

DIARY

Book 467

December 1 and 2, 1941

- A -

	Book	Page
Adams, Thomas Sewall		
Resume' of Government service.....	467	248

- B -

Budget, Bureau of		
Inefficiency discussed at 9:30 meeting in connection with 1943 budget for Defense Savings Staff - 12/1/41.....		10
Bullitt, William C.		
Cochran memorandum on currency necessary for trip to West Africa, Cairo, Palestine, etc. - 12/2/41.....		244
Business Conditions		
Haas memorandum on situation for week ending November 29, 1941.....		132

- C -

Canada		
See War Conditions: Lend-Lease		
China		
See War Conditions		
Coudenhove-Kalergi, Count R. N.		
HMSr reports on his prognostications for Germany - 12/2/41.....		246

- D -

Defense, National		
Vinson investigation - Foley report - 12/1/41.....		125
Expenditures, January-November.....		236
Defense Savings Bonds		
See Financing, Government		

- F -

Federal Bureau of Investigation		
Hohenlohe, Princess Stephanie: Hoover and HMJr discuss - 12/1/41.....		63
Financing, Government		
December Financing: Conference; present: Federal Reserve representatives, Jesse Jones, and Treasury group - 12/2/41.....		198
a) Interviews outlined - 12/2-3/41.....		234
1) Suggestions by Devine, Mills and Repp, Maestre, Shaller (Equitable), George Harrison, etc.....		222
2) Suggestions by Kurtz (Pennsylvania Company)...		235
Defense Savings Bonds: Budget for 1943 discussed at 9:30 meeting - 12/1/41.....		4
a) HMJr's letter to Smith - 12/4/41: Book 468, page 279		
b) Smith's reply: Book 472, page 312		
1) Graves-HMJr conversation - 12/13/41: Book 472, page 304		

- H -

Hohenlohe, Princess Stephanie
See Federal Bureau of Investigation

Book Page

- J -

Japan
See War Conditions
Jeidels, Otto
See War Conditions: Foreign Funds Control

- L -

Lyons, Robert
HMJr and Wallace discuss - 12/2/41..... 467 240,241

- M -

Martin, Glenn L.,
See Revenue Revision: "Know Your Taxes"

- R -

Revenue Revision
"Know Your Taxes": Glenn L. Martin's rule not to
circularize employees discussed at 9:30 meeting -
12/1/41..... 24
a) Will distribute 31,000 folders - 12/3/41:
See Book 468, page 229

- S -

Sabotage
See War Conditions
Stabilization Agreements
Cochran resume' - 12/1/41..... 159
Switzerland
See War Conditions

- T -

Tyler, Royall
See War Conditions: Switzerland

- U -

U.S.S.R.
See War Conditions: Lend-Lease; U.S.S.R.

Vinson, Fred (Congressman, Georgia)
See Defense, National

Book Page

War Conditions

Airplanes:

Shipments to British forces - Kamarck report - 12/1/41.....	467	161
Deliveries - July, August, September, and October, 1941.....		155
Shipments - British Air Commission report - 12/2/41.....		304

China:

Raw Silk: Proposal to ship from South China through Hong Kong, with assistance of Japanese middlemen, to United States - American Consul General, Hong Kong, report - 12/1/41.....		161
--	--	-----

Stabilization Board: Exchange allocations with respect to tobacco leaf imports - 12/2/41..		311,314
---	--	---------

Shanghai black market dealings in United States dollars - 12/2/41.....		316
---	--	-----

Exchange market resume' - 12/1/41, 12/2/41.....		173,324
---	--	---------

Foreign Funds Control:

Jedids, Otto: Pehle report - 12/2/41.....		264
Banks' answers (2057) to HMJR's request for suggestions - 12/2/41.....		265

Japan:

Funds for United States official establishments and personnel in Japan unblocked November 11, 1941 - State Department report - 12/1/41....		165
--	--	-----

Lend-Lease:

Requisition Act as it applies to Treasury explained in Stettinius letter and Opinion of General Counsel for Lend-Lease Administration - 12/2/41.....		290
---	--	-----

