

PSF TREASURY DEPT. MORGENTHAU 1941-

THE WHITE HOUSE  
WASHINGTON

*file  
personal*

January 9, 1941.

MEMORANDUM FOR MISS LE HAND:

I am returning the attached, which the President handed to me for my information.

*Lauchlin Currie*

Lauchlin Currie



THE SECRETARY OF THE TREASURY  
WASHINGTON

January 3, 1941

PSF: Morgenthau

My dear Mr. President:

I am sending you herewith three clippings which bear out my "hunch" that the so-called Eccles' plan is really a fight over interest rates.

Clipping No. 1, from today's Tribune, prints the following:

"National City Bank of New York says, in its current monthly letter, that such a move would be beneficial in three principal ways as follows: It would relieve the pressure upon interest rates, ...."

Clipping No. 2 from the financial page of today's New York Times says:

"The market for United States Government bonds appeared yesterday to exaggerate the possibilities of sharply firmer interest rates as a result of the proposals for further control over bank-reserve requirements submitted by the Federal Reserve Board, ...."

Clipping No. 3 from today's Washington Post says:

"Obviously if such appeals are to bring results, a higher rate of interest will have to be paid by the Government for borrowed funds."

Yours sincerely,

The President,  
The White House.  
Enclosures.

## Eccles's Plan To Cut Excess Funds Praised

National City Bank Letter  
Cites 3 Beneficial Results  
of the Reserve Proposal

In an article praising the proposal of Marriner S. Eccles, chairman of the Federal Reserve Board, for reducing excess reserves, National City Bank of New York says in its current monthly letter that such a move would be beneficial in three principal ways, as follows: "It would relieve the pressure upon interest rates; it would enable the Treasury to place a larger proportion of its securities with the public and it would tend to moderate the expansion of bank credit.

With much of the Eccles program, as revealed in his speech before the National Industrial Conference Board here (and embodied in considerable part in the special report of the Federal Reserve System to Congress on Wednesday) there would seem to be, says National City Bank, "little reasonable basis for difference of opinion."

"Certainly the silver program has been a failure," says the article, "which has proved costly to the Treasury and added to the problems created by surplus funds. While the authority to issue \$3,000,000,000 greenbacks has never been utilized, its existence on the statute books is a disturbing element in the background.

"The proposals as to member bank reserve requirements are sound as to the major objective—the recapture of control of the money market. The precise character and timing of steps to reach this objective call, of course, for careful study of all possible consequences. Presumably, any legislation that might be adopted would place upon the supervisory authorities the responsibility for hearing their action on just this sort of study; and it may be fairly assumed that any action would be gradual over a period, without drastic moves that might give a shock to the bond market or impede Treasury financing."

In any action upon reserve requirements, the bank says, it is particularly important to take account of the location of excess reserves.

"On the surface," says the bank, "it would appear that about half the excess reserves belong to New York City banks. While this is true as to the location of these reserves, it is not true as to their ultimate ownership and control.

"A reference to the figures of domestic interbank deposits reported by the large New York City banks will show that the amounts due other banks—chiefly out-of-town institutions—foot up to approximately \$3,600,000,000, or more than the total excess reserves accredited to New York. In other words, New York City banks have little or no excess funds over, and above the sums deposited here by out-of-town correspondents, some of which, of course, is a normal working balance. Much the same conditions exist in Chicago. Actually, therefore, a major part of the excess reserves is owned by the banks in the smaller cities and towns."

As to the business situation, the bank says: "The record of 1940 will show that industrial output has exceeded 1939 by 13 per cent and 1929, the previous peak year, by 19 per cent. New all-time peaks have been made in production of iron and steel, machine tools, electrical equipment, aircraft, aluminum, cotton and rayon goods, rubber products, chemicals and electric power, and in other cases, where the year as a whole has not fully equaled past records, the current rate is at a new high. Shipbuilding has revived to about 1929 levels. New building is the highest in eleven years, and industrial and engineering contracts are two to three times as large as a year ago."

## TOPICS IN WALL STREET

### They're Off!

The first trade on the New York Stock Exchange this year was 200 shares of Radio Corporation of America common stock at 4%, unchanged from the last price of 1940. A year ago Coty International started the ball rolling. From a volume standpoint, Radio appears to have more right to the rail position; it was the eleventh most active stock last year, trading 1,944,300 shares; Coty International traded 141,000 shares in 1940. Yesterday Radio hit 4% and closed at 4%; in 1940 its range was 7½ to 4½.

### Excess Reserves

Temporary checks on the expansion of excess reserves of member banks of the Federal Reserve System, such as the increased Treasury deposits incident to the recent new Treasury financing and the holiday expansion in money in circulation, are now at an end and the upward climb of those reserves has been resumed. On the basis of figures revealed yesterday, excess reserves for the entire Federal Reserve System jumped \$180,000,000 in the final week of 1940 to a total of \$6,620,000,000, highest since the week ended on Dec. 11. The rise mainly reflected the contraction of \$84,000,000 in money in circulation after the Christmas holiday, a drop of \$113,000,000 in Treasury deposits with the Reserve banks, and an increase of \$65,000,000 in the monetary gold stock to a total within \$5,000,000 of the record \$22,500,000 level. The chief offsets were a reduction in the Federal Reserve "float" of \$62,000,000 and an increase of \$14,000,000 in nonmember deposits, presumably mostly foreign deposits. Excess reserves of the thirty-six Reserve city banks in the New York Federal Reserve District rose \$115,000,000 in the week to \$2,455,000,000.

### Treasury Bonds

The market for United States Government bonds appeared yesterday to exaggerate the possibilities of sharply higher interest rates as a result of the proposals for further control over bank-reserve requirements submitted by the Federal Reserve Board, in the opinion of some government bond experts. Despite the exceptionally light turnover in Treasury issues yesterday on the New York Stock Exchange, little support was in evidence at times in the day as several of the longer-term loans showed declines of more than a full point. Moderate recoveries lifted prices of most of these issues before the close of the Exchange, while the recovery movement was continued in the over-the-counter market, where the net losses in the long-term loans were reduced to between ¼ and ½ point. Although there was comparatively little selling, most of what did develop is understood to have come from the smaller out-of-town banks, which view the potential heavy bor-

### Stock Exchange Leaders

	Volume	Close	Net Chgs.
Gen Motors.....	17,700	45½	-3¼
Param Pict.....	12,000	10¼	+¼
U S Steel.....	10,400	68	-1½
Stand Oil N J.....	8,700	24½	+¾
Socony Vac.....	7,800	8½	..
Curtiss Wright..	7,300	7½	..
Bald Loc ct.....	7,200	18¼	..
Cons Edis.....	7,200	22½	-¼
Gen Elec.....	6,300	33¼	+¾
Chrysler.....	6,200	69¼	-3¼
Loft.....	6,000	18¼	+¾
N Y Central....	5,400	13½	+¾
Stand Oil Cal....	5,400	18½	+¾
Anaconda.....	5,100	26½	-¾
Beth Steel.....	4,800	86¼	-¼
Average price, \$32.25.			

	Ad-	De-	New	New	
	Issues	Volume	Close	High	Low
Yest'd'y..	740	313	262	*14	*2
Dec. 31..	903	386	286	11	4
Dec. 30..	923	487	307	20	4
*1940-1941.					

rowing by the government in connection with the defense program as an influence toward stiffer money rates.

### Federal Oil Legislation

With the publication yesterday of a letter from President Roosevelt to Chairman Cole of the House Oil Committee urging Federal oil legislation in the interest of national defense, there is little doubt that a determined effort will be made by the Administration to obtain a greater control over the oil industry at the session of Congress that will open today. Oil executives generally are of the opinion that no further control of the industry is necessary, since at no time has the industry failed to meet the demands made upon it. In this connection, they state that crude oil production can be increased immediately and that refining capacity can be increased 25 per cent without new capital expenditures. In addition, stocks of oil products in storage are at or near record levels for this period of the year. Also they hold that the industry is in position to meet all requirements of the defense program which may materialize. In anticipation of increased demand for aviation fuel, the oil industry last year increased these stocks by 2,000,000 barrels to around 6,000,000. At the same time, it installed additional facilities for the manufacture of 100-octane gasoline and by March, this year, it will be in position to turn out 35,000 barrels daily of this product.

### Railway Wage Rises

Rises in pay for 70,000 track workers, porters, dining-car waiters, office and other employees to take effect on March 1 will cost the railroads \$7,000,000. The increases were ordered under the Fair Labor Standards Law. Most of the larger disbursements will be paid by the Southern and Southern eastern lines because in the past they have paid lower wages than are received by railroad employes in other parts of the country. Moreover, because of lower wages paid, these companies have employed more labor and used fewer machines.

# The Washington Post

Registered in U. S. Patent Office

## For Control Of Credit

The board of governors of the Federal Reserve System, the presidents of the Federal Reserve Banks, and the Federal Advisory Council have sent to Congress a joint report containing various important recommendations designed to strengthen the present inadequate machinery of credit control and remove the inflationary menace of excess bank reserves. Congress is urged to increase existing reserve requirements at once and to empower the Federal Reserve authorities to make further increases up to double the suggested statutory percentages. This proposal would immediately effect a limited reduction in the huge volume of excess reserves, now in the neighborhood of \$7,000,000,000, and permit further reductions as occasion demands. The report also suggests that the new reserve requirements be made applicable to all banks outside the Federal Reserve System which accept demand deposits. Such an extension of Federal control over State banks would be a desirable move in the direction of a more unified banking system.

Besides asking for new powers that would make it possible to reduce the existing volume of excess reserves to manageable proportions, the Federal Reserve authorities seek abandonment of certain Administration policies that are sources of potential increases in excess reserves, such as the power further to devalue the dollar, to issue greenbacks and to monetize foreign silver acquired by purchase. The Post enthusiastically indorses the proposed repeal of these measures which it has for years opposed as a threat to the stability of the country's monetary and credit structure. These recommendations are all the more gratifying because their far-reaching character indicates that the Administration must have been consulted and should be prepared to support them wholeheartedly.

The report emphatically calls for financing the defense program insofar as possible by drawing upon existing deposits instead of by creating additional deposits through bank purchases of Government securities. In other words, our fiscal policy must "tie in" with our monetary policy if inflation is to be avoided. To the extent that individuals and nonbanking institutions respond to an appeal to invest in Government securities, a check to the creation of a new inflationary kind of purchasing power will be avoided.

Obviously if such appeals are to bring results, a higher rate of interest will have to be paid by the Government for borrowed funds. That, however, is a change greatly to be desired as the present absurdly low rates can no longer be justified as a stimulus to employment of capital. On the contrary, they have become a distinct menace, as the Federal Reserve authorities are now ready to admit. Interest rates in some cases, they confess, are "well below the reasonable requirements of an easy money policy and are raising serious long-term problems for the future well-being of our charitable and educational institutions, for the holders of insurance policies and savings banks accounts, and for the national economy as a whole." This is indeed a sweeping indictment which is especially impressive coming from officials who wholeheartedly indorsed low-interest policies during the depression years.

Now that depression has been succeeded by a business upswing that will undoubtedly call for restraints rather than stimulation, an about-face is imperative to avert the danger of disastrous inflation. The country should regard it as most encouraging to have such a forthright acknowledgement of that danger, and a program for averting it, ready for presentation to Congress as it reassembles today.

THE SECRETARY OF THE TREASURY  
WASHINGTON

January 13, 1941

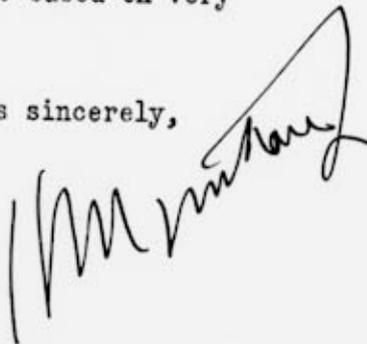
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personal*

My dear Mr. President:

I am sending you herewith a memorandum from George Haas on the prices of German municipal dollar bonds.

There has been no great variation in their prices. Evidently, the newspaper story that you read was not based on very accurate facts.

Yours sincerely,



The President,  
The White House.

Inclosure.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE Jan. 13, 1941

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject: Prices of German Municipal Bonds.

The attached table has been prepared in accordance with your request for an analysis of the recent price movements of German municipal bonds. It shows weekly since the beginning of November and daily for the past two weeks, the prices of 6 dollar bonds of German municipalities listed on the New York Stock Exchange. These bonds are the only ones so listed which have exhibited even a moderate degree of activity during the period under consideration.

The bonds of the different municipalities have shown no consistent trend. Their prices are in general about the same as at the end of October -- four being slightly higher, and two slightly lower. Only the Berlin and Frankfort bonds have shown substantial intermediate fluctuations -- each of these declining by about 6 points and then recovering this loss in the period covered by the table.

Prices of Selected German Municipal Dollar Bonds  
Traded on the New York Stock Exchange

Description	Last quotation during week ended										Closing price										
	1940										1941										
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28	Jan. 4	Dec. 30	Dec. 31	Jan. 2	Jan. 3	Jan. 4	Jan. 6	Jan. 7	Jan. 8	Jan. 9	Jan. 10	Jan. 11
Berlin City 6½'s of 1950	26-1/2	26-1/2	26-1/2	26-3/4	26-1/2	26-1/2	26-1/2	26-3/4	26-1/2	26-1/2	26-1/2	26-1/2	-	26	-	-	-	26-1/2	26-3/4	-	-
Cologne 6½'s of 1950	26-1/2	-	-	27	27	26	-	-	-	26-1/2	26-1/2	-	-	-	-	-	-	26-3/4	-	-	
Frankfurt 6½'s of 1953	27	-	26-1/2	26-5/8	26-1/2	26-1/2	26-1/4	26-1/2	27-1/2	26	26-1/2	26-1/2	-	-	-	-	-	27	26-3/4	-	-
Heidelberg 7½'s of 1950	26	-	26-1/2	27	-	-	26	-	-	26	-	26-1/2	-	26	-	-	-	27	-	-	-
Leipzig 7½'s of 1947	27	26-1/2	-	27	26-1/2	-	-	-	-	26	26	-	-	-	-	-	-	26-1/2	-	-	-
Munich 6½'s of 1952	26	26-1/2	26-3/4	26-1/2	-	-	27	-	-	26	-	-	-	26	-	-	-	27	-	-	-

Treasury Department, Division of Research and Statistics.

January 11, 1941.

*PSF* *Murphy's*  
*Folder*

THE WHITE HOUSE  
WASHINGTON

January 17, 1941.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I see no special reason to have the income taxes of Governor Francis P. Murphy of New Hampshire checked, but in view of the fact that his name is on a very long list of people who might in the future be considered for a Republican place, it is just as well to do this.

I call your confidential attention to the fact that he and John Sullivan dislike each other extremely -- Murphy having beaten Sullivan.

F. D. R.



THE SECRETARY OF THE TREASURY  
WASHINGTON

January 15, 1941.

MEMORANDUM TO THE PRESIDENT:

The grapevine has a rumor that you have been considering former Governor Francis P. Murphy of New Hampshire for a Federal appointment.

If the rumor is correct, do you wish his income taxes checked before such an appointment is announced?

*Wm. M. Murphy*

~~Confidential~~



THE SECRETARY OF THE TREASURY  
WASHINGTON

January 24, 1941

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JP

My dear Mr. President:

I know that you will find the attached memorandum concerning Russian buying of interest especially at this time. In this instance your Liaison Committee for Coordination of Foreign and Domestic Military Purchases, which I wrote you about on December 19th, has again demonstrated its usefulness by bringing together the various branches of the Government dealing with Russian purchasing activities.

It was agreed by representatives of the Office of Production Management, the Bureau of Foreign and Domestic Commerce, the War Department, the Navy Department, the Office of the Administrator of Export Control, and two divisions of the Department of State that purchasing of machine tools by Russia should be cleared through the Liaison Committee in accordance with the regular procedures already established for other countries.

I might add that prior to this time the various interested agencies of the Government had been dealing with this situation without full knowledge of each other's activities.

Faithfully yours,

The President,

The White House.

January 24, 1941

MEMORANDUM

TO: The Secretary

FROM: Mr. Young

Re: Machine Tools for Russia

As the result of a meeting held on January 22, agreement was reached on a procedure for handling the coordination and clearance of Russian machine tool orders which I believe will eliminate much of the difficulty which we have heretofore had with this problem.

