown to us.


Chief, Secret Service

AGENTS

<u>Date</u>	<u>Name</u>	<u>Action Taken and Basis for Action</u>
1-31-34	Bell, John B New York, N. Y.	Resignation requested; accepted without prejudice; misconduct.
2-15-34	Connolly, Bernard J. New York, N. Y.	Discontinued with prejudice and later resignation accepted; various charges of misconduct.
2-19-34	Russell, Roswell J. St. Louis, Mo.	Resignation requested; accepted without prejudice; incompetent.
1-5-35	Towslee, Alfred C. Washington, D. C.	Transferred from White House to Louisville; use of intoxicating liquor.
2-21-35	Drescher, Geo. C. Washington, D. C.	Transferred from White House to Washington District Office; use of intoxicating liquor.
11-20-35	Flynn, Joseph, A.P. Syracuse, N. Y.	Resignation requested; accepted with prejudice; debts.
3-31-36	Penny, Joseph M. Dallas, Texas.	Resignation requested; accepted without prejudice; debts.
3-31-36	Sloan, Henry J. Los Angeles, Cal.	Resignation requested; accepted without prejudice; misconduct.
6-11-36	Goodyear, Wm. P. Detroit, Mich.	Resignation requested; accepted without prejudice; incompetent.
6-30-36	O'Halloran, Wm. F. New York, N. Y.	Discontinued at expiration of appointment; incompetent.
6-30-36	Shelhorse, James B. New York, N. Y.	Resignation requested; accepted without prejudice; various charges.
7-30-36	Tebbutt, Cecil C. San Francisco, Cal.	Resignation requested; accepted without prejudice; drinking.
9-17-36	Brought, Ira I. Washington, D. C.	Transferred from White House to Detroit; asleep on post.
9-30-36	Mounday, LeRoy C. Albuquerque, N. M.	Resignation requested; accepted without prejudice; drinking and misconduct.
10-2-36	Wittschen, Otto H. Cincinnati, Ohio	Resignation requested; accepted with prejudice; misconduct; use of liquor and drugs.
10-15-36	Schaefer, Cleveland Cincinnati, Ohio	Removed from the Service with prejudice; drinking and association with questionable women.
12-31-36	Moffett, Preston C. Buffalo, N. Y.	Resignation requested; accepted without prejudice; failure to cooperate with other officers.

AGENTS (continued)

<u>Date</u>	<u>Name</u>	<u>Action Taken and Basis for Action</u>
1-4-37	Droney, Robert F. Washington, D. C.	Transferred from Special Detail to Washington District Office; embroilment with police officer while on duty.
2-13-37	Perry, Roy G. New Orleans, La.	Resignation requested; accepted without prejudice; drinking; debts; and improper conduct while on White House Detail.
2-28-37	Booth, Frank M. Baltimore, Md.	Discontinued without prejudice; debts; worthless checks.
3-1-37	Almone, Geo. A. Baltimore, Md.	Transferred to Newark; borrowing money; activities unofficial matters; slovenly appearance.
5-17-37	Hitt, William B. Baltimore, Md.	Resignation requested; accepted without prejudice; incompetent.
7-22-37	Hare, Alex. P. Washington, D. C.	Resignation requested; accepted without prejudice; use of intoxicating liquor.
7-29-37	Cooley, Edward L. Omaha, Neb.	Resignation requested; accepted without prejudice; drinking; improper conduct while on Presidential Detail.
8-21-37	Kilner, George T. Jacksonville, Fla.	Resignation requested; accepted with prejudice; drinking; false reports; failure to appear in court.
11-8-37	Rubano, Peter A. New York, N. Y.	Transferred to Baltimore; careless with contraband.
1-3-38	Mahan, Arthur T. Harrisburg, Pa.	Transferred Harrisburg to Pittsburgh; not fitted to cooperate with others.
3-7-38	Phillips, Stanley B. New York, N. Y.	Transferred New York City to Philadelphia; inefficient.
4-2-38	Leibman, Richard E. New York, N. Y.	Resignation requested; accepted without prejudice; debts; borrowing money and association with criminals.
4-6-38	Brooks, John N. Washington, D. C.	Resignation requested; accepted without prejudice; excessive use of intoxicating liquor.
6-30-38	King, James A. New York, N. Y.	Resignation requested; accepted without prejudice; incompetent; lack of interest.

CLERKS

1-31-34	Campion, Edgar M. Scranton, Pa.	Resignation requested; accepted without prejudice; debts.
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CLERKS (continued)

<u>Date</u>	<u>Name</u>	<u>Action Taken and Basis for Action</u>
2-15-35	Renaud, Edwin E. Seattle, Wash.	Resignation requested; accepted without prejudice; drinking and debts.
1-10-36	Lemke, Paul St. Paul, Minn.	Resignation requested; accepted without prejudice; incompetent.
10-6-37	Cipriano, Philip Los Angeles, Cal.	Resignation requested; accepted without prejudice; incompetent.

CHAUFFEUR

3-15-37	Shaner, Leon E.	Resignation requested; accepted without prejudice; neglect of duty.
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THE SECRETARY OF THE TREASURY
WASHINGTON

July 13, 1938

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My dear Mr. President:

I am sending you herewith, for your information, the following memoranda:

1. Commercial Loans in relation to inventories - prepared by Mr. Haas
2. The Business Situation, week ending July 9, 1938 - prepared by Mr. Haas
3. Reorganization of Secret Service under my supervision - prepared by Chief Wilson

Faithfully,

H. Morganthau Jr.

The President,

En Route.

Enclosures.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 12, 1938.

TO Secretary Morgenthau
FROM Mr. Haas *CH*
Subject: Commercial loans in relation to inventories.

Summary

On June 29 a letter was sent by the Treasury to the presidents of each of the 12 Federal Reserve Banks, asking each to contact a group of representative banks in his district to determine to what extent the reduction in commercial loans since last October was due to the liquidation of inventories.

The replies indicate the difficulty of determining with any degree of accuracy the reasons for reductions in loans in individual cases, but nearly all the banks are in agreement that there has been a liquidation of inventories since last October, and that this has been a factor of greater or less importance in the reduction in commercial loans. Opinions vary as to how much of the reduction has been due to this factor. Two other factors, the liquidation of receivables and the liquidation of finance company loans, are also mentioned by most banks as partly responsible for the decline in commercial loans.

It may be noted that the liquidation of receivables itself reflects a liquidation of inventories, since a common way for a merchant or other buyer to stock up with goods and materials is to buy on credit, liquidating his account when the goods are sold. This fact is recognized by some of the banks; the letter from the Federal Reserve Bank of New York, for example, says that the reduction in accounts receivable "may in fact represent a decrease in inventories in some other stage of the manufacturing and merchandising process."

A summary of the individual comments by Federal Reserve districts is given herewith.

Boston: "It has long been recognized that there was a general conformity between the movements of inventories and of commercial bank loans." While certain questions were raised by the banks interviewed, "in the main the banks conceded that there was a general correspondence between the decline in loans and the decline in inventories. . . . Whatever the qualifications, it seems reasonably certain from the experience of 1921 and 1938 that commercial bank loans and inventories follow in a general way the same trends -- both downwards and upwards -- whether or not with a lag in inventories may be a debatable question."

New York: "Inventory liquidation, of course, has been one of the major factors causing reductions in the commercial loans of the New York City banks, but lack of data makes it hazardous for the banks to give anything but the roughest sort of guess of its exact influence."

Another principal factor has been a reduction in accounts receivable. "This reduction in accounts receivable may in fact represent a decrease in inventories in some other stage of the manufacturing and merchandising process."

"In addition . . . most of the New York City banks interviewed reported that a substantial part of the reduction in commercial loans has been due to a reduction in borrowings by finance companies."

Philadelphia: "In most instances it does not appear that the reduction of inventories has been a factor of any unusual significance, although some cases of declining loans can be traced directly to inventory liquidation." Other factors cited are (a) Greatly reduced volume of business; (b) lower level of prices; (c) reduction of receivables; (d) substantial liquidation of finance company paper; (e) general apprehension of future developments.

Cleveland: "We wrote to fourteen representative banks for an expression of opinion. . . . In the main the opinions voiced by these banks substantiate the statement that the reduction in commercial loans reflects a liquidation of inventories."

Richmond: A summary of replies from 14 banks whose loans had been reduced since last October shows that 11 consider inventory liquidation to have been a factor in the reduction, although estimates of its importance vary.

Atlanta: "I think it is undoubtedly true that commercial loans have been reduced to a material extent by reason of the liquidation of inventories." One banker reported that inventories of his borrowing customers had declined by 20 percent, and loans by 17 percent. One banker estimated that liquidation of inventories accounted for 60 percent of reduction in commercial loans; two other bankers in the same city estimated 33 1/3 percent and 25 percent, respectively. Another banker estimated that 75 percent of the decline in loans of his bank was due to this cause, while still another attributed practically the entire reduction to liquidation of inventories.

Chicago: "We estimate that possibly 40 to 60 percent of the decline in borrowings from banks has been due to inventory liquidation, and that the balance of the decrease has been effected through a reduction in receivables, plus about 5 percent obtained from new capital issues."

St. Louis: "In virtually all instances, officials of the banks were of the opinion that there has been a substantial decrease in inventories of all descriptions during the past seven months. ... The declines in commercial loans of the banks contacted were for the most part commensurate with the smaller inventories carried by the mercantile and industrial customers."

Minneapolis: "The summary indicates that the decline in commercial loans in this district was largely the result of liquidation of inventories of grain, milling and fuel concerns and that decreases in advances to finance companies were of only slightly less importance. There was also a material reduction in the amount of commercial loans resulting from the liquidation of accounts and notes receivable outstanding on merchants and manufacturers' books last October."

Kansas City: "Inquiry of approximately a dozen large banks in the Tenth District seems to establish quite definitely that the liquidation of inventories since last October has been accompanied by a reduction in bank loans. ... Even where loans have not declined, or where a decline has been the result of factors other than inventory changes, banks report that specific loans made to carry stocks of goods have been reduced or eliminated as inventories were liquidated."

Secretary Morgenthau - 4

Dallas: "Most of the banks interviewed reported that there had been some decline in commercial loans which in all probability represented in part the liquidation of business inventories; however, it should be borne in mind that the accumulation of inventories in this district during the fall of 1936 and the early part of 1937 did not take place to the extent that it did in some other parts of the country We feel, therefore, that the liquidation of business inventories, other than of a seasonal nature, has had relatively little effect upon the trend of commercial, industrial and agricultural loans at reporting banks in this district."

San Francisco: "A majority of the banks state that a considerable part of the decrease in loans -- perhaps around 50 percent -- reflects liquidation of stocks."



THE SECRETARY OF THE TREASURY
WASHINGTON

PSF: Morgenthau

September 1, 1938

THE WHITE HOUSE

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My dear Mr. President:

Pursuant to your recent conversation with Mr. Magill, I am reporting to you on the progress which the Treasury Department has made in preparation for legislation to carry out the proposals in your message to Congress of April 25, 1938, for termination of intergovernmental tax exemptions.

The following material for this purpose is now ready:

1. A draft of legislation which is brief and simple in concept and consists of the following provisions:

- a. An amendment to the general definition of gross income in the Revenue Act to provide expressly that income received from the United States, the District of Columbia, the States, Territories and their political subdivisions, is to be taxable. This will be the basis for taxation of salaries of State and local officers and employees.
- b. Additions to the provisions of the Revenue Act relating to tax-free interest: (1) to make it clear that interest on all bonds issued after the date of enactment shall be fully taxable; and (2) to limit the operation of the existing exemption provisions with respect to interest on bonds of the United States, the District of Columbia, the States, Territories and their political subdivisions, to bonds issued before the date of enactment of the new legislation.

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- c. A consent permitting the States (including their political subdivisions) to tax income received as compensation for services rendered as an officer or employee of the United States, and income received as interest on obligations of the United States and its instrumentalities.
- d. A separability clause which, in addition to the usual language, provides that the consent for the States to tax salaries paid by the United States shall not operate if any of the provisions for Federal taxation of State or local salaries are held unconstitutional. The clause also provides that the consent for the States to tax interest on obligations of the United States shall not operate if any of the provisions for taxation of interest on State or local bonds are held unconstitutional.

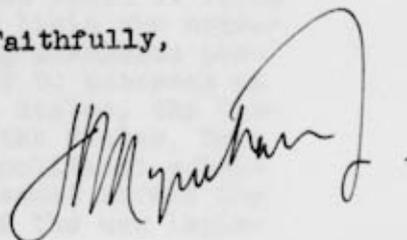
2. An extensive memorandum setting forth the economic effects of the existing tax exemptions, the reasons for their elimination, and the probable effects of the proposed legislation upon Federal and State fiscal affairs.

3. Schedules and other statistical data pertinent to the ownership and amount of outstanding State, municipal and Federal bonds.

4. A collection of all the material which has been written on the subject of tax exemptions in periodicals, books, etc.

All of the foregoing material is now ready for use; and additional supporting data is in process of preparation. We shall be glad to discuss any of it with you at your convenience.

Faithfully,



The President,

The White House.

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THE SECRETARY OF THE TREASURY
WASHINGTON

*ASF
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Treas*

September 8, 1938

My dear Mr. President:

Last week, when we saw you, you asked whether it was possible, in case of trouble abroad, for you to intern vessels of the belligerents.

Mr. Cliphant has furnished me with the inclosed statement, which I think covers completely what you had in mind.

Yours sincerely,

J. M. Maguire Jr.

The President,
Hyde Park, New York.

~~CONFIDENTIAL~~

Title 50, sec. 191, U. S. C.

"Whenever the President by proclamation or Executive order declares a national emergency to exist by reason of actual or threatened war, insurrection, or invasion, or disturbance or threatened disturbance of the international relations of the United States, the Secretary of the Treasury may make, subject to the approval of the President, rules and regulations governing the anchorage and movement of any vessel, foreign or domestic, in the territorial waters of the United States, may inspect such vessel at any time, place guards thereon, and, if necessary in his opinion in order to secure such vessels from damage or injury, or to prevent damage or injury to any harbor or waters of the United States, or to secure the observance of the rights and obligations of the United States, may take, by and with the consent of the President, for such purposes, full possession and control of such vessel and remove therefrom the officers and crew thereof and all other persons not specially authorized by him to go or remain on board thereof.