Canada: Purchase of completed defense articles in Canada for lend-leasing to Britain discussed by White and Hicks (Treasury), Cox and McCabe (Lend-Lease), and Carswell (Canadian Department of Munitions and Supply) - 12/1/41.....		56
--	--	----

a) HMJR's letter to Howe - 12/13/41:

See Book 472, page 360

U.S.S.R.: 300 light bombers from British contracts in United States discussed in HMJR's letter to General Burns (Acting Lend-Lease Administrator) - 12/1/41.....		148
---	--	-----

Military Reports:

Reports from London transmitted by Halifax - 12/1/41, 12/2/41.....		182,185,325
M-3 tank performance in Western Desert - 12/1/41..		194

- W - (Continued)

	Book	Page
War Conditions (Continued)		
Purchasing Mission:		
Assets as of November 28, 1941.....	467	303
Sabotage:		
Kamarck summarizes report on situation in Europe - 12/1/41.....		174
Switzerland:		
Manufacturers may suggest to United States arrangement by which they would use their own materials for United States account, United States financing them and Swiss stocking goods until export is possible - Royall Tyler report - 12/2/41.....		288
U.S.S.R.:		
Treasury attitude of prompt cooperation appreciated by Gromyko - 12/2/41.....		243

December 1, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Buffington
Mr. Kuhn
Mr. Graves
Mr. Barnard
Mr. Thompson
Mr. Morris
Mr. Blough
Mr. Viner
Mr. Sullivan
Mr. Bell
Mr. Foley
Mr. White
Mr. Haas
Mr. Schwarz
Mr. Gaston
Mrs. Klotz

H.M.Jr: Good morning, everybody.

Coming down this morning on the night train with my son, Robert, I said, "Robert, did you have any company?" He said, "Yes, Ed Foley and Frances Perkins," but he says, "Don't worry, Daddy, they had separate rooms."
(Laughter)

Foley: I didn't see him.

White: That is what I would call painting the lily.

H.M.Jr: I thought you would enjoy that. Tell that one to your wife.

Foley: I will.

H.M.Jr: There is one thing, Dan, the only thing that bothers me, that in reading this report of George's which arrived by special messenger, and I read it twice, it is a good report, I am impressed with the fact that it is the banks outside of New York that are our customers now.

Bell: That is right.

H.M.Jr: I just wondered if you had enough outside.

Bell: Well, I put those first in there because I thought you could get the feel of the market before you went into your open market meeting, and then we have got Boston, Philadelphia, Atlanta, Chicago, and St. Louis outside. I thought that was about as many as you could handle, and I thought you would still want to see those people from New York.

H.M.Jr: You haven't got my friend at--

Bell: Detroit?

H.M.Jr: No, from the bank - who used to be in the Bill Drafting Commission.

Bell: Parkinson? Yes, his man is there.

H.M.Jr: Well, I want him.

Bell: That is his bond man.

H.M.Jr: Parkinson is worth ten of them.

Bell: I think he is away a good deal now. I have

a suspicion that he is retiring. He is out of town a good deal on his farm.

H.M.Jr: Well, just get him here. He is the smartest of the lot.

Bell: All right. You see his man is there, of the Equitable.

H.M.Jr: Yes, but if you could get him.

Bell: I think we can.

H.M.Jr: O.K.

Now, on this thing this morning, I think what you had better do, you had better go up to that ten o'clock meeting and take Heffelfinger with you and explain to Mr. Byrd that we are financing this week and they are - could Heffelfinger sit there as an observer, see.

Bell: All right.

H.M.Jr: And as this is financing from now until Thursday noon, I go into my usual financing trance, so unless it is something awfully important--

Bell: Wednesday noon.

H.M.Jr: Wendesday noon?

Sullivan: Don't cut it short, Dan.