As you know, the machine tool situation has been a source of irritation to the Russians ever since the establishment of export control over machine tools on July 2, 1940. While export licenses have been issued for a great many of these, there have been others which have been diverted by manufacturers with or without proper authority from the United States Government, as well as some which have been commandeered. As a result, the Russians have found that the tools previously ordered are not available to them, and it has been impossible to secure quotations on new or replacement tools for any near delivery. Consequently, they have been constantly in touch with the State Department and the Administrator of Export Control with a succession of lists which eventually resulted in considerable confusion as to what they are to get and when.

While this was going on, I conferred with the Ambassador on October 31 with reference to the clearance procedure required on new orders for machine tools and other critical items. On December 6 the President's Liaison Committee received requests for clearance on nine proposed new orders for machine tools, which were forwarded to the Army, Navy, and Defense Commission for clearance in the usual manner. In the course of their consideration of these requests it became important to know whether the tools covered by these new orders had already been cleared in discussions between the State Department and the Russian Ambassador. It was extremely difficult, however, to arrive at any decision on this point because of the number of different lists which had been placed before the State Department by the Russian Government and the difficulty of arriving at any definite conclusion in the absence of any central contact point which would have the whole story.

In the course of this investigation it was found that there were several agencies within our Government which were actively interested in the Russian machine tool exports, but which were not all equally aware of the work the others were doing. It was obvious, therefore, that the first step toward an efficient, intelligent, and consistent handling of the Russian machine tool problem was to get representatives of all these people together and exchange information.

Accordingly, the Liaison Committee arranged a meeting on January 22, at which were represented the European Division of the Department of State, the Division of Controls of the Department of State, the Machine Tool Section of the Office of Production Management, the Bureau of Foreign and Domestic Commerce of the Department of Commerce, the Office of the Administrator of Export Control, the War and Navy Departments through their members on the Machine Tool Committee of the Army and Navy Munitions Board, and the President's Liaison Committee.

At this meeting there was a complete exchange of information so that each agency was fully aware of the work being done by the other agencies and a complete canvass of the problem from a policy standpoint. There was very definitely a feeling that there should be one place where the Russians could come and work out their machine tool problems without bothering officials of the State Department and other officials whose regular duties leave no time for liaison work of this type. Accordingly, it was the sense of the meeting that all lists heretofore filed by the Russian Ambassador on the machine tool problem should be disregarded, and in the future each order, either for additional tools or to replace those diverted or commandeered, must be considered individually in accordance with the regular clearance procedure which has already been established by the Liaison Committee for other countries. To this end the State Department will refer any additional material submitted by the Russians on machine tools to the Liaison Committee and instruct the Russians that their clearance problems will have to be taken up through that Committee as a liaison agency between their government and the interested United States Government agencies.



THE SECRETARY OF THE TREASURY  
WASHINGTON

February 18, 1941

*ASF Morganthau*

THE WHITE HOUSE  
FEB 18 4 00 PM '41  
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*File  
Personal*

Dear Mr. President:

I thought that you might be interested, as indicative of the present state of the security markets, in the postponement of contemplated security offerings by three prominent industrial corporations.

The Republic Steel Corporation had contemplated selling \$90 millions of new bonds, which, together with a proposed bank loan of \$16-1/2 millions, would have refunded the entire debt of the company. This deal has been postponed.

Philip Morris and Company had contemplated a preferred stock offering of \$15 millions. This deal has also been postponed. A third company which has postponed new financing because of the condition of the markets is the Standard Oil Company of Ohio which had expected to sell \$15 millions of preferred stock.

Faithfully,

*H. Morganthau*

The President,

The White House.

*file*

*PSF: Morgenthau  
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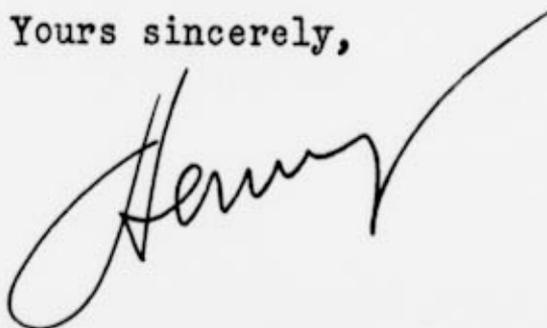
THE SECRETARY OF THE TREASURY  
WASHINGTON

February 18, 1941

My dear Mr. President:

As a follow-up to our conversation of yesterday, I would like to suggest to you that you appoint Fiorello LaGuardia to do a job in the airplane industry in this country along the same lines that Lord Beaverbrook is doing for England.

Yours sincerely,



The President,  
The White House.

→ ~~STRICTLY CONFIDENTIAL~~

*Morganthau  
Folder*

Hyde Park, N. Y.  
February 22, 1941.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

Has John Wiley or has the  
State Department any further in-  
formation about Sir William Wiseman  
or Wiedemann or the Stefanie  
woman?

F. D. R.

*file  
personal*

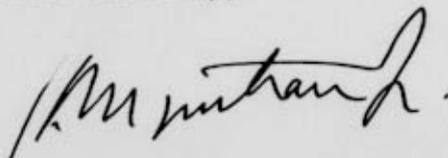
THE SECRETARY OF THE TREASURY  
WASHINGTON

January 13, 1941

My dear Mr. President:

In compliance with your request,  
I am sending you herewith a summary  
prepared by Mr. John Wiley of informa-  
tion which has come to us through the  
FBI.

Yours sincerely,



The President,  
The White House.

Enclosure.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

~~STRICTLY CONFIDENTIAL~~

DATE January 13, 1941

TO Secretary Morgenthau  
FROM Mr. Wiley

A summary of the case of Sir William Wiseman, Consul General Fritz Wiedemann, Princess Stefanie von Hohenlohe Waldenburg and Lord Halifax (?) is attached.

The following are points of interest:

The original memorandum from British Intelligence of October 7, 1940, specifically mentioned Wiedemann's interest in eliciting information from Sir William on the subject of eventual peace terms. The reports of FBI dwelt in detail on Sir William's discussion with Princess Stefanie von Hohenlohe Waldenburg concerning the formulation of peace proposals to be presented to Hitler, and Sir William's interest in seeing Wiedemann in order to be able to draw up specific proposals. The FBI reports quote Sir William as invoking the name of Lord Halifax, citing the latter's confidence in Wiedemann and alleging that he, Sir William, represented a group of people headed by Lord Halifax who believed that the war could be ended by negotiation. In Sir William's own report of his conversations no allusion was made to any of this. Lord Halifax is further mentioned in an FBI report of a recent conversation between Herbert Bayard Swope and Sir William in which Swope referred to a message from Lord Beaverbrook that Wiseman should get in touch with Lord Halifax upon the latter's arrival in the United States. This report also indicated that Swope was aware of Wiseman's activities.

The question arises: Was Sir William Wiseman acting in an official capacity on behalf of the British Government, or on behalf of some British high officials, or was he simply meddling? In the memorandum of October 7 from British Intelligence, it was stated that "arrangements were made for an experienced, competent and diplomatic British official to confer with Wiedemann informally. The conference lasted approximately four hours." The unnamed "official" referred to by British Intelligence was clearly Sir William.

From records of the State Department (letter from Sir William to the Secretary of State dated July 19, 1940) it appears that he acted as diplomatic courier on a trip to London in May, 1940. My information from a private and reliable source is that Sir William carried a personal message to the British Government from Lord Lothian which Lord Lothian had not wished to commit to writing, and that Sir William was in the habit of coming to Washington twice a week to confer with Lord Lothian.

The implication seems clear that Sir William either formally or informally had some link with either the British Embassy, British officials in London or British Intelligence -- or all three.

Another question arises: Was Sir William merely angling for information of interest to British Intelligence, or was he actually engaged in an endeavor to initiate undercover conversations for a negotiated peace? The material we have summarized indicates that there was considerable but rambling conversation with regard to Hitler's aims in the Balkans, and an effort by Sir William to learn something with regard to the acti-

vities of German officials in the United States, and finally a clumsy and unsuccessful effort to compromise Wiedemann by getting him to sign a statement containing his real views on the subject of Hitler. Sir William, in his two memoranda which he gave to the British Embassy, builds Wiedemann up as a sincere opponent of Hitler and an honorable Bavarian officer. This, taken in connection with the information from FBI on his actual conversations with Wiedemann and Princess Stefanie, suggests that Sir William was duped by them into believing that he could successfully work out a project for a negotiated peace.

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in*

THE CASE OF SIR WILLIAM WISEMAN,  
STEFANIE VON HOHENLOHE WALDENBURG, CAPTAIN  
FRITZ WIEDEMANN AND LORD HALIFAX.

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For many months FBI picked up stray rumors that Fritz Wiedemann was "pro-British". On October 7, 1940, FBI, for reasons which were not clearly explained, elicited a report from British Intelligence which contained in substance the following: Wiedemann had been trying for several months to establish contact with British Intelligence. "An experienced, competent and diplomatic British official" conferred four hours "informally" with Wiedemann (FBI subsequently was told that the British "official" was Sir William Wiseman). In this meeting Wiedemann indicated that he was not in agreement with the present regime in Germany. The British official gained the distinct impression that Wiedemann was sincere. This information from British Intelligence made no mention of Princess Stefanie von Hohenlohe Waldenburg and no reference to peace proposals. It suggested, however, that Wiedemann had "sought" the interview in order to learn how drastically England would deal with Germany in case of defeat (see FBI memorandum of October 7).

Records of the Palace Hotel in San Francisco show that Sir William Wiseman, of New York, registered there on the evening of September 30, 1940, checked out on the evening of October 1, and that Rudolph Kommer, an Austrian who is suspected by FBI of espionage activities, had something to do with Sir William's activities on that date. Princess Stefanie von Hohenlohe called Sir William at the hotel on October 1, arranged for an appointment with him for the evening and told the individual who answered the telephone

in Sir William's room (who may have been Sir William himself) not to forget the reference to "Lord R." (Rothermere?).

There is at hand a document dated October 3, 1940 which is a report by Sir William (apparently made to Neville Butler of the British Embassy) of his conversation with Fritz Wiedemann on October 1. Sir William says in this document that Wiedemann came to his hotel room by an appointment arranged through an unnamed intermediary and that Wiedemann emphasized that his government knew nothing of this meeting and that it must be kept very secret. Sir William told Wiedemann that he, too, had no official status but could communicate anything of interest to the "proper quarters". This interview, Sir William says, lasted three hours. There is nothing in the memorandum of October 3 which explains just what message Sir William was to carry back to the "proper quarters" or whether any proposals were made on either side. However, Sir William gives Wiedemann a "build-up", pictures him as an honorable Bavarian army officer, frankly defeatist and convinced that under Hitler Germany is being led to destruction. Wiedemann added that his disillusionment with Hitler culminated at the time of the von Fritsch affair and that the Foreign Office in Berlin was sending people to America to test his loyalty. Wiedemann alleged to Sir William that he, Wiedemann, was persona non grata with von Ribbentrop and he was sent to San Francisco as Consul General because Hitler began to show lack of confidence in him.

(In contradiction, the German Consul General in New York, Borchers, told a newspaper man at the time of Wiedemann's arrival in the United States, that Wiedemann and Stefanie, who worked closely together in arranging the "non-violent" solution of Munich, were sent to perform a similar

job in the United States and that Wiedemann was sent here as prospective ambassador should Hugh Wilson be replaced in Berlin. Furthermore, Burckhardt, the League of Nations Commissioner at Danzig, informed me that Hitler told him in private conversation shortly before the invasion of Poland, that since Wiedemann's arrival in America he, Hitler, for the first time was getting first-rate information concerning America.)

The record is bare from October 7 until November 28. An FBI memo of that date, based on its own "authentic" information, reveals that Sir William Wiseman arrived by 'plane in San Francisco on November 26. He got in touch with Princess Stefanie von Hohenlohe at the residence of Captain Wiedemann and made a luncheon appointment with her. She told him Wiedemann would see him the next day. Wiedemann then got in touch (presumably telephoning his own home) with the Princess and inquired if Sir William had called her.

The Princess duly visited Sir William. She stated Wiedemann had suggested that she proceed to Berlin "personally to present the peace proposal to Hitler and von Ribbentrop". Wiseman was apparently to act as mediator with the British authorities. He told the Princess that "he is representing a group of Englishmen who believe a satisfactory peace arrangement can be brought about between Germany and England without prolonging the present war". He and the Princess agreed that the peace plan should be presented to Lord Halifax. She urged Sir William to talk freely and frankly to Wiedemann. He asked her to obtain a letter from Wiedemann frankly giving his opinion of Hitler. Sir William would send this letter to England by diplomatic mail.

(The foregoing sounds as though Sir William wanted Wiedemann to sign his own death warrant.)

The Princess returned to see Sir William in the evening. She insisted that she was a constant worker for peace. They engaged in a long discussion of how best she could reach Germany on her mission. Hitler, the Princess said, was fond of her and would look forward to her arrival. She believed he would listen to her. "He must align himself with Great Britain and such an alliance would bring about a lasting peace". She would deride Mussolini, "the clown", to Hitler and emphasize the great strength of the United States.

Sir William said "the President has four more years to get the United States into war which he was apparently determined to do." Sir William later announced that after his meeting with Wiedemann next day "he would prepare a draft of the peace problems, incorporating the opinion of Wiedemann as to the terms of such a proposal and that he would thereafter forward this draft via cable or letter to 10 Downing Street." His cable would contain his suggestion that the Princess present the proposal to Hitler with the unofficial approval of the British Government. Sir William then discussed what channel of approach he should use; Lord Halifax or Churchill. He and the Princess eliminated Samuel Hoare who was in Spain and of "weak character". It would be better to send the proposals to Churchill since Halifax would refer them back to Lord Lothian. They both agreed Lothian should be left out of the business. Sir William and the Princess agreed that after the conference with Wiedemann they should both go East; he to communicate with Downing Street and she to await the British reply. As soon as it came in she would contact (Hans) Thomsen, who would get in touch with von Ribbentrop. There-

after she would proceed to Berlin. If the proposals received a favorable "echo", Sir William would step in and complete the negotiations.

On November 27 the meeting with Wiedemann duly took place in Sir William's suite -- from 7:30 P. M. until 1:00 A. M. Sir William announced to Wiedemann that "What we talk about tonight (unless you tell me not to) I will send it straight to Lord Halifax because I know he knows you and is sympathetic and I will send it direct to him so it will not be circulated around the Foreign Office, and not even our Ambassador in Washington will know anything about it." Wiedemann approved.

According to FBI: "From the tenor of Sir William Wiseman's conversation, he apparently is the spokesman for a British political group headed by Lord Halifax which hopes to bring about a lasting peace between England and Germany, but which states that this peace, to be lasting, cannot and will not be made with Chancellor Adolf Hitler."

(All previous conversation had dwelled on a peace approach to Hitler; now Sir William eliminates Hitler. Had Wiseman received instructions to change his attitude?)

Wiedemann apparently fell in with Sir William's idea and took the line that a lasting peace could only be made with a strong German political party, possibly a monarchy, and that the present Hitler regime must be destroyed. There was protracted conversation about the Crown Prince and his availability for a peace move.

Sir William pointed out that "now that France is out of the way we could offer more favorable peace terms to Germany .....".

The conversation turned to possible substitutes should the Crown Prince not be available. Princess Stefanie contributed the following: "Heinrich Himmler, head of the German Gestapo, is also a monarchist and might be a good substitute".

There was more inconclusive talk about a meeting with the Crown Prince in Switzerland. Finally, the Princess suggested that Hitler might be done away with. Wiedemann said it would make all the difference. Sir William declared that it would serve no purpose to make peace with Goering. Princess Stefanie reverted to her idea of a "point blank alliance" between Germany and England. Sir William denied that this would be possible since the British people lacked confidence in the Germans. Wiedemann assented, but added that Hitler having captured so much territory might be willing to line up with England.

A great deal of tactical and general political conversation followed, much of it pointless. Sir William emphasized his desire that the United States should not enter the war. There was some conversation about the distinction between Bolshevism and National Socialism. Wiedemann maintained that Hitler's attitude was unchanged. He then adopted a defeatist tone and claimed that Hitler had attempted "to land" in England. The Italian situation was touched on in general terms. Hitler, according to Wiedemann, was anxious for a spectacular success involving the Dardanelles and the Suez Canal in order to bolster morale at home.