"Within the territory and waters of the Canal Zone the Governor of the Panama Canal, with the approval of the President, shall exercise all the powers conferred by this section on the Secretary of the Treasury.

(June 15, 1917, c. 30, Title II, sec. 1, 40 Stat. 220.)"

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+ confidential*

THE SECRETARY OF THE TREASURY
WASHINGTON

September 30, 1938

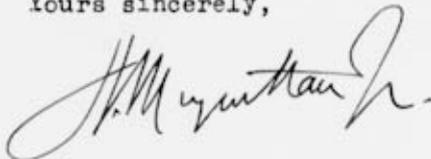
My dear Mr. President:

I am sending you herewith a confidential memorandum of a digest of the most recent report on the Anglo-California Bank.

Needless to say, I am terrifically disturbed at the condition of the Bank as shown by this report.

We are proceeding as rapidly as possible in order to protect the depositors.

Yours sincerely,



The President,
The White House.

~~CONFIDENTIAL~~

ANGLO CALIFORNIA NATIONAL BANK,
SAN FRANCISCO, CALIFORNIA.

The following items of criticism were referred to in the letter which is being prepared for the Board of Directors of this bank:

(1) CLASSIFIED ASSETS:

Approximately \$47,000,000.00 of total resources are under criticism, which is approximately three and one-half times the amount of the sound capital structure.

(2) LOANS AND DISCOUNTS:

Approximately 35% of the total loans is classified slow; 6% doubtful, and .69% loss, making a total of approximately 41% subject to adverse classification.

Loans to affiliates, officers, directors and their corporations are shown as follows: Slow \$16,825,508.80; doubtful \$3,728,430.27; loss \$392,539.30. Losses aggregating \$5,576,235.62 have previously been charged off on these lines.

(3) LARGE LINES:

The examiner has set up twenty large and wholly unwarranted lines of credit aggregating \$40,131,833.68. \$10,016,402.49 has previously been charged off on these lines.

(4) BORROWINGS OF DIRECTORS AND THEIR CORPORATIONS:

These borrowings aggregate \$16,018,518.50, of which \$377,951.49 have been previously charged off, leaving a total of \$15,640,567.01 in the

active assets. These borrowings are of long standing and the lack of progress made in improving and reducing this large concentration is disappointing.

(5) EXCESSIVE LOANS:

Included in this schedule are: the Dollar Steamship Line, Incorporated, Limited, in the amount of \$2,800,021.56, and the Herbert Fleishhacker line aggregating \$3,473,442.26. Both of these lines are of long duration and the Board was advised that immediate and decisive steps should be taken toward the elimination of these fixed violations.

(6) LOANS TO BANK'S AFFILIATES:

These loans on the date of the examination aggregated \$15,874,436.01. As a result of unwarranted extensions of credit to the affiliates the bank has suffered a present total loss of \$5,331,784.13 without taking into consideration the income loss suffered by virtue of the compromised interest rates on the affiliate loans which averages less than 1%. This loss represents approximately 30% of the bank's capital.

(7) BANK'S OWN STOCK HELD AS INVESTMENTS BY ITS OWN AFFILIATES, HELD AS COLLATERAL TO LOANS AND ILLEGALLY OWNED BY THE BANK:

Of the 520,000 shares of outstanding common capital stock, 195,965 shares are held as investments by the bank's own affiliates, carried on their books at \$9,748,836.73 and having a market value of \$3,723,335.00, or a loss of \$6,025,501.73; 30,618 shares are owned by a director's corporation heavily indebted to the bank; 5040 shares are

pledged by others as collateral to loans, and 1,414 shares are illegally owned by the bank and are being carried in the investment account beyond the limitations fixed by law. The total of the foregoing is 233,037 shares, or approximately 45% of the entire common stock issues. The market for this stock has fluctuated from \$8.00 to \$33.00 a share, and is now quoted at \$15.00 with no trading activity.

(8) STOCK OF THE AFFILIATED ANGLO NATIONAL CORPORATION HELD AS INVESTMENTS BY OTHER AFFILIATES, OWNED DIRECTLY BY THE BANK AND HELD AS COLLATERAL TO OTHER LOANS:

Of the 204,132 shares of outstanding Class "A" capital stock, 41,028 shares are held as investments by bank's own affiliates, carried on their books at \$1,566,933.30 and having a market value of \$675,539.00 or a loss of \$891,394.30; 25,891 shares are owned outright by the bank at a book value of \$518,522.00 and having a market value of \$414,256.00 or a loss of \$104,266.00; and 9,968 shares are held as collateral to loans of others.

The total of the foregoing is 76,887 shares or 37.66% of the entire Class "A" stock outstanding, in addition to 100,000 shares of Class "B" stock outstanding owned by the affiliated Consolidated Securities Company and pledged to secure its indebtedness to the bank. It is carried on the books of the affiliate at \$901,135.66 and is classified therein as having no value, which is not included in the above mentioned losses.

As of the date of the examination, the various affiliates of the bank have suffered a loss of \$7,021,162.03 on their holdings of bank stock and the Class "A" stock of the Anglo National Corporation, the major

portion of which has been charged off against the undivided profits account of the bank by losses taken on the indebtedness of the affiliates to the bank.

(9) REAL ESTATE LOANS INCLUDING
ILLEGAL AND NON-CONFORMING LOANS:

Of the total loans \$21,155,473.00 or 20.76% is secured by liens on real estate in various forms. Of this amount 30.56% has been taken for debts previously contracted; 31.57% is illegal; .27% is non-conforming; .98% is collateralized by real estate mortgages of others; 35.14% is conforming, and 1.48% is insured under Title II of the National Housing Act.

With approximately one-third of the total real estate loans, both in number and dollar amount, still subject to criticism following the liberalization, by recent amendment of the laws governing same, and the era of generous financing by Federal Loan Agencies, it is imperative that this department be given closer attention and supervision by the management with the end in view of inaugurating a more aggressive correction and collection policy on classified and non-conforming loans while conditions remain favorable in order that they may be reduced to a minimum.

During the examination the personnel of this department was completely reorganized and systematized, and the management reports that outstanding progress is being made in both the collection of criticized loans and restoration of non-conforming loans to a conforming basis.

(10) OTHER REAL ESTATE PROBLEM OF THE
AFFILIATED PROGRESS MORTGAGE COMPANY:

All of the "Other Real Estate" of the bank has been sold to the affiliated Progress Mortgage Company without any down payment, and no future payments have been provided for other than application of the proceeds as parcels are sold. Of its total assets, \$6,082,712.81 is represented by actual real estate owned, and an additional \$683,188.10 is represented by real estate loans which, for practical purposes, are other real estate owned. A definite and acceptable program of liquidation must be consented to or the other real estate must be transferred to that account on the books of the bank, since the present method of handling the same cannot be construed as a bona fide sale.

(11) BOND ACCOUNT IN GENERAL:

It appears that there has been an underlying tendency toward speculation for profit rather than investment for safety throughout the entire history of the bank. This statement is substantiated by the \$9,418,524.00 of substandard investments still present in the investment account and the remaining assets of the affiliates.

(12) BONDS AND STOCKS UNLAWFULLY ACQUIRED:

There have been 21 blocks of stocks and bonds having a book value of \$3,813,467.54 which have been illegally acquired. Of this amount \$1,983,167.00 is represented by 15 large blocks of stock among which are included 1,414 shares of the bank's own stock and 24,688 shares of Class "A" common stock of the affiliated Anglo National Corporation

carried at a combined book value of \$554,561.00. Stocks of corporations in which directors are interested are carried at \$243,622.00, of which \$135,186.00 is classified as slow and \$108,036.00 as loss.

(13) BONDS OF DEBATABLE LEGALITY:

There are 32 issues of bonds having a par value of \$4,167,500.00, a book value of \$3,816,727.86, and a market value of \$3,559,821.36, revealing a loss of \$256,906.50. The past and present practice of dealing in low grade securities should be discontinued and the tremendous loss taken in the past is again referred to in support of this criticism. Immediate steps should be taken toward the early liquidation of all investments of this nature.

(14) ILLEGAL DIVIDENDS PAID:

A chronic criticism and the attention of the directors is again called to the provision of Section 5204, U.S.R.S., in connection with the declaration and payment of illegal dividends. The combined profit accounts available for this purpose aggregated \$2,988,473.41 while statutory bad debts alone aggregated \$7,300,806.83.

(15) IMPROPER AND ILLEGAL CHARGES AGAINST BANK'S EXPENSE ACCOUNT:

For record purposes and specially for the information of the directors, a complete itemization of all charges to the expense account of the bank is insisted upon which should again be submitted to the directors for a specific approval to be recorded in the minutes.

(16) WESTERN AMERICAN REALTY CORPORATION:

It appears that at the time of the stock market crash an endeavor was made by President Herbert Fleishhacker to support the market for this bank's stock. In order to provide funds for this purpose, there were placed in the assets of the Western American Realty Corporation, whose indebtedness to the bank was increased a like amount, two notes of bank employees having no financial responsibility as follows: Harry Coe \$150,000.00 secured by 3200 shares of this bank's stock, and a note of E. Alexander for \$150,000.00 secured by 3200 shares of this bank's stock. On September 24, 1935 the obligation of the Western American Realty Corporation to the bank was reduced \$300,000.00 by transferring the Coe and Alexander notes totaling \$300,000.00 to the Progress Mortgage Company, the obligation of which company was increased a similar amount. These notes were later cancelled and the 6,400 shares of the bank's own stock were placed in the bond account at \$300,000.00 when its market value was less than one-half the amount. On December 31, 1936 the Progress Mortgage Company resold this block of stock to the affiliated Anglo National Corporation at market and suffered a loss of \$146,515.20 on the transaction, which loss was included in the \$1,000,000.00 charge off on the line of the Progress Mortgage Company on December 28, 1936.

(17) UNDERCAPITALIZATION:

The present ratio of net capital structure to deposit liabilities is \$1.00 to \$14.75. According to the report the sound capital structure is approximately \$6,500,000.00 below requirements, but from the fact that approximately \$39,000,000.00 of assets are classified "Slow", it is believed that at least \$5,000,000.00 additional should be provided as a protection against possible losses in this classification.

(18) BORROWINGS OF EXECUTIVE OFFICERS FROM OTHER BANKS:

A report of these borrowings should be made to the Board of Directors and record of the receipt of same noted in the minutes.

(19) REPORTS OF EXAMINATION:

Apparently reports of examination have not been submitted to the directors for consideration at a regular meeting as required, nor mention made in the minutes of their receipt. The management has been repeatedly instructed and advised of the personal responsibility it is assuming by refusal to comply with this requirement.

(20) OFFICE LETTERS:

Important letters from the Comptroller to the Board of Directors relative to the condition of the bank based upon reports of examination are still not being considered by the Board nor being noted in the minutes as required. Prompt steps should be taken to correct this criticism in order that it may be unnecessary for the examiner to refer to it in subsequent reports.

(21) EXAMINING COMMITTEE:

The examiner states that reports of this committee are both brief and meaningless, consisting primarily of the verification of assets with the assistance of the Auditing Department. An appraisal should be made of the loans and discounts which is of utmost importance since so large an aggregate is subject to adverse criticism. The directors should keep themselves fully advised of all conditions in connection with each individual asset now under criticism.

(22) LOANS TO DIRECTORS AND THEIR CORPORATIONS
TOGETHER WITH INTEREST RATES THEREON:

Apparently these loans are not being specially approved by the Board of Directors as required. Inasmuch as this type of asset comprises so large a portion of the total volume criticised, the major portion of which carry compromised interest rates, both the loans and the compromised interest rates should be specially approved by the Board and such action noted upon the minutes.

(23) BOARD OF DIRECTORS AND SUPERVISION:

It is noted that three of your directors, two of whom have severely criticised loans in the bank, seldom attend the meetings of the Board. If these directors are unable or unwilling to assume their duties and responsibilities as directors, they should be replaced by those who will.

(24) LIABILITIES NOT SHOWN ON THE BOOKS:

Since the previous examination the heirs of the Lazard Estate obtained a judgment in the approximate amount of \$750,000.00 including principal, accrued interest and costs against President Herbert Fleishhacker and the bank on the grounds of fraud. In addition to the litigation just referred to the Lazard heirs brought a second action against President Herbert Fleishhacker personally in the interest of and in behalf of the stockholders of the bank. The court rendered a decision in favor of the stockholders of the bank in the aggregate amount of \$750,000.00, including principal, accrued interest and costs.

You are requested to consider the report of examination and this letter at a special meeting of the Board called for this specific purpose and to report in detail over the signatures of the attending members, setting out the corrections effected in each of the criticised matters and your plans for the complete elimination of the same. Copies of your reply to this letter should be forwarded to Chief National Bank Examiner William Prentiss, Jr., and National Bank Examiner L.H. Sedlacek, 155 Montgomery Street, Room 1103, San Francisco, California.

*File
Private
& confidential*
*From Wm J
Out 1938*
*PSF: Morgenthau
Treas
October
1938*

PROPOSAL THAT THE FRENCH GOVERNMENT ESTABLISH IN CANADA AIRPLANE PLANTS CAPABLE OF CONSTRUCTING SEVERAL THOUSAND PLANES A YEAR.

Conclusion.

The plan has some advantages but these appear at first examination to be much outweighed by the disadvantages:

A. The possible advantages of the plan are as follows:

1. The French Government would have an important source of supply located three thousand miles away from Germany and Italy.
2. France might be able to increase her supply of planes more rapidly by utilizing trained skilled labor of United States and Canada. Were France dependent on the output of foreign owned plants she might not be able to get as many as she would wish, and/or the cost might be higher. Were she to depend on the United States for supplies, those supplies might be stopped in time of war by the application of our "Neutrality Act".
3. It is possible that France might be able to obtain through borrowing abroad a portion of the foreign exchange necessary to construct the plants.

B. The value to France of these advantages is quite uncertain:

1. Inaccessibility of the plant to foreign bombing planes would be an advantage only in war time. But that is the very time when speed, ease, and certainty of delivery of planes becomes important. For France to depend on a source of supply in a foreign country three thousand miles away for so large a proportion of a vital war need would seem to be unwise from a military point of view.
 - (a) Ocean transportation of three thousand miles in war time has its hazards; submarines, mines, air attacks, sabotage, spy activities, etc.
 - (b) Planes manufactured in Canada would be subject to assumption of control by the Canadian (or British) government. France would be giving another important hostage to Britain. Canada might decide, in the event of war, that she prefers not to have within her borders an area which might attract

the enemy's bombing planes. Wishing to remain "neutral" Canada might place an embargo on the export of planes to France. Or in the event of a world war she might decide she needs all the airplane plant capacity available to turn out planes needed for her own protection.

All possibilities considered it would seem that despite her proximity to Germany and Italy, France would have a more dependable supply of planes in war time were they produced at home.

2. Plants with an output of the magnitude proposed would require a large number of trained workers. Where would they come from? The United States itself will absorb all available skilled workers for a long time to come if it embarks on a large program of its own. In fact, there is probably a scarcity of that type of labor now. Large plants built in Canada would greatly accentuate the scarcity, drive up wages still further and complicate own own plane program. Bottle necks of all kinds would develop which would serve only to accentuate price maladjustments here.

France would do better, it would seem, to train her own personnel and develop a large scale organization at home.

It is possible that France feels she cannot develop a large scale equipment at home quickly enough, and is afraid to contract for future purchases in the United States both because of the Neutrality Act, and because of the possible interference with production schedule and models by Army and Navy authorities.

This possible interference with a supply from the United States constitutes the chief advantage for attempting to establish factories in Canada as against dependence upon the United States plants. Were the sole alternatives open to France either United States or Canadian sources of supply, the latter might be a little more certain so long as the Neutrality Act remains in force. The importance of that disadvantage is somewhat reduced by the probability that the Act will be modified, or that it would not be permitted to interfere with shipments to France were France to be attacked.

3. France may be able to finance construction of the plants through flotation of foreign loans. Whether Americans could participate directly in such a loan without violating the Johnson Act is not certain, but even if it be assumed that the foreign capital for setting up the plants would be forthcoming from Americans and/or Frenchmen, the chief cost of foreign exchange would remain. The planes produced would have to be paid for

with foreign exchange.

The gold holdings of France are already deemed low, and her balance of payments is already heavily unfavorable. Were France to purchase from abroad several thousand planes a year, the increased pressure on the franc might easily be enough to cause it to depreciate much further.

The suggestion has been made that France would be able to finance the construction with French capital that has already left the country (i.e.-flight capital). This is doubtful and even were it true the advantages accruing therefrom are not important. Frenchmen who now prefer to keep their funds outside of France would probably hesitate to invest in any securities which could in the event of war be very easily identified and taken over by the French Government. In any case, the item of expense that is most important to the French government from the foreign exchange aspect is the purchase of the planes and not the cost of the plants.

C. Other disadvantages of the proposal are:

1. For the French people the venture might involve a heavy loss. The expenditure of several billion francs a year at home (especially when financed largely through borrowing) would mean a substantial increase in employment and business activity. Were, however, that amount spent abroad unemployment at home would not decrease and might even increase. Much depends on how the money was raised and on the repercussions on the franc.
2. For the United States the construction and utilization of such a large airplane factory would have some disadvantages difficult to evaluate.
 - (a) It would compete with any large program that might be undertaken by this government, and would add to wage and price maladjustments in the airplane and allied fields.
 - (b) Large plants in Canada might in the hands of a victorious enemy (or of a Great Britain realigned with Germany or Japan in a desperate attempt to save the Empire) constitute a threat to our safety. Possibly, too, important French plane factories near our border would slightly increase the danger of our becoming involved in a European war.



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*PSF: Morgenthau
Treas*

THE SECRETARY OF THE TREASURY
WASHINGTON

October 17, 1938.

Dear Mr. President:

The events of the past weeks have brought home to all of us the increasing effectiveness of the forces of aggression. Since 1931 we have seen, succeeding each other with briefer and briefer intervals between, the fall of Manchuria and the invasion of China, the conquest of Ethiopia, fomented unrest in Latin America and in the Near East, armed intervention in Spain, the annexation of Austria, and the dismemberment of Czechoslovakia -- All in seven short years.

Nor can we expect aggression to end there. Japan at first wanted only Manchuria; then North China; now she will not be content with less than the whole of China. Italy wanted only Ethiopia; now she wants control of North Africa. Germany wanted only equality in armaments, then the remilitarization of the Rhineland, then Austria, then Czechoslovakia, now colonies. The current claim of an aggressor power is always its last -- until the next one.

So well have the aggressor nations mastered the tactics of aggression that a victory in one part of the world is followed by outbursts of aggression elsewhere. Germany's victory in Czechoslovakia is followed with indecent haste by Polish and Hungarian demands. Japan, watching her opportunity, loses no time in attacking Canton, while in Palestine, Arab discontent is fomented to fever pitch.

We should learn the lesson which the history of the last seven years has to teach us. Let us not repeat the short-sighted mistakes of Britain and France. The impact of the aggressor nations upon American life and American interests has so far, to be sure, been more insidious than overt but it will be too late if we wait until the effects are obvious. Who in France as late as 1930 would have dreamt that in less than a decade that great democratic nation was to become a second-rate power, shorn of influence in central Europe, dependent upon a grudging and demanding ally for security? Who would have expected that Great Britain's might would be challenged in the Mediterranean, that her economic interests would be brushed aside in China, and that the Premier of England would hurry to Hitler to plead that he be not too demanding or impatient, and to plead, moreover in humble tones lest the dictator take umbrage and demand more?

Let us while we can peacefully do so try to check the aggressors. Let us not be placed in the position of having to compound with them. Let it not be necessary for the President of the United States to fly to Tokyo and in humble manner plead with the Mikado that he be content with half the Phillipines rather than wage war for the whole. Such a possibility may seem ridiculous now, but no more ridiculous than Chamberlain's flight to Berlin would have seemed seven years ago.

In March of this year Winston Churchill called upon England to act, saying "If we do not stand up to the dictators now, we shall only prepare the day when we shall have to stand up to them under far more adverse conditions. Two years ago it was safe, three years ago it was easy, and four years ago a mere dispatch might have rectified the position... Now the victors are the vanquished, and those who threw down their arms in the field and sued for an armistice are striding on to world mastery." The basis for the present humiliation of England was laid in 1931, when England failed to join the United States in disapproval of Japanese aggression in Manchuria. The basis of either humiliation or war for the United States is being laid today by a foreign policy that shuts its eyes to aggression and withholds economic support from those who resist.

I know you are firmly convinced as I am firmly convinced that the forces of aggression must be stopped. By whom if not by us? I believe that we are the only country in the world now in a position to initiate effective steps to stop aggression by peaceful means. Once the United States takes the lead in developing an effective program, democratic forces in all countries -- even those now submerged in the aggressor nations -- will take heart. In England and in France groups within the government and without will be stimulated and encouraged to press for parallel action.

To use our great financial strength to help safeguard future peace for the United States, and to make your "Good Neighbor" policy really effective, we should introduce at once a program of peaceful action on two fronts -- in the Far East and in Latin America. In these two areas we can move most effectively and with the least complication.

Two opportunities are now before us:

1. The extension of credit to China. It is yet possible for such aid to be of decisive help. Sanguine as I desire to be, I am forced to the view that without substantial financial aid given promptly the Chinese resistance may soon disintegrate. By risking little more than the cost of one battleship we can give renewed vitality and effectiveness to the Chinese. We can do more than that. By our action we can further the struggle of democracy against aggression everywhere.

I am pleading China's cause with a special urgency because you have on numerous occasions told me to proceed with proposals for assistance to China. All my efforts to secure immediate substantial aid for China have proved of no avail against the adamant foreign policy of doing nothing which could possibly be objected to by an aggressor nation. I need not tell you that I respect the integrity and sincerity of those who hold the belief that a course of inaction is the right one, but the issues at stake go beyond any one of us and do not permit me to remain silent. What greater force for peace could there be than the emergence of a unified China?

2. The extension of credit to Latin American countries.

Our neighbors to the south are sorely in need of capital and commerce to enable them to develop their resources free from foreign intervention. Unless we assist them they will become a helpless field for political and economic exploitation by the aggressor nations. Already some inroads have been made in that direction. Now, after the Munich agreement, we may expect that Germany, Italy and Japan will become bolder and more effective in their attempts to establish areas of economic and political support to the south of us. We can stop that penetration by an intelligent use of a small proportion of our enormous gold and silver holdings.

The measures we may adopt can be developed as the specific occasions requiring assistance may arise. We have several such occasions before us right now: Brazil, Cuba, Mexico, Peru. The details of the assistance can be worked out in conjunction with the representatives of those governments, but it is first necessary that we accept in principle the need for positive action of this kind as a part of our "Good Neighbor" policy.

European events of the last month have made me feel more certain than ever of the wisdom of initiating a positive program of assistance along the lines indicated above. Reports from China convince me that the need for quick action is urgent.

Sincerely,



The President,
Hyde Park, N. Y.

BF
How to file?
Morganthau

file
confidential

Telephone conversation between
Mr. Bolton of Bank of England,
London and Mr. Knoke of Federal
Reserve Bank of New York.

November 14, 1938
10:30 A. M.

Bolton: We are having a rousing time here as usual. We have decided to let the rate fall a little bit. Can't stand up very much longer. One of the reasons is the Jewish program in Germany. There are a great number of people on the Continent and in England who believe that the Government policy towards Germany will fail. There are a great number of persons who believe the coming by-elections will lead to a Government loss. The war fears are beginning to return to Europe. Foreign money is still leaving London and there is a development of large speculative account too. Having lost a very large part of our resources we have decided to try and reserve them a little. Can't afford to lose \$40 to \$50 million every day. Must conserve our resources. We feel that we can't at any rate keep the market as quiet and as orderly as we have in the past. We have shipped about \$150,000,000 gold to you and the fact that sterling is apparently on the down-grade is all very disappointing. We shall do everything we can to prevent the rate depreciating. I wanted to tell you this first before we do anything. Shall hold the rate above 4.70 today. We shall put in support at different levels. We shall send you a full and complete cable tonight.

Knoke: Shall we operate against your order?

Bolton: Yes, please.

FEDERAL RESERVE BANK
of New York

BF

OFFICE CORRESPONDENCE

To: Confidential Files
From: L. W. Knode

Date: Nov. 15, 1938.
Subject: Telephone Conversation with Bk. of Eng.

*file
confidential
Hogentrou*

I called Bolton at 9:50 this morning. Things were still very disappointing, he said. The dollar market had opened at 4.70-1/2; he had sold \$2,000,000 at that figure and another \$2,000,000 at 4.70 and had given £1,000,000 worth of gold at fixing. As the pressure against sterling continued, they had let the rate drop down to 4.69 and sold another \$1,000,000 there which had seemed to help matters. Since then the rate had picked up a little to about 4.70. His total losses for gold and dollars so far had been about \$11,000,000 compared with total losses yesterday of £11,000,000.

It was quite apparent from what he heard on the Continent that it was primarily the Jewish question which today was depressing the sterling rate. Some people were convinced that the British policy of appeasement with Germany had broken down and that as a result thereof a disturbing and anxious political situation was likely to prevail which, of course, would continue to cause the transfer of capital to the United States. If it weren't for these latest developments, Bolton seemed to think that they might have been able to hold sterling between 4.75 and 4.80 but now the expense of holding it there was too much for them to bear. He asked whether I had any indications as to whether Washington was seriously disturbed over this continued weakness of the sterling rate. I replied that I simply didn't know, not having been to Washington in many weeks, but that in my opinion our exporters would very definitely be disturbed and would almost inevitably press for heaven knew what kind of legislative measures if sterling continued to drop. Bolton said that they fully realized all this, but the fund's reserves were getting low and close to the danger level and if they had to use the gold of the Bank of England

the markets would become still more disturbed. He told me very confidentially that they were discussing certain restrictions now but that naturally they didn't want to introduce any measures which would upset the freedom of their markets. The question had been under discussion for many days and they would probably adopt one or two restrictive measures very shortly which they hoped would have no bad effect. They were by now definitely convinced that the reason for the weakness of sterling was of a political nature and that economic reasons at the moment were negligible. They were fully aware, he continued, that if sterling depreciated very much further it would upset the whole present economic structure and whatever they might decide upon now would be done only after the most deliberate consideration. However, as far as they could see now, there was no real hope of sterling becoming stronger until there was a real improvement in the political situation. It was getting more and more difficult for Chamberlain to carry out his present policy with Germany and, worse yet, there was a possibility of a political split in England in case the opposition should continue to be victorious at the polls at the coming by-elections. He was very anxious to discuss the present situation with me, he said, and keep us as fully posted as he could but had so much to do just now that he wasn't entirely free to call me all the time. I should, therefore, not hesitate to call him either at the bank or at home whenever I wanted further information.

As far as the franc was concerned, Bolton thought it was still firm and that Cariguel was still gaining though less than yesterday.

THE WHITE HOUSE
WASHINGTON

PSF
Hmgw

November 19, 1938.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

This is something on which you and I have been giving much thought. I wish you would read it personally but I would rather at this stage that it be not shown to Herman Oliphant or any other people except John Hanes. I do not want it discussed on the outside at all. We can talk it over when I get back.

F. D. R.

Suggested supplement to the budget and budget message which will be presented for the consideration and action by this Congress in re study of a different method of keeping the nation's books.



THE SECRETARY OF THE TREASURY
WASHINGTON

November 22, 1938

*file
confidential
ASF
HMP*

My dear Mr. President:

Inclosed herewith I am sending you the following material which was supplied to me by Mr. K. P. Chen:

1. Memorandum on Yunnan-Berma Road
2. Memorandum on North-western Highway
3. Memorandum on South-western Transportation Routes
4. Map of North-western and South-western Trunk Roads
5. Memorandum on Highway Administration in China
6. Memorandum on Purchases of Equipment and Supplies.