Mention was made of Elbert G. Bennett, President, First Security Company, Ogden, Utah, whose brother, Jess G. Bennett, is supposedly employed as liaison between the White House and the National Defense Commission. He had been in touch with Wiedemann five or six times and had spoken of himself as Ambassador to Germany should Dewey be elected. Sir William remarked that after a luncheon Bennett had queried him regarding Wiedemann. Sir William told Bennett that he did not know Wiedemann per-

sonally but that "our government thinks he is sincere and Lord Halifax thinks he is sincere". Sir William thought it curious that Bennett had connected him with Wiedemann in any way.

The second of the two documents written by Sir William and turned over to Neville Butler gives Sir William's report of the November conversations in San Francisco. He said that Princess Stefanie von Hohenlohe had telephoned him, presumably long distance to New York, to come to San Francisco since there was something important that he should know. What this "something" was (unless it had to do with the arrival in mid-September of a German named Völkert -- the man who, Stefanie alleged, organized the Fifth Column in Holland and Norway) is not made clear in the memorandum. Sir William arrived the 26th and saw Stefanie alone. She denied that Wiedemann knew that she had sent for Sir William. Wiedemann thought Sir William was merely in San Francisco on a business trip.

On the 27th, when Wiedemann dined with Sir William, Stefanie was present at Sir William's request. He thought "she might be able to draw him (Wiedemann) out and she tried quite cleverly but the experiment was rather a failure. He did not seem to talk quite so frankly and I think he talks rather more freely when we are alone". As a matter of fact, from the information obtained on the subject by FBI, Stefanie's only effort at drawing out seemed to be directed at Sir William. She seemed, as may be noted in the foregoing, particularly anxious to promote discussion on the subject of an Anglo-German alliance.

Sir William explained in his memorandum that he took every opportunity, apparently without any success, to find out what Wiedemann's purpose was in meeting with him. He did not, however, receive any indication

to refute Wiedemann's sincerity. Wiedemann refused to reveal anything about his work or that of other German consulates or agencies in America. He said it was the patriotic duty of every German to work for the overthrow of the Nazi regime. At the right moment England could greatly help. The Crown Prince was the man to organize the movement, but would not become the eventual emperor. The moment might be ripe for the movement in February or March, or perhaps only next Fall. The German generals would never initiate the movement against Hitler themselves, since German generals never revolt. They would, however, follow the lead of the Crown Prince, meaning apparently that they would revolt if somebody else took the initiative. One Hofrat Berg was the Crown Prince's right hand and there was some talk of arranging a meeting in Switzerland.

Wiedemann indicated that Germany realizes that the war would be a long one and therefore wanted to keep America out. The German Embassy and consulates were under orders not to offend American public opinion. The Gestapo agents had consequently been withdrawn from America (1). He admitted that other secret agents, like Völkert, were in America; said that there were many, too many, secret bureaus in Germany and they often worked at cross-purposes.

Wiedemann continued his chit-chat on Hitler's general policy and strategy and indicated that the German Embassy and consulates were kept rather short of funds (which does not seem to be the case). He said that he, himself, had an emergency fund of \$100,000 in case it would be necessary to evacuate German officials.

It is significant that in his own two memoranda Sir William does not reveal that he had discussed at length with Stefanie and subsequently

with Wiedemann the possibility of a peace move and that he makes no mention of the fact that he had invoked the name of Lord Halifax as the leader of a group in England which believes that peace could be made by arrangement.

In December Sir William became aware that his activities had become known to the FBI. He has since that time conferred with various persons at the British Embassy and elsewhere. FBI has been keeping him under surveillance. It reports that on January 3, 1941, Herbert Bayard Swope called Sir William, told him that he was sorry that Sir William had seen Wiedemann and that Lord Beaverbrook had said that he desired Sir William to see Lord Halifax on the latter's arrival in the United States; Swope asked Sir William to call at Swope's apartment alone on January 4 to discuss something of importance.

One of Sir William's concerns seems to be whether he may be charged with having acted as an agent of a foreign principal without registering at the State Department. There is certain correspondence between him and Leonard H. Price of the Division of Controls of the State Department in July and August of 1940, in which Sir William, without registering, told the State Department that he was from time to time giving advice to British officials in this country without being in the employ of the British Government or receiving any payment therefor..

Butler, of the British Embassy, has apparently told Wiseman that he was being accused of "helping another cause or another country" and on the 28th of December Butler advised Wiseman that while there was no lack of good will towards him at the Embassy he must await the arrival in New York on January 2, 1941 of "one of the big men" who would probably straighten the matter out, and that in the meantime, Butler advised, Wiseman was "to

say nothing that might reflect the true background of the case". John Schiff also advised Wiseman not to write Price any further letters concerning his, Wiseman's, activities.

It further appears (FBI memorandum of January 8, 1941) that Wiseman has been making suggestions to someone overseas regarding the desirability of using Chambrun (Rene de Chambrun?) in propaganda work the nature of which is not clearly disclosed. A draft of a cable (the addressee of which is not known) found in Wiseman's room at the Wardman Park Hotel reads as follows:

"Thousand thanks for cable. Heartily reciprocate. May (or March) 1941 Victors F\_\_\_\_\_. Stop. In my opinion your organization here proving constantly more effective. Regret you could not agree with suggestion regarding Chambrun. My point is that certain important magazine editors still regard articles by famous people offered through official sources as propaganda. Stop. It has been part of Chambrun's business for years to place such articles and I thought he might be able to get editors to authorize him and try to persuade some famous author to write an article for him on some subject the editor selects. Believe it \_\_\_\_\_ worth a trial without commitment. Sure of him if matter is satisfactory to you."

The FBI investigation indicates that Sir William has had direct or indirect contacts with Lord Halifax, Lord Beaverbrook, Neville Butler, Stevenson of the British Intelligence, Rene de Chambrun, Rudolph Kommer, Sir Wilmott Lewis, Walter Lippmann, Amory of the British Embassy, McCloy (formerly of Kuhn, Loeb's lawyers, Cravath, de Gersdorff, Swain & Wood, and now with the War Department), a Mr. Charles (of the British Purchasing Commission?), Ingram Fraser of the British Purchasing Commission in New York, Brigadier-General C. L. Lindemann, Assistant Air Attache at the British Embassy, and others.



*file  
Confidential*

*BF Morgenthau folder*

THE SECRETARY OF THE TREASURY  
WASHINGTON

February 25, 1941

My dear Mr. President:

I am enclosing herewith (1) a draft of a letter, for your signature, to Congressman Wigglesworth and (2) a confidential up-to-the-minute report from Philip Young as to the airplane engine orders on hand from the Russian Government.

I am sending copies of this material to Mr. Sumner Welles.

Yours sincerely,

The President,  
The White House.

Congress of the United States

~~STRICTLY CONFIDENTIAL~~

CONFIDENTIAL

TO KEEP YOU POSTED

February 25, 1941

To: The Secretary

From: Mr. Young

Re: Airplane Orders for Russia

Attached herewith is a draft reply for the signature of the President in response to Congressman Wigglesworth's note of February 17th concerning the sale of United States airplanes to Russia.

A careful check has been made by the Liaison Committee against its own records and with the Aeronautical Board, Amtorg, and Curtiss Wright Corporation. The only outstanding orders for Russia as of February 15th in the aircraft field are:

(1) Ten Cyclone GR-1820 engines which were ordered November 28, 1939, from Wright Aeronautical Corporation, with an approximate total value of \$108,000. Two of these engines have been completed and the rest are in production. No export license has been issued.

(2) Spare parts for airplane motors ordered February 3, 1941, with a value of about \$50.00 manufactured by S. F. Bowser & Company. These parts have been completed but no export license has yet been issued.

*du.*

~~STRICTLY CONFIDENTIAL~~

RICHARD B. WIGGLESWORTH  
11TH DIST. MASSACHUSETTS

COMMITTEE ON  
APPROPRIATIONS

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

THE WHITE HOUSE  
FEB 18 8 47 AM '41  
RECEIVED

February 17, 1941

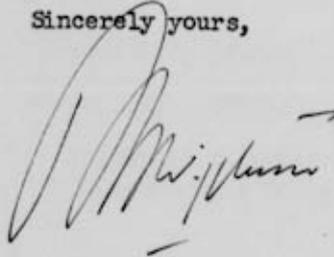
Honorable Franklin D. Roosevelt  
President of the United States  
White House  
Washington, D. C.

Dear Mr. President:

I venture to enclose herewith copy of a letter just received from the St. Brendan Society of Boston, Massachusetts with reference to the sale of United States airplanes to Russia.

I should greatly appreciate any views that you may care to give me in this connection.

Sincerely yours,



C  
O  
P  
Y

CUMANN BHREANDAIN  
ST. BRENDAN SOCIETY  
BOSTON, MASS.

January 22, 1941

Mr. Richard B. Wigglesworth  
House of Representatives  
Washington, D. C.

Honorable Sir:

The St. Brendan Society, an American organization of the Irish country group, are concerned and alarmed at the report that Russia is to get U. S. Airplanes. The weakened condition of our own military forces as outlined by President Roosevelt is the basis of this society's strongest protest against any further weakening or dissipation of strength which we have gained.

The society trusts that you, sir, as an American with the protection of Christian America at heart will proceed with fellow members to safeguard at once the strength of our military forces and the peace of our country.

We respectfully request an early reply as to what efforts you will make in this regard. Your letter will be read at our next meeting of this society.

Respectfully yours,

ST. BRENDAN SOCIETY

Sylvester E. Sullivan  
Corresponding Secretary

93 Federal Street  
Boston, Mass.

February 25, 1941

220-A

My dear Mr. Wigglesworth:

Thank you for your note of February 17th,  
enclosing a copy of a letter from the St. Brendan \*  
Society of Boston, Massachusetts, concerning the  
sale of United States Airplanes to Russia.

May I advise you that as of February 15th no  
airplanes were on order for Russia with United States  
aircraft manufacturers, and further that no requests  
were pending for the negotiation of any such contracts.

Sincerely,

*(Signed) Franklin D. Roosevelt*

Honorable Richard B. Wigglesworth, \*  
House of Representatives,  
Washington, D. C.

FY:bj  
2/25/41

x249  
x526  
x220

THE WHITE HOUSE  
WASHINGTON

February 21, 1941.

MEMORANDUM FOR H.M. Jr. <sub>x21</sub>

W

For preparation of reply.

F.D.R.

Letter from Cong. Richard B. Wigglesworth,  
2/17/41 to the President, with enclosed copy  
of letter he received from the St. Brendan  
Society of Boston, Mass., with reference to the  
sale of U.S. airplanes to Russia. Asks Presi-  
dent's views on the matter.

BF Morgenthau Folder

C O P Y

February 25, 1941.

MEMORANDUM FOR THE PRESIDENT:

We learn from Immigration that "the Stefanie woman" is out on bond and living "in the vicinity of San Francisco". Deportation proceedings are still pending. No final action has been taken. Investigation of the others appears to have been dropped.

(SIGNED) H. M. MORGENTHAU, JR.

~~CONFIDENTIAL~~

Attorney General

What is latest?

F. D. R.



THE SECRETARY OF THE TREASURY  
WASHINGTON

February 26, 1941

MEMORANDUM FOR THE PRESIDENT

Argentine Sales of Food to Spain

1. Argentina is known to be currently negotiating with Spain for the sale of wheat in an amount which initially totals 50,000 tons but which may ultimately reach 500,000 tons. It is our understanding that this wheat is to be paid for by certain securities available to Spain and by credits to be accorded Spain by Argentina. It is possible that the British have lent a helping hand in these arrangements, but we do not have definite information.
2. The dollar credits we propose to extend to the Argentine Republic through the Export-Import Bank and the Treasury have not yet been made available because the Argentine Congress has delayed in passing the necessary legislation. It is doubtful whether the anticipation of these American credits would have facilitated the extension of the wheat loan to Spain inasmuch as the wheat going to Spain could not have yielded any dollars.

PSF: Morg. files  
1-41

File  
personal  
confidential



THE SECRETARY OF THE TREASURY  
WASHINGTON

February 28, 1941.

*Morgenthau folders*  
*BF*  
*File*  
*Confidential*

Dear Mr. President:

The Coast Guard vessels which seem most suitable for convoy work are the ten cutters of the 250-foot class built between 1928 and 1932. The names of the vessels and the years in which they were completed are:

CHELAN	- 1928	ITASCA	- 1930
PONTCHARTRAIN	- 1928	SARANAC	- 1930
TAHOE	- 1928	SEBAGO	- 1930
CHAMPLAIN	- 1929	SHOSHONE	- 1930
MENDOTA	- 1929	CAYUGA	- 1932

The over-all length of each is 250 feet, molded beam 42 feet, maximum draft 16 feet, displacement 1,979 tons, speed 16 knots. The gross tonnage of the first five is 1,632 and of the later five, because of minor changes in power plants and internal arrangement, is 1,573. All are oil-burning turbo-electric. The first five develop 3,000 horsepower and the later five 3,200.

With the exception of one, the SHOSHONE, all of the vessels are now on the east coast and all are in such condition as to hull and machinery that they could be turned over immediately. Consideration has to be given, however, to the armament and other equipment they would need for convoy service. Although a program of arming and equipping all ten for service with our Navy has been in progress, it seems far from certain that this equipment will meet British needs and it seems probable also, in view of the history of the destroyers turned over to the British, that some structural changes will be desired. This work could probably best be done in American yards.

We have consulted the Navy Department on this point and the Embassy has asked advice from London. The time when the ten cutters can be turned over for actual

convoy work will of course depend upon the extent of the changes and additions desired and the speed with which we can get the work done.

The transfer of these ten vessels means the loss of about half the fleet of cruising cutters and the program of work laid out for the year will of course have to be drastically revised. Among cutters of the large sea-going class there will remain seven of the new 327-foot type and four 240-foot ships that are now twenty years old. Of the seven 327-footers one, the CAMPBELL, is now on Navy service in Portugal.

The following steps appear to be necessary to adjust this year's program to the equipment available:

(a) International Ice Patrol - The recommendation is renewed that the International Ice Patrol be abandoned for this year. Such patrol of the Grand Banks area as may be necessary from time to time would be carried out to the extent that vessels are available. If the regular International Ice Patrol is continued it will have to be done with vessels of the 125-foot class, which are ill suited for this work.

(b) Greenland Patrol - This patrol can be made by the Arctic cutter NORTHLAND, the 165-foot ice breaking cutter COMANCHE, and a vessel of the 240-foot class. Efforts are being made to obtain the BEAR OF OAKLAND from Admiral Byrd for Greenland duty, upon the return of that vessel from the Antarctic, about May 1. This is not quite as extensive patrol of Greenland as had been planned for the coming summer, but it may be sufficient.

(c) Atlantic Weather Stations - To maintain a two-station patrol in the North Atlantic will require five vessels of the 327-foot class. This will be a full-time duty for these five vessels, and they could not be diverted for other use. Strong representations have been made by the British Government, the State Department, the Weather Bureau, and the Civil Aeronautics Administration to maintain

a third station on this Atlantic Weather Patrol, which would require at least two more vessels. These are not available. It is recommended that immediate steps be taken to obtain and equip seven merchant vessels for this duty. There appears to be no doubt but that all of the 327-foot cutters will shortly be needed for more important duty. It ought to be possible to obtain for this work seven of the Danish ships now tied up in our ports. If the bare boats could be chartered they could be manned by Coast Guard crews.

(d) Cadet Practice Cruise - No vessels whatever, of suitable type, are now available for the Cadet Practice Cruise, during the coming summer. This cruise is a very important part of a cadet's training. It is urgently recommended that immediate action be taken to obtain the Danish training ship DANMARK, now immobilized at Jacksonville, Florida. Preliminary negotiations have been undertaken through the State Department.

(e) Bering Sea Patrol - Two of the 250-foot cutters were scheduled for Bering Sea Patrol during the coming summer. The Coast Guard has no replacements for these vessels and, consequently, the activities of the Coast Guard in the Bering Sea will need to be somewhat curtailed this coming summer. The patrol will have to be made entirely by small craft, with the exception of the HAIDA (240-foot class).

(f) Cruise to American Colonies Southwest of Honolulu - The TANEY (327-foot class) makes periodic cruises to the colonies established on Baker, Howland, and Jarvis Islands, and is the only vessel available for this duty. This duty can be continued only as long as the TANEY remains available for Coast Guard activities.

(g) General Duties - Many other duties of the Coast Guard - such as: neutrality patrol, law enforcement, assistance to vessels in distress, towing of vessels for the Maritime Commission, and other emergency tasks, will have

to be curtailed.

For some time we have felt the need of additional and better equipment to take care adequately of ice conditions on our Eastern coast, in the rivers, the Great Lakes and on the Alaskan coast. We lack also vessels entirely suitable for coping with ice conditions in the harbors of Newfoundland and Greenland and Iceland; nor do Canada or Great Britain have suitable vessels for this purpose, which may continue for some time to come to be of great importance.

The replacement of the ten cutters to be transferred will give us an opportunity to remedy this lack. As a part of our National defense needs it would seem prudent to equip the Coast Guard with ships specially constructed to overcome difficult ice conditions wherever they are called upon to perform service.

I am therefore suggesting a program for the construction of ten dual purpose ships at an estimated cost of \$22,500,000 (\$2,250,000 each), and respectfully ask your permission to submit a deficiency estimate in that amount. These would be combination ice-breakers and cruising cutters, 250 feet in over-all length and approximately 42 feet beam, similar to the ten cutters to be transferred except that the bow characteristics would be materially different and the vessels would be more staunchly constructed, in order to break ice and to penetrate ice-fields. Perhaps a half-knot of speed (of the 16 knots of the present cutters) would be sacrificed for more rugged construction and better ice-breaking qualities. In addition to their value for working through ice the vessels would also have all necessary useful qualities for towing, rendering assistance at sea and other varied Coast Guard work.

To summarize, the program I desire to suggest for your approval is as follows:

- (1) Submit deficiency estimates in the amount of \$22,500,000 for ten dual-purpose cutters.

- (2) Undertake negotiations to obtain and equip seven merchant ships for weather patrol purposes, to be manned by Coast Guard crews.
- (3) Negotiate for the purchase of the Danish training vessel DANMARK for Coast Guard cadet training.

Faithfully,

*Henry Mygus*

Secretary of the Treasury.

The President,

The White House.

Faithfully,

*Henry Mygus*

The President,

The White House.



PSF  
Morgenthau folder  
1-41

THE SECRETARY OF THE TREASURY  
WASHINGTON

March 5, 1941

My dear Mr. President:

With the signing of the Lend-Lease Bill the period of cash-on-the-barrelhead will come to an end for the great bulk of foreign government orders in this country. Your appointment of an advisory committee, to assist you in administering the provisions of the bill, means that a vital new phase of our effort has begun. I shall be delighted to serve as a member of this committee.

Complete coordination of all foreign buying will, in my opinion, be even more necessary under the new system than under the old cash sales plan. You may remember that at the first meeting of the newly constituted advisory committee, on March 1, I brought to your attention the problem of Russian purchasing, and you said that you felt this came within the scope of the new committee's work. I think that the same considerations should apply just as much to the Dutch and the Canadians, who will continue to pay cash, as to the British and others who will come under the Lend-Lease procedure. It seems to me that all foreign government purchasing, commercial as well as military, can be handled more efficiently and fitted more smoothly into United States production if this purchasing is coordinated in one place.

Therefore, I should like to suggest that all the complex liaison work on foreign purchases, which has been done in the Treasury for the past two and a quarter years, should be consolidated immediately and completely with the work to be done by Harry Hopkins as Secretary of the new advisory committee. This will relieve me of all direct responsibility with respect to foreign purchases, except for the great and continuing responsibility that now faces all the committee members alike. I have already begun to turn over to Harry Hopkins a part of the foreign purchase work we have been doing, and, complying with the request stated in your letter of February 25, I have offered him the assistance of anyone he needs in the Treasury.

Faithfully,

*Henry Morgenthau Jr.*

The President,

The White House.

*BF Morgenthau folder*

THE WHITE HOUSE  
WASHINGTON

March 7, 1941.

MEMORANDUM FOR  
THE ATTORNEY GENERAL

That Hohenlohe woman ought  
to be got out of the country as  
a matter of good discipline.  
Have her put on a boat to Japan  
or Vladivostok. She is a  
Hungarian and I do not think  
the British would take her off.  
That is their lookout anyway.

F. D. R.



Office of the Attorney General  
Washington, D. C.

March 5, 1941

THE WHITE HOUSE  
Mar 6 1 55 PM '41  
RECEIVED

MEMORANDUM FOR THE PRESIDENT

Ordered deported to Hungary. Owing to transportation conditions, it is likely cannot get execution warrant.

A handwritten signature in dark ink, appearing to be "R. H. C. A.", written over a faint, illegible typed name.

Attorney General



THE SECRETARY OF THE TREASURY  
WASHINGTON

February 25, 1941

MEMORANDUM FOR THE PRESIDENT:

We learn from Immigration that "the Stefanie woman" is out on bond and living "in the vicinity of San Francisco". Deportation proceedings are still pending. No final action has been taken. Investigation of the others appears to have been dropped.

*M. M. Nathan*

~~Confidential~~

*Atty. Genl.*

*What is interest? J. W.*

PSF: Morgenthau folder  
1-41

March 13, 1941.

Dear Henry:

I wish you would undertake to negotiate the "quid pro quo" with the British relative to the material up to \$1,300,000,000 which I am authorized to transfer to them. I should think it would be best if we could work out some kind of over-all agreement and I should like to discuss it with you when you have developed further the informal proposals which we talked about the other day. I think it would be wise to get this accomplished soon, because we must move forward with our transfers.

Very sincerely yours,

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

*file  
personal*

*PSF*

*Morgenthau folder  
1-41*

THE WHITE HOUSE  
WASHINGTON

*Treas*

March 17, 1941.

MEMORANDUM FOR THE PRESIDENT:

Henry and I are very anxious to clear today the question of transfer of coast guard cutters to the British. I do hope you will agree to the first proposal made by Henry -- mainly to transfer ten coast guard cutters, from 10 to 13 years old, which would be of very real service to them.

I do hope you can talk to Henry about this at lunch today and if you agree I will have the appropriate papers prepared.

H.L.H.

PSF: Morgenthau jobles  
1-41

THE WHITE HOUSE  
WASHINGTON

April 1, 1941

MEMORANDUM FOR

H. M. Jr.

Please read this letter to Mrs. Roosevelt but do not let the man get in wrong for writing it.

It occurs to me that if the buildings are as outworn as he suggests we could consider a new Federal building at Laredo and possibly other buildings at other points of entry on condition that such building or buildings were to be constructed with one eye on their defense value. In other words, while there is of course no possibility of an attack by Mexico, it is conceivable that there might be an attack through Mexico. A building or buildings designed to harbor machine guns or anti-aircraft guns at a strategic location is worth considering in conjunction with advice from the War Department.

Please let me have this back.

F. D. R.

Enclosure



## TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

OFFICE OF THE COLLECTOR  
DISTRICT No. 23

ADDRESS ALL COMMUNICATIONS  
FOR THIS OFFICE TO THE COLLECTOR

LAREDO, TEX.

March 19, 1941

**Personal**

**Mrs. Eleanor Roosevelt**  
Washington, D. C.

Dear Mrs. Roosevelt:

I feel like I may write to you frankly as I have met you at the press conference at San Antonio and also more recently at Laredo.

I know of your interest in our relations with our Latin American neighbors and I believe much better feeling would be engendered had we better facilities for handling the incoming tourists from Mexico at the Laredo international bridge. The old frame buildings which we have for the Customs, Immigration, Public Health, and Plant Quarantine Services, are inadequate and do not contain the necessities and conveniences that the traveling public demands. Many times incoming tourists are compelled to wait for several hours while the long line of automobiles slowly passes the Customs inspection quarters. The same condition exists in the Immigration Department where many people are crowded into the small space and wait for hours; some of the women with small children in their arms. On some occasions the Immigration people have notified the Mexican authorities not to allow more passengers over the bridge into the Immigration Department, as they could not be handled during that day. Therefore, they have to wait until the next day to come over.

A building site was acquired for the construction of a new port building in September, 1939. Later an appropriation was made for a new port building at the cost of about \$200,000. However, much delay was experienced in getting suitable plans drafted, and then came the President's Executive Order stopping construction of certain projects and the building was therefore delayed. I understand that the Laredo port building is at the head of the list for action, and has a good chance of going thru, as it is connected with the National Defense Program. The Bureau of the Budget has informed our Congressman that they have completed the hearings on these postponed buildings, but it has been impossible to see the President on account of the Lease Lend Bill and also that the President had been indisposed with a severe cold. I am hoping that there will be a relaxation of the Executive Order stopping certain projects, when the importance of this improvement is presented to him.

Conditions at this port are entirely different than what they were a score of years ago, and the tourist business has increased many times, as also the entry of merchandise by truck. Right at four and a half million people entered thru the port of Laredo in the last fiscal year.

I am sure that if we had better facilities for handling these Mexican and other tourists, that it would make a much better impression upon them when they first enter our country and it would be greatly appreciated not only by our Customs officials, but by the entire citizens of this town, and by those who enter our country, if you would lend your assistance in bringing to pass the speedy construction of this needed building.

The Government owns no port building in this district which covers a large part of the Mexican border, and such a building would be a great help to the Customs officials in the better handling of traffic and passengers, as well as to all other services represented at the bridge.

With every good wish to you and your family, I am

Yours sincerely,

Harry P. Hornby  
Collector of Customs

Also Editor, Uvalde Leader-News,  
Uvalde, Texas

HPH:ALH

BF Morganthau folder  
1-41

THE SECRETARY OF THE TREASURY  
WASHINGTON

April 4, 1941

File  
Personal

My dear Mr. President:

On returning to the office, I looked up Basra in the Encyclopedia Britannica. Inasmuch as the Encyclopedia contains practically none of the information which was in my memorandum, I am sending you herewith a copy of the same as it may prove to be of use to you.

Yours sincerely,



The President,  
The White House.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 4, 1941

TO Mr. White

FROM Mr. Kamarck

Subject: The Ports of Basra and Bandar Shahpur on the Persian Gulf

### 1. Basra

The port is 80 miles up a river from the Persian Gulf. There are two bars in the river, but the dredged channel will take vessels up to 20 feet 6 inches at low water. The rise and fall of the tide varies from 4 feet to 8 feet. The wharves, which are 4,000 feet long, take steamers of any length, and up to 26 feet draught at low water.

Basra is equipped with all the customary modern cargo handling devices. The main wharves are served by 15 traveling cranes having up to 8 tons capacity. There is a floating self-propelled steam crane capable of lifting 25 tons at a 65 foot radius and a floating steam sheerlegs which can lift 60 tons at a radius of 35 feet. Cargoes can also be loaded and discharged in the stream.

The port has powerful tugs and a small fleet of steel barges and pontoons. Ample shed accommodation is available for storage of cargoes. It is estimated the warehouses can accommodate up to 120,000 tons. There are railway sidings on the wharves which connect with the Iraq Railway system.

### 2. Bandar Shahpur

This recently developed port is 50 miles from the Persian Gulf. The channel will take ships drawing up to 20 feet at low water and up to 29-1/2 feet at high water. The pier at Bandar Shahpur, at low water, will take a ship alongside that draws up to 25 feet.

The pier is 350 feet long. There are a number of lighters available for the unloading of ships if the dock is already occupied.

Cargo can be unloaded at the pier with ship's tackle directly into railroad cars. There is a 10 ton traveling crane available. The port has recently acquired a 6,500 ton floating dock.

Five 4,000 and 5,000 ton German ships have been at anchor in the port since the war began.



THE SECRETARY OF THE TREASURY  
WASHINGTON

PSF: *Morganthau folder*  
*1-24*

*File*  
*preserved*  
*confidential*

April 7, 1941.

Memorandum for the President:

Subject: Seized Ships

Of the 27 Italian, 2 German and 35 Danish ships seized by the Coast Guard on Sunday, March 30, 26 Italian ships and one German ship had been sabotaged by their crews. All of the Danish ships were found to be in good order.

As to the ships which were sabotaged, the Attorney General plans to initiate actions for forfeiture under the Espionage Act as soon as he has State Department approval. However, it is the Attorney General's informal opinion that we have authority to proceed immediately to put the ships in operating condition. At our request the Maritime Commission now has surveys in progress to determine the extent of the damage and prepare plans for making repairs.

It is our understanding that it is the opinion of the Attorney General that legislation is desirable if we are to take title to the remaining ships which are undamaged, consisting of 35 Danish, 1 Italian and 1 German. We understand that a draft bill has been prepared and is before you. It would appear advisable that it be introduced at the earliest possible date.

It seems clear that responsibility for repairs and operation of any ships that may be acquired would rest with the Maritime Commission.

*W. M. C. Sullivan*  
Secretary of the Treasury.



Office of the Attorney General  
Washington, D. C.

April 8, 1941

The President  
The White House

My dear Mr. President

Matter of PRINCESS STEFANIE von HOHENLOHE WALDENBURG

The Princess' case has been continued to April 30. Meanwhile she has notified Special Assistant to the Attorney General Schofield of her willingness to supply to the Government both statements and documents concerning her activities and the activities of others.

I am instructing that full statements be taken from her. England, the country from which she came, has refused to accept her return. The State Department advises that Japan has indicated a willingness to give her a transit visa, provided Russia does likewise, which is the only way she can be deported to Hungary of which she is a national. I have asked that this be expedited as much as possible.

Meanwhile, she is in custody in a highly hysterical condition. Her mother, aged 79, is with her. I will advise you the results of her decision to "talk".

Respectfully yours,

Attorney General.

*RF Morgenthau folder  
full  
personal 1-41*

PSF: *Morganthau folder*  
1-41

THE WHITE HOUSE  
WASHINGTON

April 16, 1941.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

Thank you for the enclosed  
memorandum which I am returning  
for your files.

F. D. R.

Memorandum for the Secretary of the Treasury  
from Clifton E. Mack, Director of Procurement  
of the Treasury Dept., 4/11/41, advising that  
negotiations have been concluded for the purchase  
of the first list of equipment and supplies for  
the British Purchasing Commission, as detailed  
on list which accompanied the memorandum.

PSF: Maganathan Folder

THE WHITE HOUSE  
WASHINGTON

April 24, 1941.

MEMORANDUM FOR

HON. HARRY L. HOPKINS

FOR PREPARATION OF REPLY  
FOR MY SIGNATURE.

F. D. R.

Letter from the Secretary of the Treasury to the President, dated April 23, 1941, enclosing a photostatic copy of a memorandum setting forth tentative estimates of Canada's available surplus capacity for the production of munitions and supplies, which was prepared as a result of a meeting between the President and the Prime Minister of Canada.



*file personal*

*BF*

*Morgenthau Folder  
1-41*

THE SECRETARY OF THE TREASURY  
WASHINGTON

May 9, 1941.

My dear Mr. President:

I have been lying awake nights trying to think of some way to make things easier for you in these most difficult times.

It seems to me that if you would ask Congress to create a new Department of Supply as a part of your Cabinet, and throw into this Department everything that has to do with the procurement and production of defense articles, and other related functions such as priorities, requisitioning, and price control, this would go a long way towards lightening the great load you are carrying so magnificently.

I have had prepared in the Treasury a draft of a bill to carry out this idea. On page four of the enclosed draft you will find the guts of the bill.

If this thought appeals to you, and I most sincerely hope it will, I should like an opportunity to discuss it with you at your convenience.

Sincerely yours,

*Henry*

The President,  
The White House.

Enclosure.

A BILL

To establish a Department of Supply in order more effectively to coordinate and expedite the national defense program of the United States, and for other purposes.

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

SEC. 2. Where used in this Act, unless the context clearly indicates otherwise--

(a) The term "agency" includes any executive department, independent establishment, commission, office, board, bureau, service, administration, authority, Federally owned or controlled corporation, agency, division, or activity of the United States, whether in the District of Columbia or in the field service, or any part thereof.

(b) The term "functions" includes any rights, privileges, powers, immunities, duties, authority, or functions, or any part thereof.