Sincerely yours,

The President,
Warm Springs, Georgia.

WASHINGTON, D.C.

November 18, 1938

Memorandum on Yunnan-Burma Road.

PSF
HMP

The Yunnan-Burma Road connecting Kunming, the Capital of Yunnan, and Lashio, terminus of the Rangoon-Lashio Railway in Burma, is destined to be one of the most important highways linking China to a safe foreign seaport and will play a vital role in her struggle for national independence. In view of recent interruption on the Canton-Hankow Railway immediate utilization of this Road with adequate and efficient transportation service is of paramount importance.

The total length of this Road is 1161 Kilometers or about 720 miles. On the Yunnan side the Road measures 975 Kilometers and on the Burma side 186 Kilometers. The principal cities through which the Road passes and the distances between them are as follows:-

Kunming	)	196)		
Tsuyung	)	225)		
Siakwan	)	204	)	975	
Wahyao	)	224)		
Lungling	)	126	)		1161
Wanting	)	186)		
Lashio	)		)	186	

The entire trip from Kunming to Lashio takes six days. On Burma side from Wanting westward there is a branch road passing Nankam to Bahmo with a length of 178 Kilometers.

The Road was built on an old earth road by the Provincial Government with technical and financial assistance of the Central Government. Construction work started before the end of 1937 and completed by the end of August, 1938, with the exception of a small number of bridges which are temporary structures and will be completely replaced with permanent bridges before the end of the current year.

The roadbed has a width of 9 meters except in places of heavy stone cutting where the width is only 6 meters. It has a macadamized surface of 5 meters in width and 10 to 30 centimeters (4 to 12 inches) in thickness. Although the Road passes through a very mountainous country maximum slope seldom exceeds 8% and sharp curves less than 15 meter radius are very few.

Most of the bridges are built of stone arches having a carrying capacity of 15 tons. Some are floored with heavy wooden beams capable of carrying $7\frac{1}{2}$ to 10 tons. There are two modern suspension bridges, one across the Lee-Kiang River and the other across the Lan-Changkiang River. About 60 out of 164 bridges are temporary structures having a carrying capacity of 3 tons. By the end of this year when all temporary bridges are replaced heavy trucks of 5 to 7 tons will be able to negotiate the entire road without difficulty under any weather conditions. As there are no ferries to negotiate the volume of traffic on this Road is only limited to the number of motor trucks available.

WASHINGTON, D.C.

November 18, 1938

Memorandum on North-Western Highway

The North-Western Motor Highway commences from Chungking, provisional Capital of China, traverses through the Provinces of Szechuen, Shensi, Kansu, Sinkiang and terminates at Alma-Ata, a station on the Russian Turkey Railway. Total length of the Road up to Ili measures 4574 Kilometers. It is considered the most important outlet for the vast North-Western regions of China.

The principal cities through which the Road passes and the distances between them are as follows:-

Chungking	)	450	Kms.)	
Chengtu	)	556	")	
Hanchung	)	739	"	)	4574
Lanchow	)	2829	")	
Ili					

*PSF
HMP*

From Lanchow the line was extended to Sian, Capital of Shensi Province measuring 753 Kilometers in length and there connected with the Lunghai Railway. This line has played an important role in supplying materials to the fighting forces on the Northern front. Another line connecting Lanchow, Tienshui and Fenshian serving as a shunt line between the Lanchow-Sian Line and Senin-Chengtu Road whereby goods may be transported from Lanchow to Chengtu without passing through Sian.

Realizing the importance of the North-Western Motor road the Central Government has spent considerable amount of money

during the past two years for the improvement of road bed, road surface and the building of bridges and culverts. Road surface varies with different sections of the Road - some sections keep the original hard earth surface, other sections possess macadam surface and still others stone pavement. On the whole the road bed and surface are in fairly good condition with prospect of constant improvement as time goes on.

Width of the road bed also varies in different sections - narrowest is 4 and widest 9 Kilometers. Maximum grade is standardized at 10% and minimum radius in mountains is 12 to 15 meters.

All bridges have a load carrying capacity of $7\frac{1}{2}$ tons. There are over-flow bridges and fords on the Lanchow-Atma Ata section but no ferries. On the section between Lanchow, Chengtu and Chungking there are twelve ferries, most of which are being replaced by bridges.

Since October 1937 the North-Western Highway Transport Administration, Ministry of Communications, has been entrusted with the responsibility of transporting materials from Russia to Central and Western China. The Russians deliver their materials at Lanchow and thence the Administration forward them to the destinations. A fleet of 214 trucks and buses are being operated on this Road by the Administration. Repair shops and gasoline depots are maintained at main stations along the Road. Certain difficulties are experienced in bringing in petrols and spare parts.

WASHINGTON, D.C.

November 18, 1938

Memorandum on South-Western Transportation Routes.

With a view to develop the vast resources in the interior part of the country and to support the nation-wide warfare in the front, China has recently completed a network of trunk highways in the Southwest with the city Chungking as the center of radiation and the seaports as the terminus. Through its completion, speedy movement on land of passengers and goods to and from the interior is now possible.

The network in question consists of the following ^{four}~~three~~ lines:

1. Chungking-Kweiyang-Kunming Line connecting with Kunming Haiphong Railway, or Kunming-Burma Road, 1150 Kms.
2. Chungking-Kweiyang-Liuchow-Nanning-Chengnankwan Line connecting with Indo-China Railway, 1506 Kms.
3. Chungking-Kweiyang-Liuchow-Siying (Kwangchowwan) Line, 1606 Kms.
4. Chungking-Suifu-Kunming Line connecting with Kunming-Haiphong Railway, or Kunming-Burma Road, 1160 Kms.

All these lines are located well in the interior and therefore are remote from the dangers of war operations.

The roads are built, and some of them are being improved, according to such standards as to serve 300 to 500 vehicles a day. The roadbed is 7 to 9 meters wide for ordinary soil and 4 to 6 meters in rocky sections. All the roads are surfaced with macadam or gravel which has a width of 4 to 5 meters and a thickness of 10 to 30 cm. (4 to 12 inches). The gradient is

limited to 10% and the minimum radius is 12 to 15 meters on steep hills. Bridges are built of stone, concrete, steel and mostly timber, with a loading capacity of $7\frac{1}{2}$ tons or more. Ferries are used over wide and deep rivers and can carry vehicles across the river at the rate of more than 20 per hour one way. Recently, a program has been started to replace several of the ferries with permanent bridges.

Following the improvement of these trunk roads, a Highway Transportation Administration Bureau was organized this year under the Ministry of Communications to provide passenger and freight traffic service on these roads. The Bureau has in operation a total of 480 buses and trucks, insufficient number limits its business. At the terminal stations, passengers wait by hundreds to get tickets in advance, and goods pile up in the godowns.

Memorandum on: HIGHWAY ADMINISTRATION IN CHINA

Realizing the utmost importance of promoting and coordinating the highway developments in different provinces, the Chinese Government, in 1932, adopted a program of road control in various provinces by means of financial grant and technical aid to the Provincial Governments. A Highway Office was then established in the National Economic Council. In December, 1933, in order to handle the much expanded road activities, the Highway Office was transformed into the "Bureau of Roads". The function of the Bureau is three-fold: first, to prepare standard engineering specifications and estimates; secondly, to approve the designs and verify the estimates submitted by the provinces so as to allocate the "road-aid" funds; and thirdly, to supervise and help the construction or surveying work done by the provinces.

In pursuance of this policy and program, China has been able to build new roads at a rate of ten thousand kilometers a year, and at present she possesses a total length of 120,000 kilometers most of which are built by the provinces with the financial aid of the central government.

After the commencement of the present Sino-Japanese hostilities, as a part of the plan for the reorganization of the Executive Yuan, the Bureau of Roads under the National Economic Council was consolidated into the New Ministry of Communications and renamed the Bureau of Highways, or literally, "The Directorate

General of Highways". Working side by side with the Departments in charge of railways, shipping, commercial aviation and other means of communications, the Bureau of Highways is now able, in supervising the construction and traffic of national highways, to co-ordinate its activities with those of other departments. Unification of traffic regulations, control of bus companies and trucking services and promotion of road transport in general become its principal duties and functions. Hence, the Bureau is now organized into four divisions; the Administrative, the Engineering, the Traffic, and the Mechanical Divisions. Besides, there are supervisory engineers stationed at the provisional capitals or important cities. A regular field engineering staff with bridge labor gangs is also maintained to help the local highway organizations in bridge construction or repair works. Whenever a specially designated road is to be built or improved by the Bureau, a Highway Construction Office is formed under its jurisdiction. At present, the direct line linking up Hanchung of Shensi Province with Chungking, the provisional capital, is one of the important roads of such category.

Since highway transport is a new development in China, most of the provinces are not yet provided with strong organization for such purpose. As a rule, each province has a highway bureau of its own, authorized to build the "central-aid" road as well as provincial roads and to operate bus service thereon. It often happens that lack of funds and technicians in the Provinces render

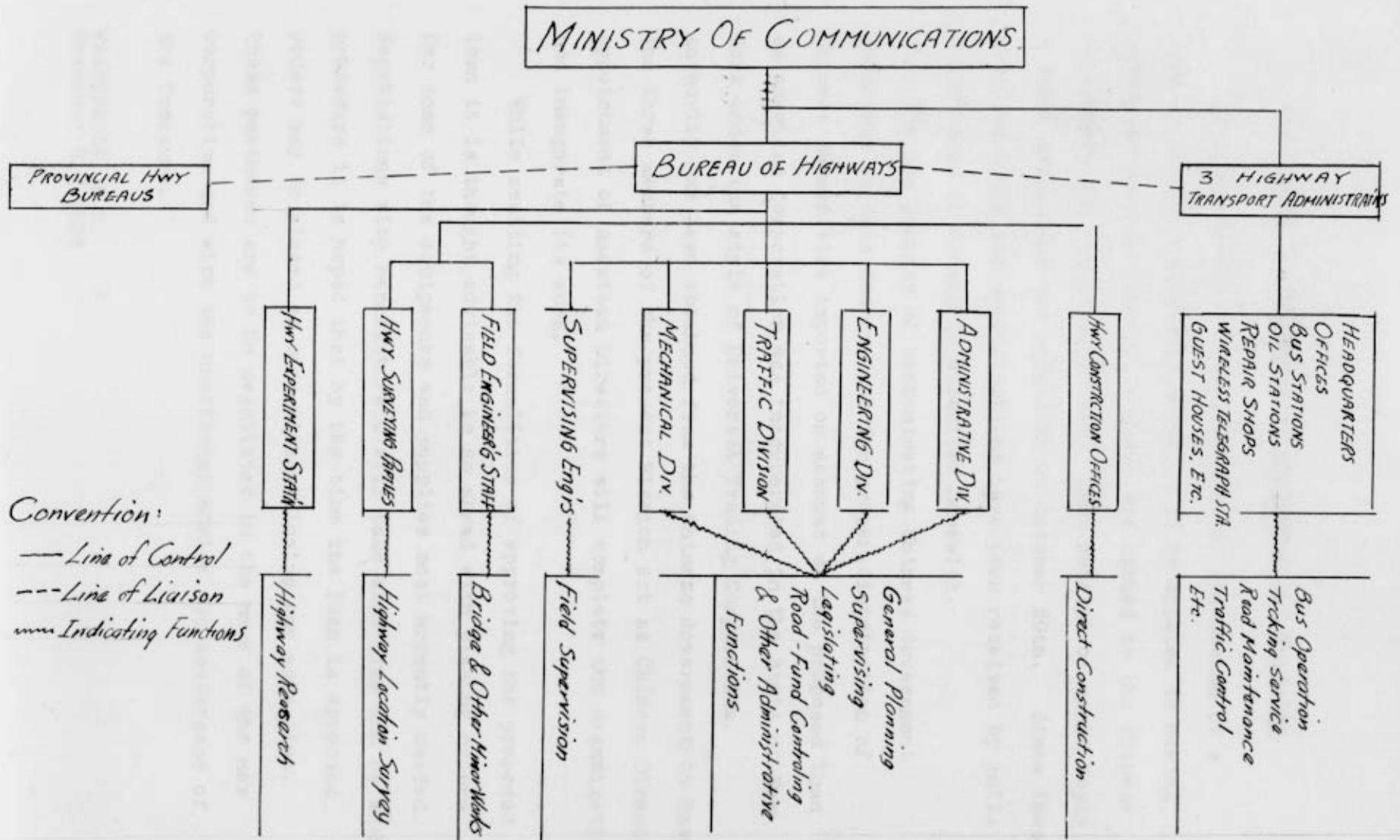
the roads idle with no regular traffic. Under such circumstances, the Ministry of Communications picks out a number of trunk roads of national importance and, by establishing in different regions specially authorized bodies called "Highway Transport Administrations" it institutes traffic operation services and road maintenance on these roads. Three such Administrations are now in existence: the North-Western Highway Transport Administration, the South-Western Highway Transport Administration, and the Yunnan-Burma Road Transport Administration. The last-named is only in its preparatory stage.

The North-Western Highway Transport Administration is in charge of transport service on the Sian-Lanchow-Sin-sin-chah (Sinkiang-Kansu border) Road, the Sian-Hanchung Road and other roads in North-West. The South-Western Highway Transport Administration operates four trunk roads forming a cross at Kweiyang, namely - Chungking-Kweiyang, Kweiyang-Liuchow, Kweiyang-Kunming, and Changsha-Kweiyang. These two transport Administrations are each equipped with a few hundred automobiles, service stations, repair shops and guest houses provide the facilities. Trade vehicle or provincial car passes on "central-operated" roads are under the control of the Administrations, but the issuing of license is vested in the Bureau of Highways.

In conclusion, it is to be noted that the Ministry of Communications has a firm control on the important trunk roads, by way of financial and technical aid and by direct construction and operation of traffic services. Directly under the Ministry, the

Bureau of Highways assumes the function of planning, supervising and research while the regional transport administrative bodies actually operate traffic services and exercise direct control of the roads. Highway Administration in China is tending to centralization and unification.

HIGHWAY ADMINISTRATION SYSTEM IN CHINA



Memorandum on Purchases of Equipment and Supplies

In anticipation of early successful conclusion of a loan or credit arrangement which is to be applied in making purchases in this Country, request was cabled to the Chinese Government for requisition list. Upon receipt of cable reply a brief memorandum was submitted on October 20th. Since then detailed lists and specifications have been received by mail. A list more in detail is submitted herewith.

For the purpose of concentrating Chinese Government purchases in this Country and for proper distribution of Chinese commodities imported on account of the proposed loan an American Corporation was incorporated in the State of New York under the style of Universal Trading Corporation. Authority has been obtained from the Chinese Government to have the three members of the present Mission act as Chinese Directors. Appointment of American Directors will complete the organization and inaugurate its work.

While awaiting the formalities of approving the proposed loan it is thought advisable to go ahead with placing orders for some of the equipments and supplies most urgently needed. Negotiations with manufacturers will take some time and by such procedure it is hoped that by the time the loan is approved orders may be placed at once without losing any more time. These purchases are to be negotiated in the name of the new Corporation and with the unofficial advice and assistance of the Treasury.

WASHINGTON, D.C.
November 21, 1938

List of Equipments and Materials to be purchased in U.S.A.

I. Aeroplanes, Spare Parts and Gasoline Oils:

1. 100 Ryan STC2 Menasco C4S,
Same type for 50 with Warner Scarat Engine.
2. 60 North America NA41 Wasp S3H1
3. 60 Twin Engine Bombing Trainers. Choice between
Beechcraft 18 and Lockheed 112 with 2 Wasp Junior
SB remodeled from existing commercial types.
4. 150 Seversky P35a Twin Wasp SCG with additional engine
conversion parts to make 50 convertible P35b.
5. 100 Vought SB2U1 Twin Wasp Junior.
6. 20 Seversky Observation Twin Wasp 5CG.
7. 20 Bombers. Choice between Martin 166 and Lockheed
14 GB3 with Cyclone G105.
8. 6 Beechcraft 17R Whirlwind R975E3.
9. 2 Heavy Transports. Either Lockheed 14 Cyclone G105
or second hand Douglas DC2 Cyclone F52.
10. One year requirements for aeronautical raw materials
for repairs estimated about US\$1,000,000.
11. Gasoline Oil requirements:-

74 Octane	2,000,000	Am.	Gals.
80 "	1,200,000	"	"
87 "	4,000,000	"	"
95 "	400,000	"	"
100 "	400,000	"	"
Stanavo 100	120,000	"	"
" 120	280,000	"	"

Total estimated cost of the above about US\$35,400,000.

II. Guns, Rifles and Ammunitions:

1. 200,000 Rifles 7.9
with 1000 rounds of cartridges for each rifle.
2. 15,000 Light Machine Guns
with 10,000 rounds of cartridges per gun.
3. 5,000 Heavy Machine Guns,
with 20,000 rounds of cartridges per gun.
4. 360 Pieces Anti-Tank Guns 3.7,
with 2,000 rounds ammunition per gun.
5. 360 Pieces 7.5 Mountain Guns,
with 3,000 rounds ammunition per gun.
6. 500 Pieces 13 mm Anti-Aircraft Guns,
with 3,000 rounds ammunition per gun.
7. Other Auxiliaries and Materials.

Total estimated cost for the above about US\$85,500,000.

8. Engine Oil 1,400 Tons
9. Cylinder Oil 800 Tons
10. Kerosene 400 Tons
11. Brake Oil 90,000 Am. Gals.
12. Yellow Oil 1,400,000 lbs.

Total estimated cost for the above about US\$10,510,000.

III. Gasolines and Oils:

1. Gasoline:

- a. Aviation: Octane No.87 1,000,000 Am.Gals.
- b. Motor: Octane No.70 30,000,000 " "

2. Diesel Oil:

- a. Light 30,000 tons
- b. Heavy 6,000 "

3. Motor Oil:

- a. 1st Grade SAE 30 450,000 Am.Gals.
- b. 1st Grade SAE 40 600,000 " "
- c. 1st Grade SAE 50 750,000 " "

4. Cup Grease 180,000 Am.Gals.

5. Red Engine Oil 800 Tons

6. Marine Oil 1,600 Tons

7. Axle Oil 800 Tons

8. Engine Oil 1,600 Tons

9. Cylinder Oil 800 Tons

10. Kerosene 400 Tons

11. Brake Oil 90,000 Am.Gals.

12. Yellow Oil 1,400,000 lbs.

Total estimated cost for the above about US\$9,510,000.

IV. Motor Trucks, Trackors, Repairing Equipment & Oils:

1. 3,000 3-ton Trucks.
2. 1,000 6-ton Tractors with Semi-trailers.
3. Spare Parts.
4. Spare Tires and tubes.
5. Repairing Equipment and Materials.
6. Fuels and Oils:
 - a. Gasoline Octane No.60 15,000,000 Am.Gals.
 - b. Diesel Oil 10,000 tons.
 - c. Lubricating Oil SAE No.30 600,000 Am.Gals.
 - d. " " " No.40 300,000 " "
 - e. " " " No.110 40,000 " "
 - f. " " " No.160 160,000 " "
 - g. Grease 200,000 lbs.
7. Highway engineering materials.
8. 200 Motor Chassis for Oil Tankers.

Total estimated cost of the above about US\$15,400,000.

V. Trucks, Motor Cycles, Spare Parts and Materials for Military Use:

1. 4880 Units 2½-ton Motor Trucks.
2. 50 Units Heavy Duty Engineering Trucks.
3. 100 Units Light Duty Engineering Trucks.
4. 500 Units Motor Cycles.
5. 10 Units 3F Heavy Repairing Trucks.
6. 40 Units 3F Light Repairing Trucks.
7. 10 Units 2.5F Supply Trucks.
8. Spare Parts, Repairing Materials, etc.
9. Telephone & Wireless Apparatus and Materials.

Total estimated cost of the above about US\$7,780,000.

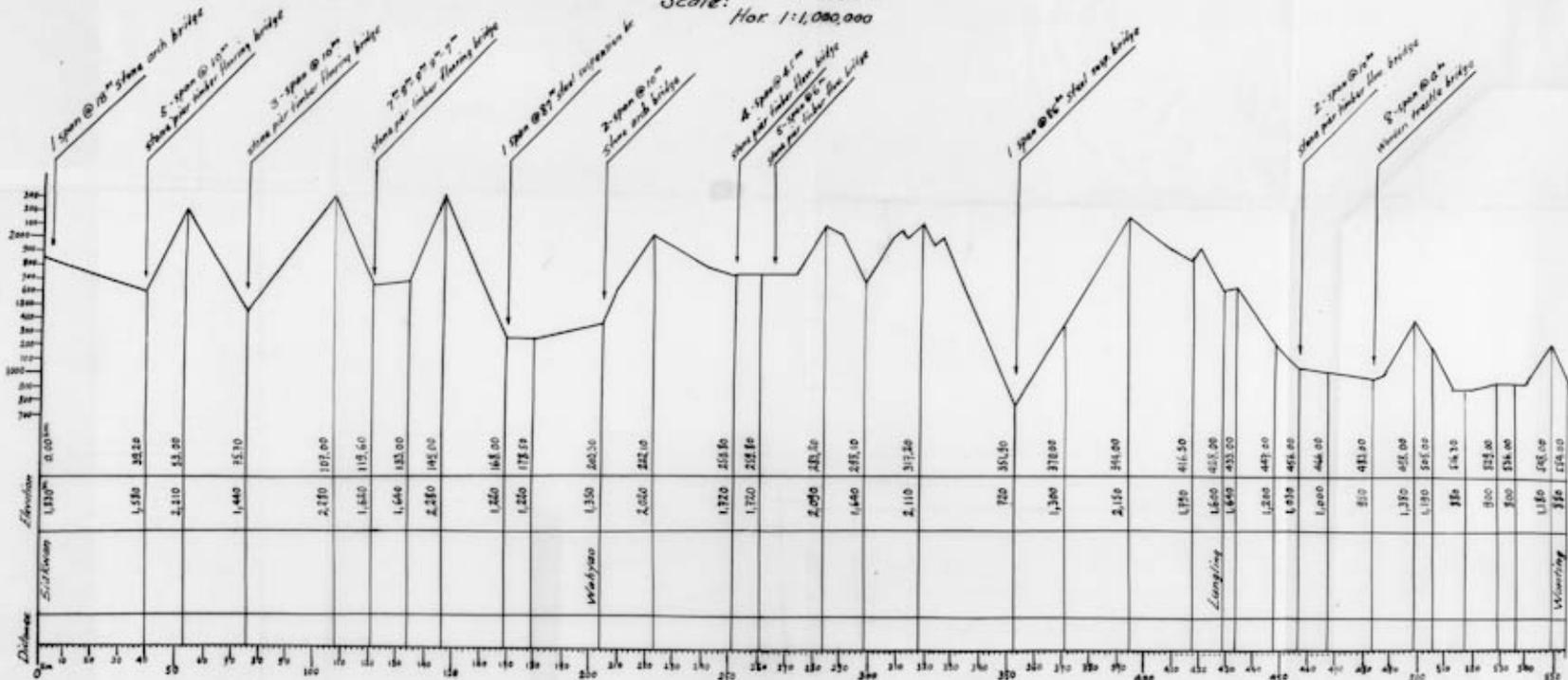
I. Aeroplanes, Spares, Gasoline:	US\$ 35,400,000
II. Guns, Rifles and Ammunitions:	85,500,000
III. Gasolines and Oils:	9,510,000
IV. Motor Trucks, Tractors, Oils:	15,400,000
V. Trucks, Motor Cycles, Spare Parts, Materials for Military Use:	7,780,000
	<hr/>
	US\$ 153,590,000
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PROFILE OF YUNNAN-BERMA ROAD

(SINWAN-WINTING SECTION)

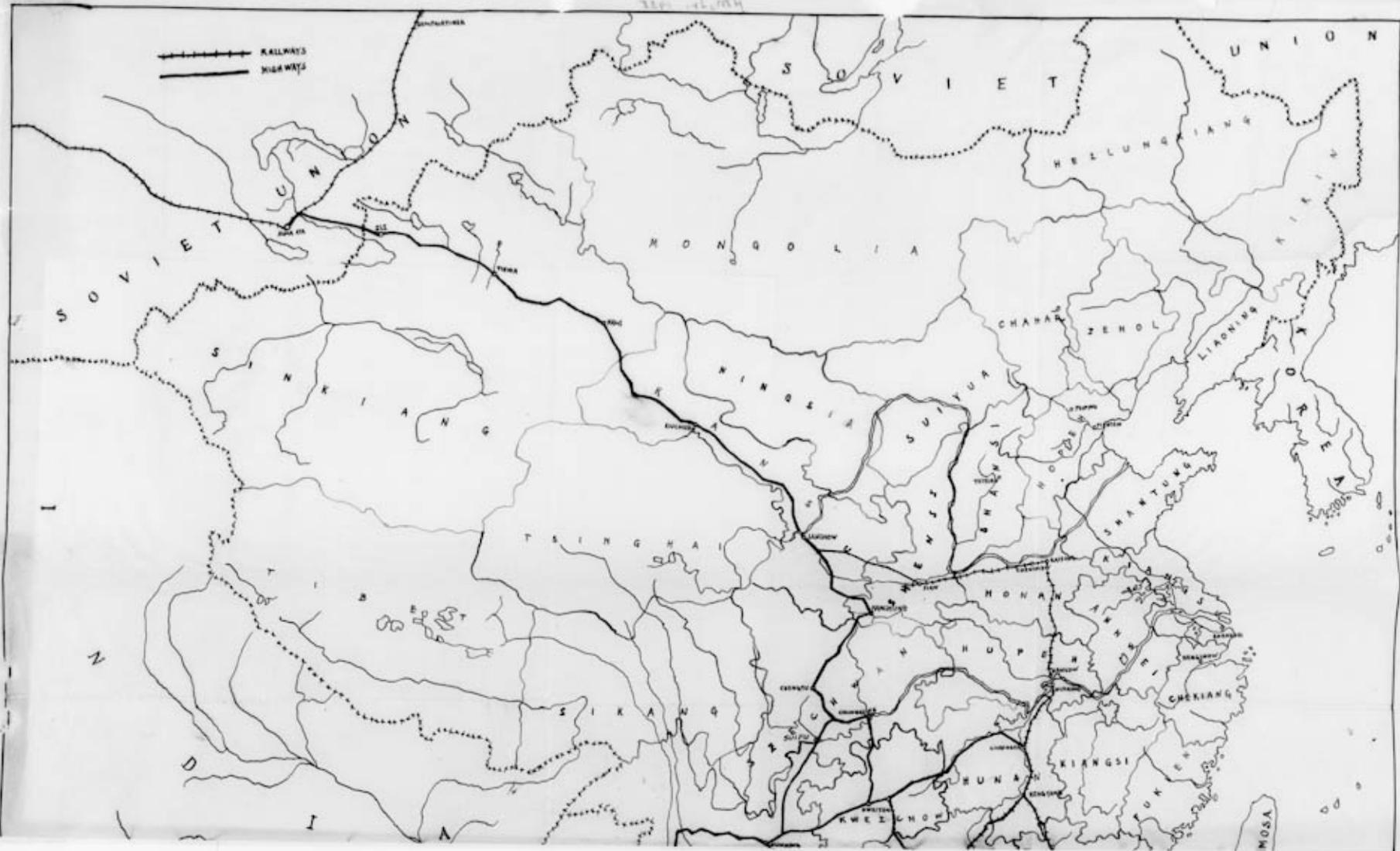
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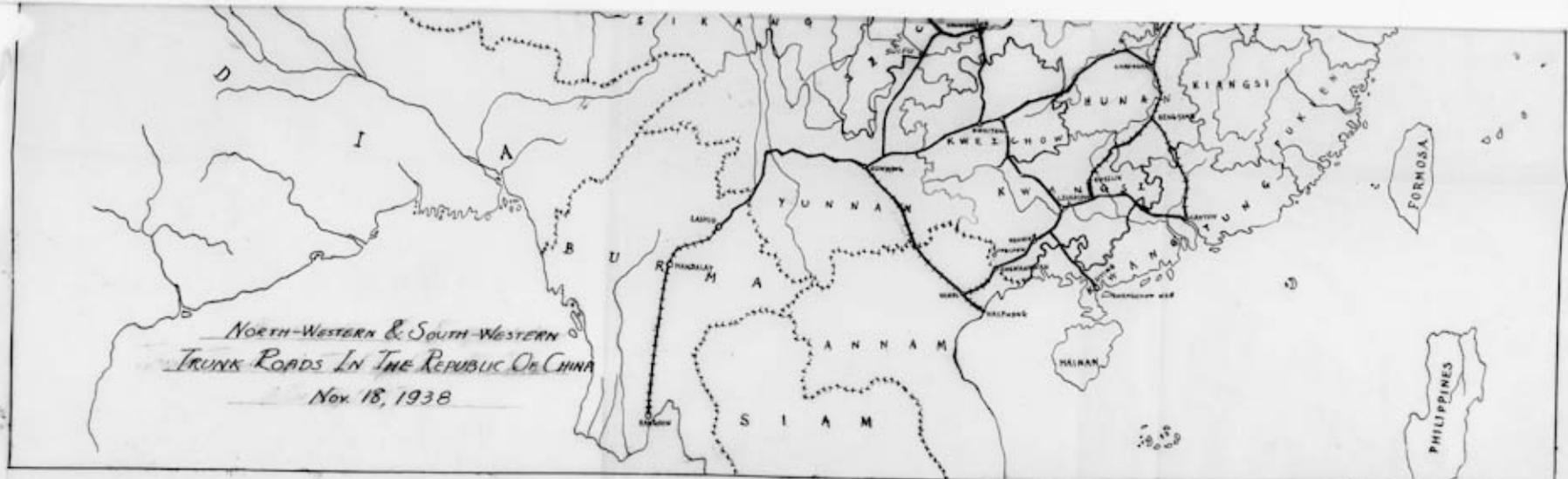
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THIS OVERSIZING ITEM HAS BEEN
MICROFILMED IN SECTIONS.