(c) The term "property" includes any articles, goods, materials, things, facilities, structures, improvements, machinery, equipment, stores, supplies, or any other property or rights in property, real or personal, tangible or intangible, including (without any limitation of the foregoing) any defense article or defense information as defined in section 2 of the Act of March 11, 1941 (Public No. 11, 77th Congress).

SEC. 3. There shall be at the seat of government an executive department to be known as the Department of Supply and a Secretary of Supply (hereinafter referred to as the Secretary), who shall be the head thereof, and shall be appointed by the President, by and with the advice and consent of the Senate, and have a tenure of office and salary like those of the heads of the other executive departments. Section 153 of the Revised Statutes, as amended (U.S.C., title 5, sec. 1), is amended to include such Department, and the provisions of Title IV of the Revised Statutes, including all acts amendatory and supplementary thereto, shall be applicable to such Department if not inconsistent with this Act.

SEC. 4(a) There shall be in the Department of Supply an Under Secretary of Supply, a General Counsel, and seven Assistant Secretaries of Supply, who shall be appointed by the President, by and with the advice and consent of the Senate, all of whom shall exercise such functions as may be prescribed by the Secretary or required by law. The Secretary is authorized to exercise any function now or hereafter conferred or imposed upon him through any of the foregoing officers, or any other officer of his Department whom he may designate. The Under Secretary of Supply, the General Counsel, and the Assistant Secretaries of Supply shall each receive a salary of \$10,000 per annum.

(b) In the absence or disability of the Secretary, or in the event of a vacancy in that office, the Under Secretary of Supply

shall act as Secretary. In the absence or disability of both, or in the event of vacancies in both offices, one of the Assistant Secretaries of Supply or the General Counsel shall act as Secretary, and another Assistant Secretary or the General Counsel shall act as Under Secretary, in such order as may be determined by the Secretary. The Secretary may designate any officer of his Department to act as the Under Secretary, an Assistant Secretary, the General Counsel, a Director of Division, or an Assistant Director of Division, in the absence or disability of the officer involved, or in the event of a vacancy in the office involved. Any officer filling another office in an acting capacity under this subsection may exercise any function which might be exercised by the regular incumbent of that office.

SEC. 5. There shall be in the Department of Supply such major Divisions as the Secretary shall by regulations prescribe, which regulations shall be approved by the President. In addition, there shall be in the Department of Supply such lesser subdivisions, sections, and offices, as the Secretary shall by regulations prescribe. All regulations under this section shall be published in the Federal Register.

SEC. 6. There shall be at the head of each major Division of the Department of Supply a Director, who shall be appointed by the Secretary without regard to the civil service laws and shall receive a salary of \$10,000 per annum, and one or more Assistant Directors (as the Secretary may find necessary), who shall be appointed by the Secretary

without regard to the civil service laws and each shall receive a salary of \$9,000 per annum.

SEC. 7(a). The President is authorized to transfer by Executive Order to the Department of Supply any agency or function relating to any one or more of the following activities:

- (1) The manufacture or production of any property by or under the supervision of any agency;
- (2) The management, coordination, and stimulation of expansion, of the manufacture or production of any property by private industry, private persons, or other persons or entities;
- (3) The procurement, warehousing, transportation, and distribution of any property for national defense or other governmental purpose;
- (4) The establishment of priorities with respect to:
  - (i) deliveries of property under any contracts, subcontracts, orders or suborders;
  - (ii) the carriage of any property, or classes of property, by any means of transportation;
  - (iii) the carriage of any message, or class of message, by any manner of communication facility;
- (5) The allocation of property for defense, for private account, or for export, in the public interest or to promote the national defense;
- (6) The requisitioning of any property;
- (7) The control of prices and the protection of consumers; and
- (8) Such other activities as the President may deem so closely related to one or more of the foregoing that they should be administered

in the Department of Supply.

(b) The President is authorized to transfer by Executive Order any agency or function of the Department of Supply to any other agency in the same manner and subject to the same provisions of this Act or other law as in the case of a transfer of an agency or function to the Department of Supply under subsection (a).

(c) Each Executive Order under this section shall be printed in the Federal Register, and shall also be printed in the Statutes at Large in the same volume as the public laws.

SEC. 8(a) Any supervisory or other functions exercised by any officer of any agency with respect to any agency or function transferred to the Department of Supply under this Act are transferred to the Secretary.

(b) The Secretary shall administer the laws relating to any agency or function transferred to the Department of Supply under this Act or brought within the jurisdiction and control of such Department by or pursuant to any other provision of law.

SEC. 9(a) The Secretary shall cause a seal of office to be made for the Department of Supply, of such design as the President shall approve, and judicial notice shall be taken of such seal.

(b) The Secretary shall annually, at the close of each fiscal year, make a report in writing to the Congress, giving an account of all money received and expended by the Department of Supply and describing the work done by that Department. He shall also from time to time make such special investigations and reports as he may deem necessary or

as he may be required to make by the President or requested to make by either House of Congress.

SEC. 10(a) The Secretary is authorized, subject to the civil service laws, to appoint such officers and employees as he deems necessary to enable him to exercise the functions now or hereafter conferred or imposed upon him or his Department by or pursuant to law, and the compensation of all such officers and employees shall be fixed in accordance with the Classification Act of 1923, as amended.

(b) Notwithstanding the provisions of subsection (a), the Secretary is authorized to employ such compensated or uncompensated persons as he in his discretion may deem necessary for part-time or special work, and any such person may be appointed without regard to the civil service laws, and, if compensated, may receive compensation without regard to the Classification Act of 1923, as amended.

SEC. 11. The Secretary may enter into contracts (which he is otherwise authorized to enter into by or pursuant to law) without advertising or competitive bidding. No contract which would otherwise be subject to the provisions of the Act of June 30, 1936 (49 Stat. 2036; U.S.C., Supp. V, title 41, secs. 35-45), shall be exempt from the provisions of such Act solely because of being entered into without advertising or competitive bidding pursuant to this section. The cost-plus-a-percentage-of-cost system of contracting shall not be used under this section, but this shall not be construed to prohibit the use of the cost-plus-a-fixed-fee form of contract when such use is deemed

necessary by the Secretary. The Secretary shall report every three months to the Congress the contracts entered into by his Department without advertising or competitive bidding pursuant to this section. This section shall be supplementary to, and not in lieu of, all other provisions of law authorizing officers of the United States to enter into contracts without advertising or competitive bidding. The authority conferred by this section shall terminate June 30, 1943.

SEC. 12(a) Each Executive Order under this Act transferring agencies or functions shall contain appropriate provisions for the transfer or other disposition of records, property (including office equipment), personnel, and unexpended balances of appropriations or other funds, affected by such transfer.

(b) The Secretary may appropriately change the name of any agency or the title of any officer transferred to the Department of Supply.

(c) In the case of any commissioned officer or enlisted man of the Army, Navy, or Coast Guard transferred by any such Executive Order to the Department of Supply, such transfer shall be regarded as a detail, revocable at any time by the President. In addition, the President, or the head of any agency at the request of the Secretary, may at any time detail any officer or employee of his agency (including commissioned officers or enlisted men of the Army, Navy, or Coast Guard) to the Department of Supply, such detail to be revocable in the same manner in which it was made.

SEC. 13 (a) All orders, rules, regulations, permits, or other privileges, made, issued, or granted by or in respect of any agency or function transferred under this Act, and in effect at the time of the transfer, shall continue in effect to the same extent as if such transfer had not occurred, until modified, superseded, or repealed.

(b) No suit, action, or other proceeding lawfully commenced by or against the head of any agency or other officer or employee of the United States, in his official capacity or in relation to the discharge of his official duties, shall abate by reason of any transfer of functions from one officer, employee, or agency of the United States to another under this Act, but the court, on motion or supplemental petition filed at any time within twelve months after such transfer takes effect, showing a necessity for a survival of such suit, action, or other proceeding to obtain a settlement of the questions involved, may allow the same to be maintained by or against the head of the agency to which the transfer is made.

(c) All laws relating to any agency or function transferred under this Act shall, insofar as such laws are not inapplicable, remain in full force and effect.

SEC. 14. No transfer under this Act shall have the effect--

(a) of continuing any agency or function beyond the date when it would have terminated if such transfer had not been made;

(b) of continuing any function beyond the time when the agency in which it was vested before its transfer to the

Department of Supply would have terminated if such transfer had not been made; or

(c) of authorizing the Department of Supply, the Secretary, or any other agency or officer, to exercise any function which is not authorized by or pursuant to law.

SEC. 15. There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.



THE SECRETARY OF THE TREASURY  
WASHINGTON

15F  
M. J. Gintane  
file  
Personal

May 20, 1941.

Dear Mr. President:

I have your note of May 16 in regard to the preparation of an agreement with the British to cover material made available to them under the Lend-Lease Act. I assume your note supersedes the instructions contained in your letter of March 13, a copy of which is enclosed.

As the matter now stands, both State and Treasury have prepared drafts of an agreement. However, I am wholeheartedly in accord with your desire that the initiative and primary responsibility for working out such an agreement with the British should be centered in the State Department.

I shall notify Cordell Hull at once that the Treasury stands ready to be of assistance in working out the agreement.

Sincerely yours,

The President

The White House.

Enclosure

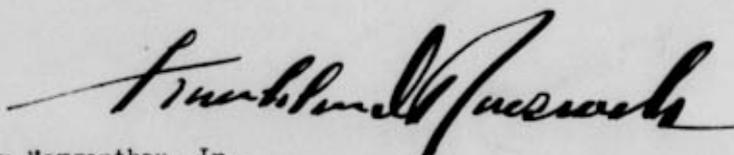
THE WHITE HOUSE  
WASHINGTON

March 13, 1941.

Dear Henry:

I wish you would undertake to negotiate the "quid pro quo" with the British relative to the material up to \$1,500,000,000 which I am authorized to transfer to them. I should think it would be best if we could work out some kind of over-all agreement and I should like to discuss it with you when you have developed further the informal proposals which we talked about the other day. I think it would be wise to get this accomplished soon, because we must move forward with our transfers.

Very sincerely yours,



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

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personal*

*PSF Morgenthau Folder*

THE SECRETARY OF THE TREASURY  
WASHINGTON

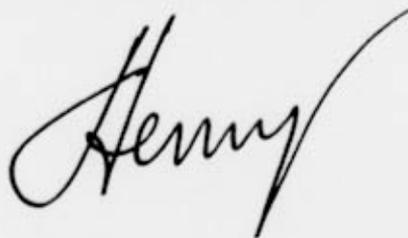
June 19, 1941

My dear Mr. President:

I am taking the liberty of writing to you in behalf of Francis Biddle for Attorney General.

I have worked very closely with Francis since he has been in Washington. I hold him in highest esteem, and I am confident that if you should make him Attorney General, he will do a wonderful job for you at this time. I believe that Francis thinks right on all of the questions which come up daily for decision, and I sincerely hope that you will decide to give him this appointment.

Yours sincerely,



The President,  
The White House.



*file  
Confidential*

*PSF Manginthan Files*

THE SECRETARY OF THE TREASURY  
WASHINGTON

June 23, 1941

My dear Mr. President:

This morning I got out the enclosed memorandum which had been handed me by Mr. T. V. Soong on June 4. You will undoubtedly remember that I gave you a copy of the same at lunch on that day.

I want to draw your attention to the second paragraph on page 2, where Mr. Soong's informant forecast 100% correctly what the Germans' plans were in regard to Russia.

Mr. Soong called on me today, at my request, and I have asked him to try to get additional information. He cautioned me to keep this information as confidential as possible as his informant's life was at stake.

Yours sincerely,

The President,  
The White House.

~~STRICTLY CONFIDENTIAL~~

June 3, 1941

Since my last report, the situation is still far from being clear, but important developments are on the way:

1. The anti-British military move in Iraq was prematurely staged, and the rapidity with which the British dealt with the situation resulted in a temporary setback for Germany.

With the consent of Vichy, besides giving airfield facilities to the Germans, the French in Syria are giving Germany every possible assistance.

Turkey tries strenuously to maintain neutrality and at the same time to remain true to her pact with Great Britain. At the moment she is busily engaged in parrying German pressure.

In North Africa the impetuous German advance in Libya has been stopped by the British on the Egyptian border. Serious difficulties are encountered by the German and Italian forces in keeping their supply routes open, and the British are completing plans for a counter-attack.

With the liquidation of the Italian forces in Abyssinia, the British are moving their troops there to reinforce their position at Suez, Iraq and Libya.

After capturing Crete, Germany will occupy the French colonies along the Mediterranean and Atlantic coasts. To facilitate military movements in North Africa Germany will penetrate Spain and take Gibraltar.

2. Germany has not attained her expected results in her Mediterranean warfare or in the Atlantic. The ranks of the best German submarine officers have been seriously depleted by sinkings and captures.

~~STRICTLY CONFIDENTIAL~~

~~STRICTLY CONFIDENTIAL~~

-2-

3. Of course, the battle of the Mediterranean is of paramount importance to England and only in a lesser degree to Germany. According to Dr. Schacht, however, the Mediterranean is not the main battleground of Germany.

According to current reports the predetermined German plan to attack the Soviet Union and to overthrow the Communist Government will be carried into effect early in June. Soviet Russia is increasing her supplies of raw materials to Germany with the hope of postponing the inevitable conflict. According to German plans, the German army will advance to the Volga River before September in order to finally solve the food question and to seize new resources and industrial districts.

After September Germany may attempt invasion of England, but as to that no decision has yet been taken. At the same time the German army will penetrate Spain and capture Gibraltar in order to facilitate the occupation of the Atlantic coast of North Africa to increase the effectiveness of her submarine warfare and to extend her grasp on Africa.

During the next year Germany will advance to the Ural Mountains and from there reach out for Vladivostok. The above may seem to you fantastic but barring unforeseen obstacles they will actually materialize.

4. The Hess affair shows that despite strict Government control there is internal friction among the Nazis and discontent among the populace is increasing. Morale has been maintained by constant news of fresh victories. The Hess affair has important effects among the Nazis and the German people because he was fully in touch with what had been going on.

5. Dr. Schacht is anxious for an interview with you on the German

~~STRICTLY CONFIDENTIAL~~

~~STRICTLY CONFIDENTIAL~~

-3-

and European situation, on the cooperation among China, Great Britain and America and the future political developments. He repeatedly requested that a meeting be arranged with you in neutral Switzerland for a few days which would be beneficial to China. He requests me to have you set a date so that he may await you in Switzerland. I have already reported this matter to the Generalissimo and shall appreciate a reply from you.

~~STRICTLY CONFIDENTIAL~~

PSF Morganthau folder



THE SECRETARY OF THE TREASURY  
WASHINGTON

July 3, 1941

My dear Mr. President:

I have your letter of June 24, 1941, requesting advice as to what defense articles the Treasury has available now and will have available to the close of this year for transfer under Section 3 (a)(2) of the Lend-Lease Act of March 11, 1941.

The Treasury has been thoroughly canvassed, and I am of the opinion that no articles of substantial significance will be available for transfer this year under the above-quoted section 3(a)(2). As you know, the Department has transferred ten Coast Guard cutters to Great Britain in accordance with the provisions of the Lend-Lease Act. Any further transfer of equipment and material now in the possession of the Coast Guard would probably impair the efficient performance of that service.

Faithfully yours,

The President,  
The White House.

MISS TULLY

FOR FILING.

L. BERNEY

*file  
personal.*

THE WHITE HOUSE  
WASHINGTON

July 7, 1941

MEMORANDUM FOR HARRY HOPKINS:

For your information.

F.D.R.

THE WHITE HOUSE  
WASHINGTON

*file  
personal*

July 9, 1941.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

I cannot see Plevin. The  
matter has been taken up before.

F. D. R.

*PSF: Morgenthau Folder*



THE SECRETARY OF THE TREASURY  
WASHINGTON

July 8, 1941

My dear Mr. President:

Mr. Rene Pleven, representing General de Gaulle, is here in Washington. He dined with me last night. He has the best knowledge of French Equatorial Africa of anybody I have ever met. He gained this knowledge first-hand as General de Gaulle's representative in Africa and it was he and two other French officers who took over French Equatorial Africa.

He has some very practical ideas on how Dakar could be taken and I assure you that if you would see him and give him half an hour, you would find your time very well spent.