*NORTH-WESTERN & SOUTH-WESTERN
TRUNK ROADS IN THE REPUBLIC OF CHINA
Nov. 18, 1938*

TELEGRAM

*RSE
Huff*

Over private wire.

The President,
Warm Springs.

The White House
Washington WX 11-30-38

The ASSOCIATED PRESS reports:

"By a nation-wide array of armed force Premier Daladier to-day quickly broke the 24-hour general strike which constituted organized labor's first big challenge to his government and its economic program."

The UNITED PRESS presents the following estimates of effectiveness of the strike:

- Steel and heavy industries, 25 per cent.
- Textile industries, 20 to 30 per cent.
- Mines, 30 per cent (with total tie-ups in some regions).
- Railroads and other transport, one per cent.
- Government functionaries, four per cent.
- Docks and maritime shipping, 70 to 90 per cent.
- Chemical industry, ten per cent.
- Armament factories, naval shipyards and arsenals, 5 per cent.

There was no serious disorder in Paris but mobile guards clashed with and dispersed mobs at Lille, Toulouse and other industrial cities. It is reported that miners in the north were returning to work this afternoon and that more than half of them were back before the day closed. Railroads operated normally but the shipping tie-up was fairly complete, notably at Marseilles and Boulogne.

Dow Jones reports no feeling of tension in Paris. Stocks were up and some capital returned during the day on evidence of decisive government victory. Paris newspapers were crippled but a few issued eight-page editions, this being about only surface indication of strike in capital.

Secretary Morgenthau.

4 pm

2 W M

PSF
H.M.W.

THE SECRETARY OF THE TREASURY
WASHINGTON

file
personal.

December 3, 1938

Personal

My dear Mr. President:

I find that we no longer give allotments in full for Government subscriptions up to \$5,000. It is now \$1,000. Therefore, I thought it would not be worth your while to have me carry out your suggestion.

Yours sincerely,



The President,
Warm Springs, Georgia.



*file
confidential*

SECRET

THE SECRETARY OF THE TREASURY
WASHINGTON

December 3, 1938.

MEMORANDUM FOR THE PRESIDENT:

I understand that a proposal to impose an embargo on gold imports has been suggested as being an effective measure to protect the position of the dollar against further depreciation of sterling currencies. Such a step, in my opinion, would in the normal course of events have an effect on the exchange rates exactly opposite to the one desired, and in addition would have consequences which would increase the economic instability throughout the world.

An embargo on gold imports would increase the pressure against foreign currencies. During the past eleven months the demand for dollar exchange exceeded the supply arising from all international transactions other than gold shipments by almost \$1,500 million. The means of supplying the dollar exchange necessary to satisfy this excess demand has been the importation of gold. (So far this year about \$1,500 million of gold has been imported.) If the demand for dollar exchange continues to be in excess of the supply and if, further, dollars could not be acquired by the sale of gold to the United States, such dollars as are available on the foreign exchange market would become more valuable. In other words, numerous currencies would depreciate still further vis-a-vis the dollar. Since there does not seem to be any immediate prospect of a substantial shift in the demand-supply relationship for dollars an embargo on the imports of gold at this time would be a step in the direction of aggravating the very condition the proposal seeks to alleviate.

Furthermore, the declaration of an embargo on gold imports would -- quite apart from its political repercussions both domestic and foreign -- constitute a very disturbing factor in international economic relations. The Tripartite Accord might be terminated and the instability in exchange rates would be much intensified. Grave uncertainties with respect to international monetary and commercial matters would be introduced, the full consequences of which cannot be entirely foreseen.

By curtailing the possibility of employing gold as a compensatory mechanism in the settlement of international balances, we would be promoting greater reliance on substitute devices. The cushioning effect that gold movements exert on exchange rates would be reduced and still more countries would resort to clearing agreements and the more undesirable forms of exchange control for the purpose of narrowing the fluctuations in exchange rates.

Finally, an embargo on gold would deal a blow to the prestige of gold which now rests almost wholly on its use as an international medium of exchange. As a nation possessing more than half the world's monetary gold stock, and as the third largest gold producer, we have a vital interest in the future of gold. In any case, any step which would help to undermine confidence in gold and endanger its use as an international medium of exchange should be taken only with the greatest reluctance.

PSF H.M.J.

THE SECRETARY OF THE TREASURY
WASHINGTON

December 6, 1938

File
Personal

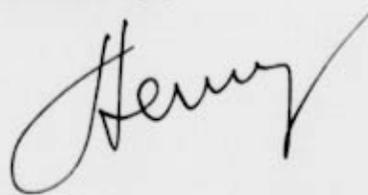
My dear Mr. President:

I am inclosing herewith a clipping from the financial page of today's Herald Tribune.

Please note that in discussing the Treasury financing they refer to your Secretary of the Treasury as being skillful and having aplomb.

Don't you think, Mr. President, that, considering the source, it is time you should worry?

Sincerely,



The President,
The White House.

SECRETARY OF THE TREASURY

WASHINGTON

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE, \$300

The President,
The White House

Wall Street Comment

Reporting Banks

The substantial increase of \$16,000,000 in the reporting New York bank loans in commerce, industry and agriculture in the week ended last Wednesday was not large enough to offset the \$18,000,000 reduction in the other reporting cities, with the result that total commercial loans for the 101 cities declined \$2,000,000. In other lines than commercial, however, the advance that formed the bulk of the increase in commercial loans here would probably have shown up under the heading of residential. Holdings of direct government securities of the reporting banks in 101 cities decreased \$23,000,000, but the smallness of the rise in loans to brokers and dealers left it doubtful whether the gains in government securities were offset by the increase in the March notes in preparation for the quarter financing date. It is possible that loans to brokers and dealers' loans will be up this week for the 2 per cent bond which the Treasury is offering, obtainable only through exchange of the March notes, has a special appeal to the banks, and dealers will be anxious to get the largest possible allotments. Demand deposits adjusted of the weekly reporting banks increased \$17,000,000, and so crossed the \$18,000,000 level for the first time on record.

Treasury Finance

Successfully combining the investment and speculative features afforded by Federal issues of securities, Secretary Morgenthau yesterday was able to check to another outstanding success in fiscal financing and refunding. With excess reserves at record levels, it was no great trick to float the new issue. The requirement was only that the terms be so arranged as to attract bank, insurance company and other institutional applications to volume. Mr. Morgenthau attended to this with his usual skill, and the market did its part. With a premium of 1 1/2 to 1 3/4 points indicated on the new 3 1/2 per cent bonds, that portion of the flotation was in extraordinary demand. The new 1 1/2 per cent notes afford a premium of only one point which means that applications will be more limited. The new 3 per cent bonds, available along with either of the other new issues to holders of March notes, were quoted on a when-issued basis at even figures with the outstanding notes, or from 101 25-32 early in the day to 101 20-32 at the close.

Free Riding

Extensive speculation was taking place by the Treasury and the Federal Reserve bank against the 101 cities and other commercial loans, but this feature independent enough to become ever more prominent from quarter-date to quarter-date. Augments from financial firms were scrutinized carefully and pruned vigorously in many instances. The request was made when issued to trade in the new notes, but such trading was permitted on the new 2 per cent issue. Larger investors were asked not to trade in the new issue where made. Some of the smaller outfits enjoyed good business in allocations, however, and the allocations caused much discontent among larger houses. New York in particular was notified, on the other hand, by wire indications that the restrictions on the local market this time were applied with equal rigidity in all other districts.

French Gold

The foreign exchange market rides itself on the power of sending disturbing messages one way or the other. One recent example of its programmatic claims can be found in the fact that the foreign exchanges, prior to the decision given by Europe, were knowing exactly over the course of events of the Continent for a long while before the securities markets became disturbed. The behavior of the foreign exchanges in this present impasse between Italy and France is, therefore, all the more interesting. Sterling and French francs have been strong throughout the demonstrations in Italy for bringing Tunisia, Corsica, Sardinia and Nice under Italian control. The French fund has, accordingly, gained a fairly substantial amount of gold in the last week. It will take a few weeks of strong francs, however, before it can be said definitely that the foreign exchange market regards Italy's colonial ambitions as containing no imminent threat of military action.

Steel Production

The slight drop in the steelmaking rate for the third successive week merely confirms the opinion held by informed observers for some time—that if current prices were affirmed for the next quarter of 1938 there would be no inducement for consumers to buy in advance, resulting in a leveling-off of production schedules through the inventory-taking period. In certain

steel districts there is a lot of apprehension that, because of assurance of low prices for products in January, February and March, company commitments may be so large during that period as to "narrow" from activity in succeeding months when it is hoped more profitable levels may be established. The general view, however, is that profits are secondary to putting any obstacles in the way of the still struggling industrial recovery.

International Nickel

Of important consideration to stockholders of International Nickel Co. is the possibility that the company will remove its stock from listing on the New York Stock Exchange if the Securities and Exchange Commission demands that it disclose salaries and sales figures just as domestic corporations are required to do. However, despite this quite obvious fact, the company announced yesterday after a meeting of the board of directors that "the matter of the company's position under the United States securities exchange act was not dealt with at the meeting of the board today." Perhaps some parties claimed the statement was interpreted "death" to mean "disposed of" because there is no doubt that the major subject of discussion was what action to take with regard to the company's registration with the S. E. C.

THE WHITE HOUSE
WASHINGTON

PSF
HMG

December 13, 1938.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

Will you hold this
confidential memorandum until
we are ready to take it up?

F. D. R.

Memorandum from the Secretary of
the Treasury re "Discrimination
by Japan against U. S. Commerce".



*file
personal*

THE SECRETARY OF THE TREASURY
WASHINGTON

*PSF
HMF*

December 21, 1938

My dear Mr. President:

Some of the changes which are being proposed in the Social Security Act involve very broad future burdens upon the Federal Treasury and should, therefore, be given the most careful examination. These matters are now under consideration by the Treasury and I should like to bring them to your personal attention at your convenience.

I hope that in the meantime you will not commit yourself definitely to any specific changes in the present Social Security system.

Faithfully yours,

H. M. Vignithan Jr.
Secretary of the Treasury

The President,
The White House.



PSF: Morgenthau
Treas

THE SECRETARY OF THE TREASURY
WASHINGTON

file
confidential

December 30, 1938.

MEMORANDUM FOR THE PRESIDENT:

I attach a copy of a letter I have just written to the Secretary of War. Since I cannot undertake to guarantee the French orders, I am unable to proceed further in this matter so long as Secretary Woodring maintains his present attitude.

J. M. Morgenthau

December 30, 1938.

Dear Mr. Secretary:

I am returning herewith your memorandum of December 29th in which you say that you have instructed the Chief of the Air Corps of the United States Army to furnish the facilities looking towards the purchase of certain secret planes by the French Government. You suggest that the secret developments involved in the military air production be revealed only on my assurance of purchase orders that are bona fide, financially and otherwise.

I cannot, of course, undertake to guarantee the French orders and I am therefore notifying the President that I am unable to proceed in this matter in view of the limitations you have imposed.

Sincerely,

Honorable Harry H. Woodring,

Secretary of War.

MCR:kb

Private
Confidential

File

[1938?]

THE WHITE HOUSE
WASHINGTON

PSF
HMP

My dear Mr. President:

I am really very
much excited about

your new idea to
tie together national
defense, the budget
with a new defense
tax.

I am sure we can
put it across to the
american people.
Henry

It might be ^{the} ^{same}
it will ^{amuse} you -
He is probably
right -

FROM: MR. GASTON'S OFFICE

TO:

The Secretary

PSF
H.M.P.

Sandy tells me that they had a big day with Dan Roper. At his press conference he gave out three good stories:

1. Steel price concessions.
2. A record balloon ascension by the Bureau of Standards
3. Fish can climb Bonneville dam.

The fish story stood up, but

(a) The Bureau of Standards denied the balloon record

(b) Press relations of Commerce asked the papers to make it "steel price stabilization," not "concessions."