I know Mr. Pleven intimately from the time when he was second in command of the French Purchasing Mission here in Washington. He is a man of excellent character and real ability.

Yours sincerely,

A handwritten signature in cursive script, reading "Morgenthau Jr." with a flourish at the end.

The President,  
The White House.

*BF Morgenthau  
Folder*

THE SECRETARY OF THE TREASURY  
WASHINGTON

July 16, 1941

My dear Mr. President:

Mr. T. V. Soong has given me another message which he has received from Berlin. I am enclosing a copy herewith.

Yours sincerely,

*H. M. Morgenthau Jr.*

The President,  
The White House.

~~STRICTLY CONFIDENTIAL~~

( COPY )

TELEGRAM FROM BERLIN

July 9th, 1941

Staunch resistance of Soviet troops entirely unexpected by the General Staff, which had hoped to achieve a break through in a few days, entrap and destroy the main Red armies and destroy their fighting strength, and secure the crops and industrial areas intact.

So far the Soviet line is unbroken, their armies are making orderly retirement according to plans, and destroying everything in the areas they are evacuating.

If, in the scheduled time, the German army cannot achieve the collapse of the Soviet armies, it will affect their entire military plans and the situation of Germany.

After careful consideration I propose to come to the United States and report to you before returning to Switzerland.

~~STRICTLY CONFIDENTIAL~~



THE SECRETARY OF THE TREASURY  
WASHINGTON

July 16, 1941

~~STRICTLY CONFIDENTIAL~~

My dear Mr. President:

Count R. N. Coudenhove-Kalergi called on me today and gave me, in confidence, the following suggestion:

"To transform Liberia into an American Bridgehead in Africa.

1. By an understanding with the Liberian Government, analogue to its recent agreement with Iceland, the U.S.A. could assure a strategical bridgehead in Africa at the narrowest part of the Atlantic, without risking any conflict with France, Portugal or other European powers.

2. An American naval and air-basis in Liberia would enable the U.S.A. to control all communications between West Africa and South America.

3. This American stronghold in Africa would back decisively the resistance of the French government and of its African Empire against any German attempt to invade North-Africa or to seize or control Dakar.

4. Liberia might eventually be considered as within the Western Hemisphere, if the Date-Line is accepted as its natural geographic limit."

-2-

The suggestion seems sufficiently interesting  
to pass along to you.

Yours sincerely,

*Alfred M. Latham Jr.*

The President,  
The White House.

P. S. Count Coudenhove-Kalergi, as you probably know,  
is President of the Pan-Europa Union.

THE UNDER SECRETARY OF STATE  
WASHINGTON

*File Personal*

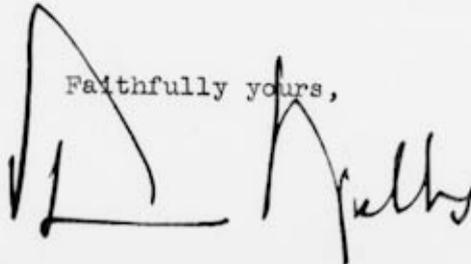
July 18, 1941.

My dear Mr. President:

Thank you very much for your thought in sending me the two letters addressed to you by the Secretary of the Treasury under date of July 16. I have read both messages with a great deal of interest.

Believe me

Faithfully yours,



Enclosures

The President,

The White House.

THE WHITE HOUSE  
WASHINGTON

July 17, 1941.

MEMORANDUM FOR

THE ACTING SECRETARY OF STATE

TO READ AND RETURN FOR  
MY FILES.

F. D. R.

Note to the President from the Secretary of the Treasury, dated July 16, 1941, enclosing copy of a message Mr. T. V. Soong received from Berlin re the German-Russian situation. Also confidential letter to the President from The Secretary of the Treasury, containing message from Count R. N. Coudenbove-Kalergi.

DECLASSIFIED

By Deputy Archivist of the U.S.

By W. J. Stewart Date MAR 16 1972

*Morgenthau  
Folder*

THE WHITE HOUSE  
WASHINGTON

PRIVATE AND CONFIDENTIAL

July 19, 1941.

MEMORANDUM FOR

H. M., JR.

Here is something I think you should look into. I am told that David Lawrence of the United States News owed a large amount of money to one or more of the banks in receivership in the District -- as much, I am told, as three or four hundred thousand dollars. I am told also that this was compromised with the approval of the Treasury or someone else for about ten cents on the dollar. Also, that Lawrence gets about \$50,000 salary a year, and that the whole performance does not smell good.

Will you have it looked into?

F. D. R.

RECEIVED FOR THE PRESIDENT  
147  
EXCLUDED FROM CONFIDENTIALITY  
WASHINGTON  
THE WHITE HOUSE

**THE WHITE HOUSE  
WASHINGTON**

July 18, 1941

REMINDER FOR THE PRESIDENT

You will recall that Mac spoke to you the other day about Dave Lawrence and the large amount he owed which the Treasury, in some way, permitted him to pay off -- ten cents on the dollar. Mac also said he gets about \$50,000 a year and that he believes you might want to speak to Henry Morgenthau about it.

G.

*BF Morgenthau  
Folder*

THE SECRETARY OF THE TREASURY  
WASHINGTON

August 5, 1941

*File  
Per*

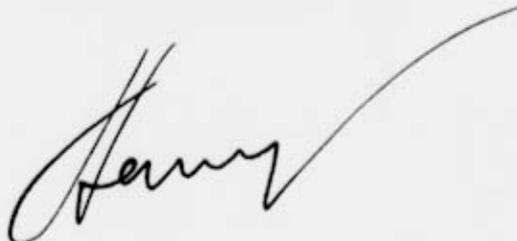
My dear Mr. President:

I am sorry that we will be unable to have Rudyard Kipling's poem, "The Islanders," read on our Treasury hour this coming Wednesday. At the last minute, the American publishers of Kipling would not let us give it on the air without the consent of the British copyright owners and, therefore, we have to communicate with the proper office in England in order to secure this permission.

We are all very enthusiastic about the poem, and hope to be able to give it a week from Wednesday.

Yours sincerely,

The President,  
The White House.



PSF: *Margaretta Alder*

THE SECRETARY OF THE TREASURY  
WASHINGTON

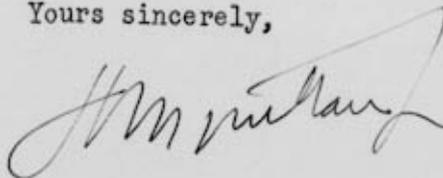
August 15, 1941

*file  
personal*

My dear Mr. President:

I am sending you herewith a copy of a memorandum, prepared for me by Mr. Harry White, on the Far Eastern situation.

Yours sincerely,



The President,

The White House.

Copies to: Secretary of State,  
Secretary of War,  
Secretary of Navy.

PSF: Morgenthau COPY

TREASURY DEPARTMENT  
Inter Office Communication

August 15, 1941

To Secretary Morgenthau  
From Mr. White  
Subject: Developments of Special Interest in the Far  
Eastern Situation

I believe that you will find of interest the following items which have been culled from the cables and other materials coming into my Division.

1. Dollar-Yuan Stabilization Board

- (a) The British have appointed Hall-Patch, although on a temporary basis.
- (b) Fox reports that steps are now being taken to carry through the official organization of the Board.
- (c) The British take the view that as a result of freezing Chinese assets, the prime function of the Stabilization Board will largely disappear. In Shanghai, however, financial circles expect the Stabilization Board will support fapi in the local "black market".

2. British proposal of an economic mission to China and visit of Sir Otto Niemeyer.

- (a) The British suggestion of an Anglo-American economic mission to China, of which Sir Otto Niemeyer was to be the British representative, may again come up for consideration since Sir Otto has now arrived in Washington.
  - (b) Ambassador Gauss writes on August 1 that he was confidentially informed of the British proposal by Quo Tai-chi, Chinese foreign minister. Quo informed him that the coming of the mission might have a good "psychological" effect. Gauss, however, is of the opinion that it could accomplish very little and suggests that the invitation to the United States to join might have been prompted to some extent by the consideration that the principal recommendation of the mission would probably be outright financial assistance and the United States would probably be expected to supply the greater part of this assistance. Moreover there is the suspicion, according to Gauss, that the British proposal is another attempt to embarrass Kung.
3. British proposal of a Chinese central exchange control committee in London, Washington, Singapore and Rangoon to assist in administration of freezing controls.
- (a) The Chinese have responded favorably to the British proposal. The Treasury has taken the position that a decision regarding this matter is to await report from Fox and visit of Niemeyer.
  - (b) Taylor has been sent to Shanghai to observe and report on the operation of the freezing controls there.
  - (c) Fox has suggested securing the assistance of a Treasury expert. Lockhart (our Consul-General in Shanghai) also suggests the stationing of a Treasury expert at Shanghai if it is thought desirable to keep close contact with the situation there.
  - (d) Fox reports that the Ministry of Finance desires a list of Chinese nationals who are depositors in the U.S. together with their securities and other holdings. The Ministry also asks how it could requisition such funds.

- (e) The Generalissimo is disturbed by the newspaper report that American assets of Germans, Italians, Japanese and Chinese who are doing business within the British Empire and other allied territories have been unfrozen.

4. Actions taken by the Japanese in China against American interests

U. S. freezing of Japanese assets have brought retaliatory freezing from the various puppet governments and Japanese authorities in China. In addition, however, further measures unrelated to freezing have been taken against American interests. For example, in Shanghai an export control system has been instituted similar to that already in operation in North China; in Chefoo, mail is not being delivered, and in Swatow, anti-American and anti-British demonstrations were held opposite the Consulates.

5. Conditions in unoccupied China.

- (a) Economic. Inflation in unoccupied China continues, while the Government takes no effective steps to remedy the situation but merely continues to print money. The Government officials are reported to be afraid to take any effective measures against the landlords, who are largely responsible for China's economic ills.
- (b) Political.
  - (1) Mr. Taylor reports a conversation with Madame Sun in which she expressed concern about the "Chungking appeasers".
  - (2) Mr. Hemingway reports of extreme bitterness between Kuomintang leaders, including the Generalissimo, and Communists. Some in Chungking favor peace with Japan and U.S. support for war against Communists. Hemingway agrees with U.S. policy of opposing civil war in China.

6. Burma Road

- (a) In May, 1940 the volume of goods imported over the Yunnan-Burma highway approximated the best performance of the Yunnan French Indo-China railway in the month prior to the severance of that line in 1940. In June, traffic declined because of rain, but an animal transportation route has been opened between Kunming and Burma to supplement the regular highway transportation system.
- (b) The Chinese complain that the Customs authorities in Rangoon are unsympathetic and non-cooperative with resulting delays in clearing cargo from the wharves.

7. Decline of the Chinese national currency in Shanghai.

Fapi has tended to decline in Shanghai, being 5-3/16 cents on July 28 and 4-7/32 cents on August 11. This decline is explained by the heavy purchases of foreign exchange by speculators, importers and foreign banks; the insufficiency of the available supply of exchange because licensing has stopped the repatriation of funds and remittances from abroad, and the fact that much of the export business in Shanghai is carried on by the Japanese and the export bills have not yet begun to come to the licensing banks.



THE SECRETARY OF THE TREASURY  
WASHINGTON

September 23, 1941

PSF  
Morgenthau  
File  
Per.

My dear Mr. President:

I was considerably disturbed by my telephone call from Harry Hopkins this morning in regard to the Russian financial situation. Quite frankly, I do not know anything about Russia's current financial needs.

I am in almost daily contact with Treasury representatives of England, Canada and China. If you wish me to do something in regard to the Russian financial situation, I would be glad to take it on, provided that you will explain to me personally just what it is you would like me to do.

Yours sincerely,

*Henry Morgenthau Jr.*

The President,  
The White House.

Copy to: Mr. Harry Hopkins

PSF Morgenthau Folder

THE WHITE HOUSE  
WASHINGTON

October 2, 1941.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I notice in a published item that jewels soon are to be sent by the Italian Government to Lisbon and by clipper pouch for further dispatch to the United States, in order to finance Italian agents in the Americas. It seems to me that jewels would fall into the category of frozen funds and are, therefore, not deliverable by diplomatic pouch. Also, even though the property of the Italian Government, they should, I think, pay duty.

Please do whatever is necessary in this regard.

F. D. R.

*file  
personal*

*PSF; Morgenthau  
Folder*

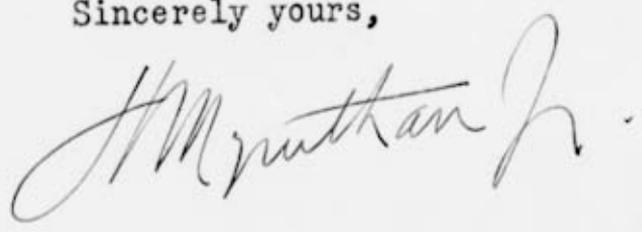
THE SECRETARY OF THE TREASURY  
WASHINGTON

October 3, 1941

My dear Mr. President:

I would appreciate receiving instructions from you as to how I should answer the memorandum from the English which I sent to you on September 25th, as the British Financial Attache, Mr. T. K. Bewley, is urgently requesting a reply to this memorandum.

Sincerely yours,



The President,  
The White House.



*file  
personal*

*PSF Myrthen Folder*

THE SECRETARY OF THE TREASURY  
WASHINGTON

October 6, 1941

My dear Mr. President:

In light of the note which you handed me on October 3rd, I invited Senator George, Congressman Doughton and John Sullivan to have lunch with me today. We discussed future tax bills and Social Security legislation.

Both Senator George and Chairman Doughton were of the opinion that before the end of the year they could pass a tax bill devoted to administrative amendments.

For your further information and guidance, the Conference Committee on the Revenue Act of 1941 directed the Treasury to incorporate in this Administrative Amendment Bill its recommendations eliminating the preference presently enjoyed by residents of community property states, and a provision for compulsory joint returns. These two recommendations will probably constitute the only highly controversial provisions in the Administrative Amendment Bill.

Yours sincerely,

*H. Myrthen Jr.*

The President,

The White House.

*P.S. I am meeting at four o'clock  
this afternoon with Hull, Jones and  
Hopkins on the Russian financial  
situation.*

P  
PSF: Morgenthau Folder  
1-41

October 8, 1941

**My dear Mr. President:**

I refer to your memorandum of October 2 to the Secretary of the Treasury and to Mr. Morgenthau's memorandum to you of October 3 concerning a published report that the Italian Government would soon send jewels to Lisbon to be sent to the United States by clipper pouch to finance Italian agents in the Americas.

I note that the press report refers to the possibility of sending these jewels by clipper pouch. As you know the clipper planes crossing the Atlantic call at Bermuda or Trinidad and the British censorship authorities have access to the mails. I am therefore bringing this press report informally to the attention of the British Ambassador in order that he may suggest to the appropriate authorities of the British Government that they be on the lookout for any activities of this kind on the part of the Italian Government.

**Apart**

**The President,**

**The White House.**

Apart from transportation by clipper planes referred to in the press article, there is the possibility of transportation by Italian planes of the Lati Service to South America. It is understood that some Italian pouches are sent to South America over this Service where they may be opened and rerouted to destinations in the Western Hemisphere. Mails which might proceed to the United States, however, would have to pass through British controlled points with the possible exception of an occasional one which might come through Panama and Mexico. It would, of course, be contrary to all understandings giving immunity to diplomatic pouches for the Italian Government to transport such jewels in<sup>d</sup> diplomatic pouches to the United States. In any event, the British censorship authorities are understood to have access to practically all Italian mails destined to the United States, including probably diplomatic pouches.

Faithfully yours,

Cordell Hull

PSF

Morgenthau Folder  
1-41

THE WHITE HOUSE  
WASHINGTON

October 21, 1941.

MEMORANDUM FOR: THE PRESIDENT

FROM: H. M., JR.

We have outstanding certain securities -- like RFC and Commodities -- which are government guaranteed securities. ~~They~~ I am proposing to do from now on is to pay these off or convert them into Treasury issues. I do not want anything outstanding from now on except Treasury issues. Financing is so big that I cannot sell anything else except our own issues.

I have cleared this proposal with all the leaders on the Hill except Senator Barkley and I expect to see him this afternoon. On the assumption that all are agreeable, I would like to have your O.K. The Federal Reserve Board is very enthusiastic about the idea.