H.E.P.

BSE
Magazine
1

Letter from Sec. of Treasury
To President

Enclosing draft of a bill "To authorize the
Secretary of the Treasury to make certain foreign
loans, and for other purposes".

SEE--Sumner Welles folder-Drawer 1--1938

~~Confidential~~

SOME PERTINENT DATA ON RESTRICTIONS ON JAPANESE TRADE

PSF
H.M. Jr

- I. American assets in Japan.
- II. Japanese assets in the United States.
- III. United States investments in China.
- IV. Japanese bonds listed in U. S. security markets.
- V. Japan's reserve stock of essential raw material.
(Revised estimates being prepared by G-2, War Dept.)
- VI. Japan's dependence on foreign sources of supply for essential raw materials.
- VII. Germany, Italy and Brazil as suppliers of raw materials Japan needs to import.
- VIII. Supply of essential raw materials Japan must obtain that might be supplied by Germany, Italy and Brazil.
- IX. Japan's total exports and the share of Japan's exports taken by:
 - (1) "Tripartite Arrangement" countries
 - (2) British Dominions and protectorates
 - (3) French colonies
 - (4) Dutch colonies
 - (5) Philippines and Hawaii
- X. Total exports from the above listed countries to Japan, and the share of their respective exports taken by Japan.
- XI. Japan's total imports and the share coming from the above countries.
- XII. Total imports of the above countries and the share of these imports obtained from Japan.
- XIII. Total imports of various countries and their respective imports from China in 1936.
- XIV. China's total exports in 1936 and Percentage taken by Various Countries.
- XV. Total exports and trade with China, 1936, for Selected Countries.

Table No. I

Estimate of United States Investments in Japan

as of December 19, 1937

(1) Direct investments \$ 60 million

These consist principally of investments of the following companies:

General Motors
 Ford
 Standard Oil
 Tidewater
 National Cash Register
 One mine in Korea

(2) Portfolio investments - estimated at their market value. (Par value - \$150 millions) 100 million

These are estimated to be \$316 million of Japanese dollar bonds outstanding. Deducting bonds held by British and by others; and allowing for repurchase by Japanese we reach the estimate of \$150 million at par value.

The \$316 million of Japanese dollar bonds outstanding is divided as follows:

National Government	\$141 million
Municipal	37
Government guaranteed	46
Private corporate	92

(3) Missionary or philanthropic \$ - 10 million

(4) Short-term foreign assets 20 million

Total	\$190 million
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Table No. II

ESTIMATE OF JAPANESE ASSETS IN THE UNITED STATES

As of December 20, 1937

I. Short term funds in the United States

(a) Deposits in the United States	\$45 million	
(b) Bills held for account of Japanese	20	"
(Data on the above items are obtained through confidential reports to the Federal Reserve Banks of New York and San Francisco. Almost all of these funds are with Japanese agencies in New York.)		
(c) Deposits with brokers, dealers, etc.	1	"
(Estimated from the total reports of banks, bankers and dealers who report holdings under the category of the "Far East".)		
	—	"
Total	\$66	"

II. Securities

(a) U. S. notes and bonds	\$ 25 to \$50	"
(b) Direct investments	25 to 50	"
(c) Corporate bonds and stocks	<u>5 to 25</u>	"
Total	\$ 55 to 125	"

III. Merchandise on decks, ships, etc.	<u>15 to 30</u>	"
Grand total	\$142 to 221	"

The above estimates are arrived at with the aid of:

(a) List of subscriptions to Treasury note and bond issues of 1936 and 1937 in the confidential files of the Treasury Department;

(b) Registered Government bond holdings in the files of the Treasury Department;

(c) Income tax returns by Japanese agencies and by non-resident aliens;

(d) Report of the Department of Commerce, who have made sample studies of some holdings of foreign investments in the United States;

(e) Estimated foreign investments of Japan in all countries.

Unfortunately, except for information that the Treasury obtains from the reports of banks, brokers and dealers, the estimates of Japanese assets here are little more than intelligent guesses. We have used all sources available that do not involve going into the field and making inquiries from numerous sources - a program which would doubtless yield more information.

To obtain more accurate information, the quickest and most effective way would be to send at once an Internal Revenue agent to each of the Japanese agencies and each of the Japanese firms which are operating in the United States. An examination of their books will reveal information that does not appear on their income tax returns and that is available to us in no other way. We believe that the bulk of Japanese holdings in the United States would be revealed by such an examination. However, such a step would:

(a) Make a very considerable stir in Japanese quarters and financial circles;

(b) Probably cause the Japanese to liquidate their cash assets as quickly as possible. They could probably convert most of their deposits and bills into sterling in a few hours.

(c) Have immediate political repercussions.

Our estimates of direct investments and security holdings of Japanese in the United States are much larger than those made by the Department of Commerce. However, in each instance, on the basis of information we have, we believe our estimate to more nearly represent the actual situation. It must be emphasized, however, that there is no way of getting the facts short of investigation in the field and contact with some other agencies in Washington.

In addition to the above holdings, the Japanese have very substantial investments in the Philippine Islands and in the Hawaiian Islands. We have been unable so far to obtain any data which will help us to estimate the amounts so invested. Doubtless there exist in Washington some agencies which would be able to give us more information on this subject if we have permission to get in touch with people outside the Treasury.

The Far Eastern deposits as reported by the New York agencies of Japanese banks as of December 22 are as follows:

Bank of Chosen	\$ 1,035,000
Bank of Taiwan	2,082,000
Mitsubishi Bank	816,000
Mitsui Bank	326,000
Sumitomo Bank Ltd.	5,019,000
Yokohama Specie Bk.	36,444,000

TOTAL	<u>\$45,722,000</u>
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Table III.

Estimate of United States Investments in China

- (1) Direct investments (estimated at pre-Sino-Japanese-war values): \$125 million

About 65 percent of the investments are in Shanghai

Texas Co.
Int. Tel. and Tel.
Nat. Cash Register
Standard Oil
Nat. City Bank

About 30 percent in North China
Less than 5 percent are in South China.

The direct investments are in the following industries:

Manufacturing	\$10 million
Selling	7
Petroleum	43
Miscellaneous	54

- (2) Portfolio (par value) \$ 7 million

Hukuang railway loan of 1911
partially in default, secured
partially by salt revenues.

- (3) Investment of Americans who are domiciled in China \$ 35 million

- (4) Wheat and cotton loan of 1933 14.7

- (5) Missionary and philanthropic: \$ 40 - 45

(a) Protestant societies	\$27
(b) Catholic societies	1
(c) Philanthropic and educational institutions	14

One-fifth of these investments are in Shanghai; the rest are mostly in Southern China.

(6) Chinese obligations in default (par value plus accrued interest)		\$ 35 - 40 million
(a) Chicago Bank loan <u>1/</u>	\$ 9	
(b) Pacific Development loan <u>2/</u>	10	
(c) Grand Canal loan <u>3/</u>	2	
(d) Other obligations of Chinese Government to American firms	12	
		<u>\$257 - 267</u>

- 1/ Loan in 1916 of \$5 million between Chinese Government and Continental and Commercial Trust and Savings of Chicago Loan at 6 percent for 3 years. No payments of principal and interest have ever been made.
- 2/ Loan of \$5.5 million in 1919 by Pacific Development Corp. to Chinese Government. No payments of principal or interest have been made.
- 3/ Loan of \$0.9 million at various dates from May 1918 to June 1921. Entirely in default.

Table IV.

LIST OF JAPANESE DOLLAR BONDS

1. Empire of Japan 30 year 6 $\frac{1}{2}$ percent Sinking Fund Gold Bonds of 1924 due 1954.

Original dollar issue \$150,000,000 outstanding on October 1, 1936, \$112,785,900.

Listed on New York Stock Exchange.

Current price - 77-1/4

2. Japanese Government External 5 $\frac{1}{2}$ percent Gold Bonds of 1930 due 1965.

Original dollar issue \$71,000,000 outstanding October 1, 1936, \$69,837,000.

Listed on New York Stock Exchange.

Current price - 64-5/8

3. Oriental Development Co. Ltd. External 6 percent Gold Debenture Bonds of 1923 due 1953.

Original dollar issue \$19,900,000 outstanding September 9, 1936, \$13,166,000.

Listed on New York Stock Exchange.

Current price - 59

4. Oriental Development Co. Ltd. External Debenture Gold 5 $\frac{1}{2}$ percent Loan of 1928 due 1958.

Original dollar issue \$19,900,000 outstanding October 1936, \$14,267,000.

Listed on New York Stock Exchange.

Current price - 55

5. Taiwan Electric Power Co. Ltd. Forty-year Sinking Fund 5 $\frac{1}{2}$ percent Gold Bonds of 1931 due 1971.

Original dollar issue \$22,500,000 outstanding May 1937, \$21,968,000.

Listed on New York Stock Exchange.

Current price - 55-1/4.

6. City of Tokyo $5\frac{1}{2}$ percent Loan of 1927 due 1961.
Original dollar issue \$20,640,000 outstanding September 1936,
\$16,914,000.
Current price - $58-1/4$
7. City of Yokohama External 6 percent Gold Loan of 1926 due 1961.
Original dollar issue \$19,740,000 outstanding September 1936,
\$16,573,000.
Current price - $60-3/4$
8. City of Tokyo 5 percent Loan of 1912 due 1952.
Issued #5,175,000 and 100,880,000 francs outstanding September
1936 \$3,129,820 and 63,958,500 francs.
Sterling bonds listed on New York Exchange.
Current price - $50-1/8$
9. Tokyo Electric Light 6's 1953 loan of 1928.
Original dollar issue \$70,000,000 outstanding May 1937
\$55,327,000.
Listed on New York Stock Exchange.
Current price - 60.
10. Shinyetsu Electric Power Co. Ltd. Loan of 1928 due 1952 $6\frac{1}{2}$ percent.
Original dollar issue \$7,650,000 outstanding May 1937 \$5,830,000
Listed on New York Stock Exchange.
Current price - 67
11. Nippon Electric Power Co. Ltd. Loan of 1928 due 1953 $6\frac{1}{2}$ percent.
Original dollar issue \$9,000,000 outstanding May 1937 \$6,687,000.
Listed on Curb Exchange.
Current price - 63

12. Yjigawa Electric Power Co. Ltd. Loan of 1925 due 1945 7 percent

Original dollar issue \$14,000,000 outstanding May 1937
\$6,155,500

Listed on New York Stock Exchange.

Current price - 73

13. Tokyo Electric Power Co. Ltd. Loan of 1925 due 1955 7 percent.

Original dollar issue \$15,000,000 outstanding May 1937
\$3,057,500.

Listed on New York Stock Exchange.

Current price - 68

14. Great Consolidated Electric Power Co. Ltd. external first and
general mortgage sinking fund gold $6\frac{1}{2}$ percent loan of 1925 due 1950

Original dollar issue \$13,500,000 outstanding \$6,905,000
May 1937.

Listed on New York Stock Exchange

Current price - 67

15. Great Consolidated Electric Power Co. Ltd. external first
mortgage sinking fund gold 7 percent loan of 1924 due 1944.

Original dollar issue \$15,000,000 outstanding \$6,447,000
May 1937.

Listed on New York Stock Exchange

Current price - 73

Table V

Colonel Strong (War Department, G-2) states that preliminary figures on current stocks now being prepared will be ready about January 15th.

Table VI.

JAPAN'S DEPENDENCE ON FOREIGN SOURCES OF SUPPLY
FOR SPECIFIED ESSENTIAL RAW MATERIALS

Raw Materials	Estimated Percentage of Peace-Time Consumption 1935-36 which was Imported From Countries other than Manchuria	Major Suppliers and Percentage of Imports Supplied
1. Petroleum	90%	United States 64% Netherland India 25% British Borneo 5%
2. Rubber	100%	Strait Settlements 33% Netherland India 33%
3. Pig iron	25%	British India 50%
4. Copper	40%	United States 98%
5. Lead	90%	Canada 44% British India 14% United States 10%
6. Tin	70%	Strait Settlements 58% China 22% Hong Kong 15%
7. Aluminum	60%	Canada 73% Switzerland 17%
8. Zinc	60%	Canada 33% Australia 33% United States 20%
9. Nickel	100% <u>2</u> /	Canada <u>1</u> / British India
10. Antimony	95%	China <u>1</u> / Mexico <u>1</u> /
11. Molybdenum	90%	United States <u>1</u> /
12. Tungsten		China <u>1</u> /
13. Quick silver	100%	Spain <u>1</u> / Italy <u>1</u> /
14. Chemical fertilizers	40%	Germany 70% United States 25%

15. Dye stuffs	60%	Germany <u>1/</u> United States <u>1/</u>	
16. Lumber and wood pulp	40%	Canada <u>1/</u> United States <u>1/</u> Sweden <u>1/</u> Norway <u>1/</u>	
17. Iron ore	80%	British Malaya <u>1/</u> China Australia Philippines	
18. Scrap iron	55%	United States	80%
19. Steel	10%	United States <u>1/</u>	
20. Cotton	95% <u>2/</u>	United States British India Egypt	44% 37% 4%
21. Wool	85%	Australia New Zealand	73% 9%
22. Cadmium	95%		
23. Manganese Ore	90%	U.S.S.R. <u>1/</u> Brazil British India Africa	
24. Molybdenum	90%	United States <u>1/</u>	
25. Asbestos	90%	Canada <u>1/</u>	
26. Phosphate rock	95%	Egypt United States Straits Settlements	30% 25% 15%

1/ Chief supplying countries; have not yet been able to obtain information with respect to the proportion of her imports Japan obtains from indicated countries.

2/ A plant able to produce 300 to 400 tons of nickel annually was reported ready to begin operations in Japan in April 1937.

3/ North China and Brazil are now important sources of supply.