All this means that the Treasury will gradually assume the debt of these outstanding issues. I recommend that this be done.

*HM*  
*7/11*  
H. M., JR.

Original documents on display  
Main Gallery - "Head of Party"

PSF: Morgenthau folder  
1-46

THE WHITE HOUSE  
WASHINGTON

October 24, 1941.

MEMORANDUM FOR

H. M., JR.

In the life of the Secretary of the Treasury there stands out an historic anniversary, usually celebrated toward the end of each October. It is the day of thanksgiving, that he may show his loving appreciation of the great Dimithratic Party of Dutchess County which gave him birth.

lon

It gives him opportunity to keep his foster mother in health and strength for just one more year.

In other words, cough up! Townsend is after me. I have, as usual, bought a meal ticket for Mamma. Please do the same.

F. D. R.

THE WHITE HOUSE  
WASHINGTON

October 23, 1941

MEMORANDUM FOR THE PRESIDENT:

Mr. Townsend was greatly comforted when I informed him that the usual financial contribution to the campaign fund would be forthcoming.

Mr. Townsend said it would be greatly appreciated if you would drop a gentle hint to Secretary Morgenthau as to the financial needs of the county organization at this time.

W.D.H.

PSF: Morgenthau Folder  
1-41

THE SECRETARY OF THE TREASURY  
WASHINGTON

October 28, 1941

*file  
personal*

Dear Boss of Dutchess County:

I hasten to answer the annual roll call of the Democratic Party. I am glad to Popper any cause that you Mommer - even though it hurts. This is to inform you that the offspring of this union is in the mail.

Sincerely yours,

*Henry*

PSF: Morgenthau Folder  
1-41

THE WHITE HOUSE  
WASHINGTON

November 5, 1941.

MEMORANDUM FOR H.M. Jr.

For your confidential  
information.

F.D.R.

copy

Federal Bureau of Investigation  
United States Department of Justice  
Washington, D.C.

October 28, 1941

Personal and ~~Confidential~~  
By Special Messenger

Major General Edwin M. Watson  
Secretary to the President  
The White House  
Washington, D.C.

Dear General Watson:

As of possible interest to the President and you, the following information has been received from a confidential source with reference to the activities of Pauline Rossen, telephone operator for the Bell Telephone Company, Newburgh, New York:

The informant states that Pauline Rossen, as a result of her position, has been observed monitoring telephone conversations going to the home of Honorable Henry Morgenthau, Jr. Secretary of the Treasury, which telephone conversations are transmitted through the Newburgh, New York, telephone exchange. It was further stated that she has also been observed monitoring telephone calls to the relatives of the President who also live in that vicinity.

Miss Rossen is described as a rabid Nazi sympathizer and has been heard to state that Hitler will conquer the United States within another year. On one occasion when she was accused of being a Nazi sympathizer, she retorted, "Well, what if I am?"

With reference to the telephone calls received at the home of the Secretary of the Treasury and monitored by Pauline Rossen, I have taken the liberty of calling this directly to Mr. Morgenthau's attention.

A detailed investigation is being made into the background and activities of Pauline Rossen both with refer-

- 2 -

ence to her alleged pro-Nazi sympathies and her other activities which might injure the internal security of this country. Upon the receipt of pertinent information in this regard, it will be brought to your attention immediately.

With assurances of my highest regards,

Sincerely yours,

s/ J. Edgar Hoover

PSF  
H.M. Jr.

THE WHITE HOUSE  
WASHINGTON

November 6, 1941.

MEMORANDUM FOR THE PRESIDENT:

I met with Walter George and Bob Doughton this morning and went over the whole tax matter. George is fine -- 100%. However, I got no where with Bob Doughton. I then walked over to see the Speaker and told him my whole story. To my surprise he said: "I think that this is all right and the Committee should start hearings at once. If the bill is ready we can make it the first order of business when we meet on Jan. 3rd".

I told him that the President would be willing to withhold his message on social security until some time between Xmas and New Year's.

The Ways and Means Committee is meeting this afternoon and I will give you a further report.

H.M. Jr.

THE WHITE HOUSE  
WASHINGTON

PSF  
H.M. Jr.

November 6, 1941.

MEMORANDUM FOR THE PRESIDENT:

I met with Walter George and Bob Doughton this morning and went over the whole tax matter. George is fine -- 100%. However, I got no where with Bob Doughton. I then walked over to see the Speaker and told him my whole story. To my surprise he said: "I think that this is all right and the Committee should start hearings at once. If the bill is ready we can make it the first order of business when we meet on Jan. 3rd".

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The Ways and Means Committee is meeting this afternoon and I will give you a further report.

H.M. Jr.

*PSF: Morgenthau Folder*

THE WHITE HOUSE  
WASHINGTON

November 14, 1941.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

Bertie Pell wants us to keep  
an eye on Claiborne. Will you  
make an occasional check?

F. D. R.

No papers accompanied the original of  
this memorandum to the Secretary of the  
Treasury.

PSF; Morgenthau Folder

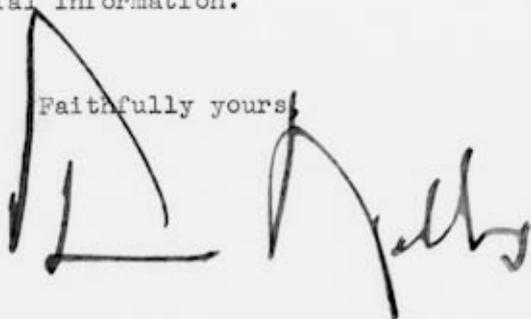
THE UNDER SECRETARY OF STATE  
WASHINGTON

file  
November 17, 1941.

~~SECRET~~  
↗  
My dear Mr. President:

With reference to your memorandum to the Secretary of State and to myself of November 15 with which you enclose a confidential memorandum from the Treasury Department, I have communicated the contents of this memorandum to Ambassador Caffery for his confidential information.

Believe me

Faithfully yours,  


Enclosure

The President,  
The White House.



THE SECRETARY OF THE TREASURY  
WASHINGTON

November 14, 1941

My dear Mr. President:

The Treasury Cryptanalytical Unit has just decoded the following messages sent by radio from German agents in South America to Germany on the dates indicated. The original coded messages were intercepted by Coast Guard monitors:

"5 October 1941

CEL To ALD (South America to Germany)

No. 11. Renewed application of strong USA pressure that Brazil Government declare Portuguese entitled to equal rights as Brazilians. Occupy Atlantic possessions of Portugal with simultaneous suggestion that Portugal Government be received here since invasion of Portugal is impending. Oral negotiations between Caffrey, Oswaldo, Getulio. The latter postponed decision. Embassy advised. (Signed) Alfredo."

"6 October 1941

CEL to ALD (South America to Germany)

Supplement to our No. 11. According to statement secret agent from presidential chancellery counter-proposal Brazilian Government in case of occupation Portugal from our side provides: First, setting up Portuguese Government here; second, occupation all Portuguese colonial possessions by mixed Pan-American contingents; third, administration colonies by Portuguese Government from here. Supposedly Pan-America Governments agreed. Stand of Salazar still unknown. This (message) No. 15. Alfredo."

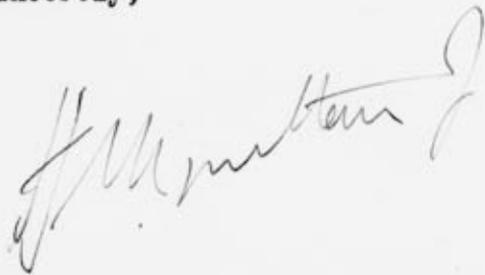
- 2 -

Aside from the information contained in these messages the important thing from our standpoint is that they indicate that someone inside the office of the President of Brazil is in the employ of the Nazis.

I am informed that a particularly complicated code was used for the sending of this series of messages.

I thought this would be of interest to you.

Sincerely,

A handwritten signature in cursive script, appearing to read "William J. Donovan". The signature is written in dark ink and is positioned to the right of the typed word "Sincerely,".

The President

The White House.

PSF Morgenthau Folder  
file  
Confidential

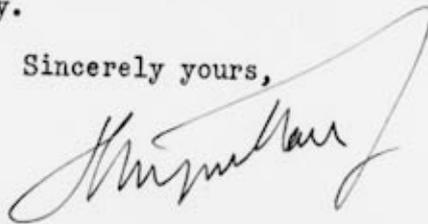
THE SECRETARY OF THE TREASURY  
WASHINGTON

December 5, 1941

My dear Mr. President:

I take pleasure in sending you a chart on the expenditures of the Maritime Commission. This chart is prepared along the same lines as the one I gave you on Wednesday in regard to the Navy.

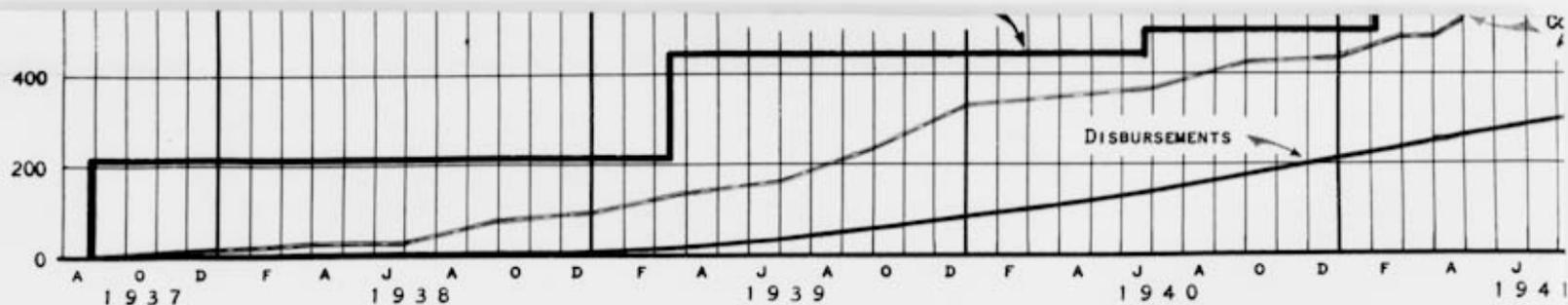
Sincerely yours,



The President,

The White House.





Description of Appropriation Acts

	(millions)
Third Deficiency Appropriation Act, 1937, Approved August 25, 1937.....	\$215
Independent Offices Appropriation Act, 1940, Approved March 16, 1939.....	230
Second Deficiency Appropriation Act, 1940, Approved June 27, 1940.....	50
Emergency Cargo Ship Construction Act, Approved February 6, 1941.....	65
Independent Offices Appropriation Act, 1942, Approved April 5, 1941.....	180
First National Defense Act, 1942, Approved August 25, 1941.....	1,247
<b>Total Contract Authorizations and Appropriations.....</b>	<b>\$1,987</b>

Data in millions of dollars

	Dec. 31 1937	June 30 1938	Dec. 31 1938	June 30 1939	Dec. 31 1939	June 30 1940	Dec. 31 1940	Jan. 31 1941	Feb. 28 1941	Mar. 31 1941	Apr. 30 1941	May 31 1941	June 30 1941	July 31 1941	Aug. 31 1941	Sept 30 1941	Oct 19
<b>Cumulative</b>																	
Appropriations	215	215	215	445	445	495	495	495	560	560	740	740	740	740	1,987	1,987	1,987
Contracts Awarded.....	16	26	93	161	330	363	435	458	480	480	519	722	722	723	1,040	1,158	1,158
Disbursements.	1	2	9	35	82	139	211	223	232	247	259	270	281	294	306	320	320
<b>Noncumulative</b>																	
Appropriations	215	-	-	230	-	50	-	-	65	-	180	-	-	-	1,247	-	-
Contracts Awarded.....	16	10	67	68	169	33	72	23	22	-	39	203	-	1	317	118	118
Disbursements.	1	1	7	26	47	57	72	12	9	15	12	11	11	13	12	14	14

SOURCE: UNITED STATES MARITIME COMMISSION.

NOTE: EXCLUDES CONSTRUCTION PROGRAM FOR WAR AND NAVY DEPARTMENTS AGGREGATING \$36

\*THE EMERGENCY SHIP PROGRAM IS FOR \$397 MILLIONS, IN WHATEVER DISTRIBUTION BETWEEN FACILITIES IS DEEMED DESIRABLE. THE PRESENT DISTRIBUTION ALLOWS \$50 MILLIONS FOR

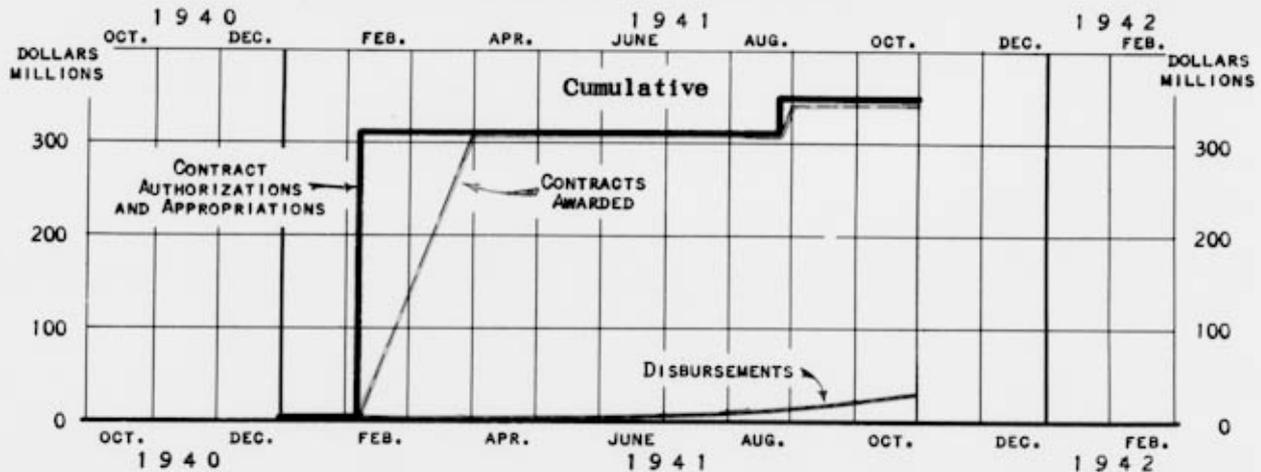
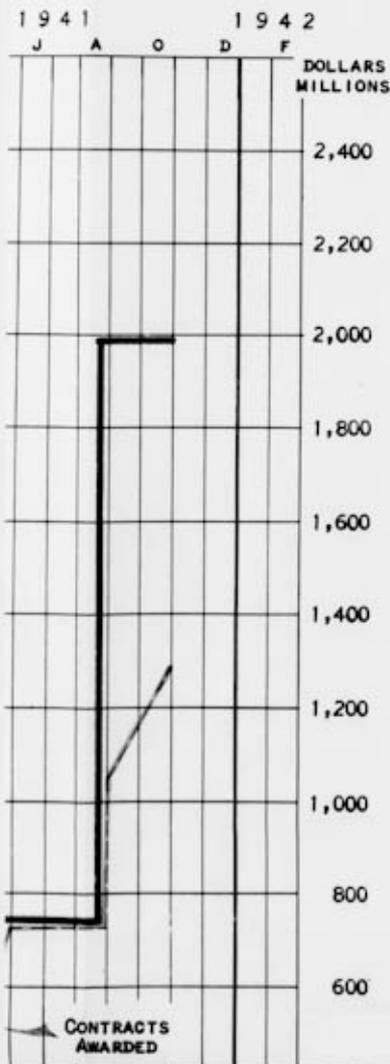
†THE EXCESS OF CONTRACTS AWARDED OVER CONTRACT AUTHORIZATIONS AND APPROPRIATIONS THE TEMPORARY USE OF FUNDS EARMARKED FOR SHIPS RATHER THAN FACILITIES.

THIS OVERSIZE ITEM HAS BEEN  
MICROFILMED IN SECTIONS.

~~STRICTLY CONFIDENTIAL~~

TO THE MARITIME COMMISSION FOR SHIP CONSTRUCTION EXPENDITURES  
Approved Since Inception

Ships - Emergency Ship Program\*



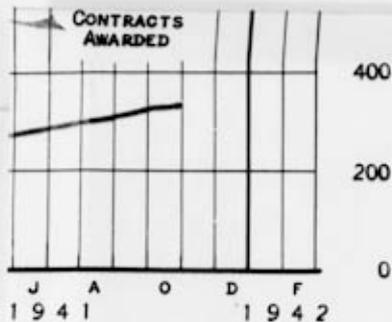
Description of Appropriation Acts

(millions)

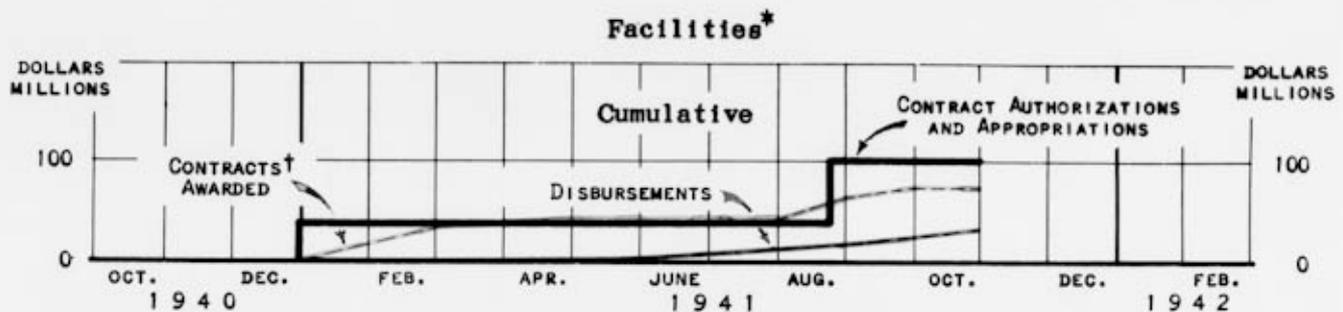
President's Allocation from Military Appropriation Act, 1941, Allotted December 28, 1940. \$1  
Emergency Cargo Ship Construction Act, Approved February 6, 1941..... 310  
First National Defense Act, 1942, Approved August 25, 1941..... 36  
Total Contract Authorizations and Appropriations..... \$347

Data in millions of dollars

	Feb. 28 1941	Mar. 31 1941	Apr. 30 1941	May 31 1941	June 30 1941	July 31 1941	Aug. 31 1941	Sept 30 1941	Oct. 31 1941
<u>Cumulative</u>									
Appropriations	311	311	311	311	311	311	347	347	347
Contracts Awarded.....	-	310	310	310	310	310	340	340	340
Disbursements.	-	-	-	4	5	9	13	19	29
<u>Noncumulative</u>									
	Dec. 28 1940- Feb. 28 1941	Mar. 1- Mar. 31 1941	Apr. 1- Apr. 30 1941	May 1- May 31 1941	June 1- June 30 1941	July 1- July 31 1941	Aug. 1- Aug. 31 1941	Sept 1- Sept 30 1941	Oct. 1- Oct. 31 1941



Noncumulative										
Appropriations	310	-	-	-	-	-	36	-	-	
Contracts Awarded.....	-	310	-	-	-	-	30	-	-	
Disbursements.	-	-	-	4	1	4	4	6	10	



Description of Appropriation Acts

(millions)

President's Allocation from Military Appropriation Act, 1941, Allotted December 28, 1940.. \$36  
 First National Defense Act, 1942, Approved August 25, 1941..... 64  
 Total Contract Authorizations and Appropriations..... \$100

Data in millions of dollars

	Feb. 28 1941	Mar. 31 1941	Apr. 30 1941	May 31 1941	June 30 1941	July 31 1941	Aug. 31 1941	Sept 30 1941	Oct. 31 1941	
<b>Cumulative</b>										
Appropriations	36	36	36	36	36	36	100	100	100	
Contracts Awarded.....	33	35	37	39	39	41	63	72	72	
Disbursements.	-	-	1	3	8	12	18	25	32	
<b>Noncumulative</b>										
Appropriations	36	-	-	-	-	-	64	-	-	
Contracts Awarded.....	33	2	2	2	-	2	22	9	-	
Disbursements.	-	-	1	2	5	4	6	7	7	

The total comprises \$50 millions each for the Long Range Program (from the Act of August 25, 1941) and for the Emergency Ship Program.

30	Oct. 31 1941	
87	1,987	
58	1,285	
20	330	
11	Oct. 1- Oct. 31 1941	
-	-	
18	127	
14	10	

16 \$36 MILLIONS.

BETWEEN SHIPS AND  
 INS FOR FACILITIES.

ITIONS IS DUE TO



*file  
pres file*

*PSF Morganthau Folder*

THE SECRETARY OF THE TREASURY  
WASHINGTON

December 5, 1941

MEMORANDUM FOR THE PRESIDENT:

On October 3, 1941, I replied to an inquiry from you relative to information which you had received concerning the Italian Government bringing jewels into this country through the diplomatic pouch. The Treasury has taken all appropriate steps to detect the jewels but thus far have not found any.

I am attaching for your information a copy of a letter dated November 18, 1941, which I received from the State Department giving its views on the question of the use of the diplomatic pouch by the Italian Government for the importation of jewels into this country.

*J. M. [Signature]*

C O P Y

DEPARTMENT OF STATE  
Washington

In reply  
refer to  
A-B 051.65/86

November 18, 1941

My dear Mr. Secretary:

May I refer to your memorandum dated October 3, 1941 to the President concerning the importation of jewels by the Italian Government through its diplomatic pouch from Rome to the Italian Embassy in this city and offer the following comments.

1. If the Italian Government chooses to use its diplomatic pouch for the importation of jewels by the Italian Embassy in this city, the effective control of such action would offer practical difficulties because of possible retaliation. The violation of the Italian pouch by this Government would subject the diplomatic pouches from the American Embassy in Rome to immediate contravention and it would jeopardize the operation of the United States courier service handling official pouches throughout Europe.

2.

The Honorable

Henry Morgenthau, Jr.,  
Secretary of the Treasury.

2. If the Italian Government does import jewels through its diplomatic pouch, any such material is subject to our laws and regulations and to control by the Treasury Department immediately upon being placed in the hands of American dealers for disposal.

3. Should the Department of State receive any evidence whatsoever that the Italian Government is using its diplomatic pouch for the importation of jewels, that information will promptly be brought to the attention of the Treasury Department.

Sincerely yours,

(signed) Cordell Hull

THE WHITE HOUSE  
WASHINGTON

*PSF  
H.M., Jr  
Treas.*

December 17, 1941

MEMORANDUM FOR

THE JOINT BOARD

For your information and  
return for our files.

F.D.R.

Memo from Secy. Morgenthau enclosing  
memo from Count R. N. Coudenhove-Kalergi  
dictated in the Secretary's office. 12/16/41

DECLASSIFIED

By Deputy Archivist of the U.S.

By W. J. Stewart Date MAR 16 1972

*Given to Capt. Beardall to give to Joint Board*

DECLASSIFIED

By Authority of \_\_\_\_\_

By \_\_\_\_\_ Date \_\_\_\_\_

*BF Murphy Folder  
1-11*

THE WHITE HOUSE  
WASHINGTON

December 19, 1941

Received one copy of memorandum dictated by  
Count R.N. Coudenhove-Kalergi, dated December 15,  
1941.

*W.A. Seelye*  
*Colonel, General Staff,  
Security, The Joint Board*

THE WHITE HOUSE  
WASHINGTON

December 17, 1941

~~SECRET~~  
MEMORANDUM FOR

THE JOINT BOARD

For your information and  
return for our files.

F.D.R.

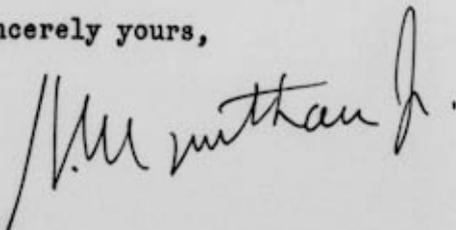
*JRS*  
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THE SECRETARY OF THE TREASURY  
WASHINGTON  
December 16, 1941

My dear Mr. President:

Count R. N. Coudenhove-Kalergi dictated the inclosed memorandum in my office. I thought his idea was of sufficient importance to send it to you for your information. The only other person to whom I have given a copy is Frank Knox.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "W. M. Guthrie Jr.", written in dark ink.

The President,  
The White House.

~~STRICTLY CONFIDENTIAL~~

Dictated by Count R. N. COUDENHOVE-KALERGI

December 15, 1941

Wars cannot be won by defensives but only by bold offensives. In a war against three great powers, the principle of Horatius in his fight with the three Croatsians must be followed - to strike the enemies one by one. Among our three great enemies, Japan is the strongest by its geographical situation; then comes Germany, and then finally Italy. The three naval battlefields of the three wars are the Pacific, the Atlantic and the Mediterranean. For the moment no decision in the Pacific and in the Atlantic is possible. The only point where a decisive naval offensive is possible is the Mediterranean.

If the war goes on with America fighting Japan, Russia fighting Germany, and Britain fighting Italy, the war will be lost. It is obviously the plan of the Axis to attack Russia in the West and in the East as soon as the weather makes such a double offensive possible. If Russia is smashed and the Axis joins hands across the Urals, the Democracies cannot any more win the war. This evolution can only be prevented by a joint offensive knocking out by

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~~STRICTLY CONFIDENTIAL~~

- 2 -

decisive blows, first Italy, then Germany, and then Japan. We must follow the example of Germany which, when encircled by France and Poland in 1939, first took a defensive attitude in the West whilst striking in the East, and only after having smashed Poland turned towards the West to smash France.

Italy can be smashed in the course of this winter if the Allies establish a naval supremacy in the Mediterranean that would prevail even if the French and Spanish Navies would be turned over to Germany. This can only be achieved if the United States sends a part of the Atlantic Fleet into the Mediterranean before Germany has the time to close the Straits of Gibraltar with the help of Spain. Simultaneously, by surprising action, the Allies would have to seize the French Island of Corsica. This Island, which has been demilitarized following stipulations of the Armistice between France and the Axis, is the only undefended Island in the Mediterranean and the only leak in the defensive system of Italy. It could be seized without difficulty as soon as the naval supremacy of the Allies in the Mediterranean is assured and the Allies do not need to fear the seizure of the French Fleet by Hitler.

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~~STRICTLY CONFIDENTIAL~~

- 3 -

Such a seizure of Corsica can only be effectuated by an action of complete secrecy and speed. If the secrecy is not guarded, it would become a failure just like the British attempt to seize Dakar. If the action is not speedy, Germany would close the Straits of Gibraltar and mobilize the French Fleet for the defense of Corsica which would be supplied with German garrisons. This secrecy could be achieved if the whole expeditionary force would believe that the expedition is directed against Martinique and would only be informed at sea that the aim is Corsica. Corsica ought to be taken over by Free France. The man who ought to be taken in confidence would be the Free French Admiral, Musilier, who is now in Canada. It would be the best thing if he could accompany the expedition.

If Corsica is seized, Italy can be bombed out of the war from Turin and Milano to Genoa, Rome and Naples. Italy would probably very soon accept an armistice modelled after the French Armistice and granting the Allies the occupation of Northern Italy. Northern Italy, protected by the Alps and the sea, is an impregnable natural fortress. It would

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- 4 -

be backed in the North by the Swiss Confederation with its excellent 600,000 soldiers and its whole heart and sympathy for the cause of the Allies.

During the whole winter, Allied troops could land in this fortress and consolidate their positions whilst the snow in the Alps would make any attempt of German invasion impossible. In the spring, this invasion army could begin an offensive in cooperation with a Russian offensive in the East, and eventually with a Turkish offensive in Thrace. The Allies would control the Italian footholds on the Balkans from Croatia to Albania and could, with the help of Greek and Yugoslav guerillas, liberate the Balkans from German occupation. Then a concentrated offensive against Germany could start from the East and from the South, driving Germany into capitulation.

Only after the Axis is broken in Europe, can Russia think of taking the offensive in the Far East. The Democracies would, in this moment, have a ten-fold aerial and three-fold naval supremacy over Japan, who would have to choose between surrender or annihilation.

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~~STRICTLY CONFIDENTIAL~~

- 5 -

It is quite unusual that a foreigner brings such a far-reaching suggestion in wartime. History brings two precedents. During the Peloponnesian War, Alcibiades brought to the King of Sparta the suggestion to smash Athens by attacking its invasion forces in Sicily, and in the Great War between France and England, the Maid of Orleans brought to the King of France the suggestion of taking Orleans and of crowning the King in Reims, as necessary steps to overthrow the British domination.

Unusual times demand unusual ways, and I consider it as the highest duty of any citizen of any country to contribute with all his means to the victory of civilization over barbarism.

DECLASSIFIED

December 19, 1941.

MEMORANDUM FOR:

CAPTAIN BEARDALL

Subject: Identity of Count Coudenhove-Kalergi.

The following information has been obtained relative to the above entitled subject:

(a) Count Coudenhove-Kalergi's father was Austro-Hungarian Ambassador to Japan in the early 1900's, where he married the Count's mother, a Japanese lady. He died shortly before ~~1914~~ War I. She made her home in Europe, where she died six months ago.

(b) The Count is the founder of the Pan-Europa movement, on which he has been working for the past eighteen years. He is violently anti-Nazi and devotes most of his time to opposing Hitler's forces.

(c) He is married to a Viennese actress. He is a good friend of Secretary Morgenthau's father and is a frequent visitor at the Secretary's home here in Washington.

(d) He is listed in the 1935 German "Who's Who" as Doctor Richard Nicholas Coudenhove-Kalergi (PhD), and is the author of "Law Against Materialism" and "Stalin and Company".

  
Chester Hammond,  
Captain J.A.G.D., USA.

*[Handwritten scribbles]*

PSF: Morgenthau Folder  
1-41



*file  
per mail*

THE SECRETARY OF THE TREASURY  
WASHINGTON

December 18, 1941.

Memorandum for the President:

Mr. Knoke, of the Federal Reserve Bank of New York, telephoned from New York at 3:30 p.m. today to say that the Guaranty Trust Company had just informed him that they had received a cable from the Lisbao e Azores Bank at Lisbon, requesting the Guaranty Trust Company to cancel at once any commercial credits outstanding where possible.

(This might indicate the bank at Lisbon has some advance information as to possible invasion or that they may fear its imminence.)

*J. M. Nathan Jr.*

*PSF Morgenthau Folder*

THE SECRETARY OF THE TREASURY  
WASHINGTON

December 24, 1941

*file  
personal*

My dear Mr. President:

George Haas has just handed me a very interesting chart showing that there has been a total of \$5,260,000,000 of commitments for industrial facilities for defense production. Of this amount, \$145,000,000 was put up by the British Government.

I thought this chart might prove to be useful to you at this particular time.

Sincerely yours,

*Morgenthau Jr.*

The President,

The White House.

# COMMITMENTS FOR INDUSTRIAL FACILITIES FOR DEFENSE PRODUCTION Through September 30, 1941

AMOUNTS IN MILLIONS OF DOLLARS

	U.S. Government						British Gov't.	Private	Total
	War Dept.	Navy Dept.	Defense Plant Corp.	R.F.C.	Maritime Comm.	Total U.S. Gov't.			
Aircraft.....	185	61	569	5	-	820	60	99	979
Ammunition, shells, bombs, etc.....	669	42	55	*	-	785	25	41	852
Explosives and chemicals.....	592	5	45	-	-	642	17	69	728
Ships and ship repairs.....	-	536	33	*	115	683	8	24	716
Iron and steel.....	3	126	223	12	-	365	7	179	560
Non-ferrous metals.....	-	*	272	27	-	300	3	159	461
Guns.....	80	141	49	*	-	270	18	26	314
Machinery.....	12	22	92	*	-	126	*	125	251
Vehicles and tanks.....	20	-	4	-	-	24	6	22	53
Electrical equipment.....	1	6	22	*	-	29	1	20	49
Petroleum and coal products.....	13	-	2	-	-	14	-	22	37
Miscellaneous.....	15	16	31	*	-	62	1	208	271
<b>Total.....</b>	<b>1,611</b>	<b>953</b>	<b>1,397</b>	<b>46</b>	<b>115</b>	<b>4,122</b>	<b>145</b>	<b>994</b>	<b>5,260</b>

\* Less than \$500,000.

Source: Office of Production Management.