Table VII

Japanese Imports of Raw Materials and Export Surplus of
Germany, Italy and Brazil (Year 1936)

(In thousands of U. S. dollars)

Commodity	Total Japanese Imports (Value)	Export Surplus of		
		Germany (Minus (-) indicates net imports)	Italy	Brazil
Petroleum	37,612	- 6,269	- 1,661	
Rubber	21,159	- 26,373	- 5,637	3,998
Pig iron	12,199	- 2,034		6,515
Copper	<u>10/</u> 9,534	<u>1/</u> - 3,644	- 14,839	<u>5/</u> - 2,250
Lead	<u>10/</u> 7,794	<u>1/</u> - 5,904	- 1,515	<u>12/</u>
Tin	<u>10/</u> 4,374	<u>1/</u> - 562	- 3,525	<u>12/</u>
Aluminum	<u>10/</u> 3,411	<u>1/</u> - 8,084	- 21	<u>12/</u>
Zinc	<u>10/</u> 4,055	<u>1/</u> - 1,838	- 806	<u>12/</u>
Nickel	<u>10/</u> 2,411	<u>1/</u> - 2,969	- 2,728	<u>12/</u>
Antimony	<u>10/</u> 731	<u>1/</u> - 90	<u>12/</u>	<u>12/</u>
Molybdenum	<u>10/</u>	<u>1/</u> - 6,731	<u>12/</u>	<u>12/</u>
Tungsten	<u>10/</u>	<u>1/</u> - 4,717	<u>12/</u>	<u>12/</u>
Quicksilver	<u>10/</u> 906	<u>2/</u> 238	- 2,671	<u>12/</u>
Chemical fertilizers	<u>11/</u> 13,154	9,774	- 885	- 2,799
Dye stuffs	3,367	4,222	- 1,903	- 2,375
Lumber and wood pulp	35,572	- 34,510	- 35,819	<u>7/</u> - 1,388
Iron ore	11,613	- 67,767	464	<u>12/</u>
Scrap iron	23,453	- 3,428	- 5,055	<u>12/</u>
Steel	20,043	146,181	- 3,440	
Cotton (raw)	246,648	- 90,311	- 32,702	- 23,024
Wool	58,265	- 71,378	- 10,627	58,670

1/ Ore
2/ Salts
3/ Including alloys
4/ " pyrites
5/ " manufactures
6/ Chemicals and pharmaceuticals
7/ Represents difference between exports
of timber of \$2,522,000 and imports
of wood pulp of \$3,906,000
8/ Iron and steel semi-manufactures

9/ Includes sulphide of antimony
10/ Ingots and slabs
11/ Includes: Caustic soda (crude), soda ash
and natural soda; Nitrate of soda (crude);
and sulphate of ammonium (crude).
12/ Figures not yet available.

Table VIII (a)

Brazil - Export or import surplus of raw materials in 1936

(In thousands of dollars converted from milreis at \$.058788)

Commodity	Import surplus	Export surplus
Rubber and manufactures		3,998
Copper and alloys	2,250	
Chemicals and pharmaceuticals	9,799	
Dye stuffs	2,375	
Timber		2,522
Wood pulp	3,906	
Iron and steel	6,515	
Steel manufactures	23,024	
Cotton, raw		52,670
Wool		580

Table VIII (b)

Germany - Export or import surplus of raw materials in 1936

(In thousands of dollars converted from reichsmarks at \$.40297)

Commodity	Import surplus	Export surplus
Petroleum	6,269	
Rubber	26,378	
Pig iron		2,034
Copper ore	3,644	
Lead ore	5,904	
Tin ore	562	
Aluminum ore	8,084	
Zinc ore	1,838	
Nickel ore	2,969	
Antimony ore	90	
Molybdenum ore	6,731	
Tungsten	4,717	
Quick silver (salts)		238
Chemical fertilizers		9,774
Dye stuffs		4,222
Lumber and wood pulp	34,510	
Iron ore	67,787	
Scrap iron	3,428	
Steel		145,181
Cotton	90,311	
Wool	71,378	

Table VIII (c)

Italy - Export or import surplus of raw materials in 1936

(In thousands of dollars converted from liras at \$.072916)

Commodity	Import surplus	Export surplus
Petroleum	1,663	
Rubber	5,637	
Copper	14,839	
Lead ore	1,515	
Tin and alloys	3,525	
Aluminum		23
Zinc ore		806
Nickel	2,728	
Quicksilver		2,671
Chemical fertilizers	885	
Dye stuffs	1,903	
Wood and wood pulp	35,819	
Iron ore and pyrites		464
Scrap iron and steel	5,985	
Steel	3,440	
Cotton	32,702	
Wool	10,627	

Table IX

JAPAN'S TOTAL EXPORTS IN 1936, AND PERCENTAGE
TAKEN BY VARIOUS COUNTRIES

Japan's Total Exports in 1936 - 2,693 million yen (\$

	<u>(Millions of yen)</u>	<u>Percent of total Japanese exports</u>
1. Japan's exports to Tripartite arrangement countries:		
United States	594	22.0
United Kingdom	147	5.5
France	43	1.6
Switzerland	.838	.03
Netherlands	15	.6
Belgium	<u>16</u>	<u>.6</u>
Total	816	30.33
2. Japan's exports to British Dominions and protectorates:		
India	273	10.1
Australia	69	2.6
Hong Kong	58	2.2
New Zealand	17	.6
British Malaya	61	2.3
Canada	15	.5
Egypt	41	1.5
Union of S. Africa	42	1.6
Others	<u>86</u>	<u>3.2</u>
Total	669	24.8
3. Japan's exports to French colonies:		
French Morocco	21	.8
Other French colonies	<u>14</u>	<u>.5</u>
Total French colonies	35	1.3
4. Japan's exports to Dutch colonies:		
Neth. East Indies	129	4.8
Other Dutch colonies	<u>6</u>	<u>.2</u>
Total Dutch colonies	135	5.0
5. Japan's exports to		
Philippine Islands	52	1.9
Hawaii	9	.3
6. Japan's exports to:		
Germany	35	1.3
Italy	4	.1
Brazil	9	.3

Table No. X

Total exports of various countries
and their respective exports to Japan in 1936

Country	:(Millions of native currency)			:(Millions of United States dollars)		Percent of total
	Currency	Total exports	Exports to Japan	Total exports	Exports to Japan	
United States	Dollar	2,453	204	2,453	204	8.3
United Kingdom	Pound st.	501.1	3.7	2,491	18	.7
France	Franc	15,454	84	945	5	.5
Switzerland	Franc	882	12	266	4	1.5
Netherlands	Florin	745	1	480	1	.2
Belgium	Franc	19,724	146	667	5	.7
India	Rupee	1,805	272	677	102	15.1
Australia	A pound	129.3	10.1	512	40	7.8
Hong Kong	Dollar	351	18	111	6	5.4
New Zealand	N. Z. pound	56.8	1.6	227	6	2.6
British Malaya	Dollar	629	48	366	28	7.7
Canada	Dollar	1,015	20	1,014	20	2.0
Union of South Africa	S. A. pound	112.9	2.4	555	12	2.2
Egypt	E. pound	33.0	2.5	168	13	7.7
Philippine Islands	Peso	273	17	137	9	6.6
Netherlands East Indies	Guilder	552	30	356	19	5.3
French Morocco	Franc	807	3	49	.2	.4
Germany	Reichsmark	4,768	75	1,921	30	1.6
Italy	Lire	5,454	15	398	1	.3
Brazil	Milreis	4,895	210	288	12	4.2

Table XI.

JAPAN'S TOTAL IMPORTS IN 1936, AND PERCENTAGE
TAKEN BY VARIOUS COUNTRIES

Total Imports in 1936, - 2,764 million yen

Imports from:		<u>Percent</u>
United States	847	30.6
United Kingdom	73	2.6
France	20	.7
Switzerland	14	.5
Netherlands	5	.2
British Dominions:		
India	375	13.6
Australia	182	6.6
Hong Kong	3	.1
New Zealand	22	.8
British Malaya	80	2.9
Canada	73	2.6
Egypt	46	1.7
Union of South Africa	23	.8
Others	51	1.8
French Colonies:		
French Morocco	1	.04
Others	25	.9
Philippine Islands	36	1.3
Hawaii	.3	.01
Dutch Colonies:		
Netherland East Indies	114	4.1
Other Dutch Colonies	.8	.03
Germany	115	4.2
Italy	4	.1
Brazil	47	1.7

Table XII

TOTAL IMPORTS OF VARIOUS COUNTRIES
AND THEIR RESPECTIVE IMPORTS FROM JAPAN IN 1936

Country	:(Millions of native currency):			:(Millions of United States dollars):		Per- cent of Total
	Currency	Total Imports	Imports from Japan	Total Imports	Imports from Japan	
United States	Dollar	2,419	172	2,419	172	7.1
United Kingdom	Pound	848.9	9.8	4,220	49	1.2
France	Franc	25,398	194	1,553	12	.8
Switzerland	Franc	1,266	8	382	2	.5
Netherlands	Florin	1,017	7	656	5	.8
Belgium	Franc	21,098	111	714	4	.6
India	Rupee	1,261	215	473	81	17.1
Australia	Pound	87.2	4.8	433	24	5.5
Hong Kong	Dollar	452	58	143	18	12.8
New Zealand	N.Z. pound	44.1	1.3	176	5	2.8
British Malaya	Dollar	508	33	296	19	6.4
Canada	Dollar	635	4	634	4	.6
Union of South Africa	S.A. pound	86.3	3.1	424	15	3.5
Egypt	E. pound	31.5	2.2	161	11	6.8
Philippine Islands	Peso	202	27	101	14	13.9
Netherlands East Indies	Guilder	282	75	182	48	26.4
French Morocco	Franc	1,207	125	74	8	10.8
Germany	Reichsmark	4,218	24	1,700	10	.6
Italy	Lire	5,994	15	437	1	.2
Brazil	Milreis	4,269	50	251	3	1.2

Table XIII

Total imports of various countries
and their respective imports from China in 1936

Country	(Millions of native currency)			(Millions of United States dollars)		Percent of total
	Currency	Total imports	Imports from China	Total imports	Imports from China	
United States	Dollar	2,419	74	2,419	74	3.1
United Kingdom	Pound	848.9	7.6	4,220	38	.9
France	Franc	25,398	224	1,553	14	.9
Switzerland	Franc	1,266	7	382	2	.5
Netherlands	Florin	1,017	8	656	5	.8
Belgium	Franc	21,098	68	714	2	.3
India	Rupee	1,261	16	473	6	1.3
Australia	Pound	87.2	.7	433	3	.7
Hong Kong	Dollar	452	152	143	48	33.6
New Zealand	N. Z. pound	44.1	.15	176	1	.6
British Malaya	Dollar	508		296		
Canada	Dollar	635	4	634	4	.6
Union of South Africa	S. A. pound	86.3	.2	424	1	.2
Egypt	E. pound	31.5	.18	161	1	.6
Philippine Islands	Peso	202	5	101	3	3.0
Netherlands East Indies	Guilder	282	6	182	4	2.2
French Morocco	Franc	1,207	64	74	4	5.4
Germany	Reichsmark	4,218	114	1,700	46	2.7
Italy	Lire	5,994	24	437	2	.5
Brazil	Milreis	4,269	4	251	0.2	.1

Treasury Department, Division of Research and Statistics.

December 20, 1937.

Table XIV

CHINA'S TOTAL EXPORTS IN 1936, AND PERCENTAGE
TAKEN BY VARIOUS COUNTRIES

(Millions of Yuan)

	: Value	: Percent of total
	:	: Chinese exports
<u>Total exports</u>	<u>312.6</u>	<u>100.0</u>
Exports to:		
United States	82.4	26.4
United Kingdom	28.7	9.2
France	13.4	4.3
Switzerland	.1	.03
Netherlands	7.3	2.3
Belgium	2.8	.9
Total	134.7	43.1
British dominions and protectorates:		
India	8.3	2.7
Australia	2.7	.9
Hong Kong	47.1	15.1
New Zealand	.2	.1
British Malaya	6.9	2.2
Canada	2.3	.7
Egypt	1.6	.5
Union of South Africa	.6	.2
Others	3.1	1.0
Total	72.8	23.3
French colonies:		
French Morocco	5.0	1.6
Indo China	4.4	1.4
Others	1.7	.5
Total	11.1	3.6
Dutch colonies:		
Netherland E. Indies	2.1	.7
Others	.1	.03
Total	2.2	.7
Philippine Islands	2.7	.9
Hawaii	.2	.1
Grand Total	223.7	71.6

Table No. XV

Total exports of various countries
and their respective exports to China in 1936

Country	Currency	(Millions of native currency)		(Millions of United States dollars)		Percent of total
		Total exports	Exports to China ^{1/}	Total exports	Exports to China	
United States	Dollar	2,453	47	2,453	47	1.9
United Kingdom	Pound st.	501.1	5.8	2,491	29	1.2
France	Franc	15,454	95	945	6	.6
Switzerland	Franc	882	8	266	2	.8
Netherlands	Florin	745	2	480	1	.2
Belgium	Franc	19,724	265	667	9	1.3
India	Rupce	1,805	15	677	6	.9
Australia	A. pound	129.3	.6	512	2	.4
Hong Kong	Dollar	351	150	111	48	43.2
New Zealand	N. Z. pound	56.8	.03	227	.1	.04
British Malaya	Dollar	629	5 ^{2/}	366	3 ^{2/}	.8 ^{2/}
Canada	Dollar	1,015	5	1,014	5	.5
Union of South Africa	S. A. pound	112.9	.02	555	.1	.02
Egypt	E. pound	33.0	.4	168	2	1.2
Philippine Islands	Peso	273	2	137	1	.7
Netherlands East Indies	Guilder	552	9	356	6	1.7
French Morocco	Franc	807	-	49	-	-
Germany	Reichsmark	4,768	133	1,921	54	2.8
Italy	Lire	5,454	32	398	2	.5
Brazil	Milreis	4,895	10	288	1	.3

Treasury Department, Division of Research and Statistics.

December 21, 1937.

^{1/} In most cases excluding Manchuria.

^{2/} No figures available; estimated on the basis of total principal commodities exported to China.