Bell: We are going to announce it Thursday morning, so Wednesday noon is the final--

H.M.Jr: Don't get too set. I am seeing Mr. Hull this afternoon. He said he would bring me up to date, and he is seeing the Japanese this morning, and then the President and he

a suspicion that he is retiring. He is out of town a good deal on his farm.

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would tell me, he said, this afternoon just what happened. So I said don't - where is Chick?

Schwarz:

Here.

H.M.Jr:

Keep it fluid, Chick.

Schwarz:

We have that condition of unforeseen international developments.

H.M.Jr:

Yes.

Bell:

That is right.

H.M.Jr:

And could I tell the group as a whole and anybody that the amount of memoranda I am getting, I just can't read them. I just can't read the stuff. There is too much of it. I mean, if you people, any of you, want to send me a memorandum, send me a one page or a half a page summary, and then if I am interested I can read it, but some of the stuff I am getting - I took it all up to the farm and I just can't do it.

Thompson:

I don't know whether Mr. Bell reported the action of the Bureau of the Budget on the expenses of loans, 1943 estimate, for Harold Graves.

H.M.Jr:

I got it sort of--

Thompson:

They gave back eight hundred thousand of the one million nine hundred thousand originally out.

H.M.Jr:

On what? I would like to hear that before Bell goes. Was it you (Bell) I talked to?

Bell:

I talked to you Saturday on the telephone. Jim Scott who is the Budget investigator in charge of Treasury estimates called me

Saturday - Friday night late and said that after they had had a hearing with Harold they had a conference with the Director and Assistant Director on the matter.

H.M.Jr: With the Director and Assistant Director?

Bell: Yes, sir.

H.M.Jr: On Saturday?

Bell: No, Friday late, and he called me Friday night, about half past six. He said that the hearing with Harold had indicated that they would have about a million two hundred thousand dollars deficit this year, and they admitted that they would have to go along with that, so they used that as a basis for 1943, which would mean about four million five hundred thousand dollars appropriation. They added the four million - or the eight hundred thousand, making four million eight hundred thousand for 1943 for the defense staff.

H.M.Jr: Four million eight?

Bell: He said that would give them their organization, he thought, which would cost about two and a half, is that right, Harold? And then the balance of two million three would be for traveling and advertising or any other--

Graves: Promotional material.

Bell: ... promotional material, yes.

H.M.Jr: How much goes out of the four million eight into actually printing the bonds and stamps?

Graves: No.

Bell: No, that is separate.

H.M.Jr: Oh, I see.

Bell: It is split between Public Debt Service and--

H.M.Jr: Four million eight is entirely for promotional expenses.

Bell: Yes.

H.M.Jr: How much did you ask for?

Graves: Five, nine.

Bell: It is a question of whether you want to make a further protest. I asked him if that was frozen, and he said, "Well, of course our estimates are never frozen, but we would like for you to live within it if you can," and I said, "Well, we don't know what is going to happen." I said, "We may have to go out and stretch this campaign even more than we have in the past," and I said, "If you keep on raising your estimates you are going to have to raise more money through this method," and I said, "With the understanding that it isn't frozen, The Secretary might accept that, if we can come back for deficiencies in the spring of '43."

H.M.Jr: There is only one thing that bothers me. You told me that Harold, in his testimony, said that the organization wouldn't be set up so that he could use more than that amount of money, something like that.

Bell: Well --

H.M.Jr: Is there something in Harold's testimony to show that he can't use that extra million?

Graves: No, there was nothing.

- Bell: I didn't mean to convey that impression.
- H.M.Jr: Well, and do I understand that they take the angle that because we are not using it now they won't give us a chance to grow next year?
- Graves: That was substantially their attitude.
- Bell: Yes, they of course tried to give you your estimates for '43 based on what you are doing in 1942.
- H.M.Jr: Well, now, Harold, have you got a pencil and paper?
- Graves: Yes, sir.
- H.M.Jr: Because you did the testifying, didn't you?
- Graves: Yes, sir.
- H.M.Jr: Well, what I would like to do is to write a letter to the Director of the Budget and in this thing I want to show how much at the annual rate that we are getting free, see.
- Bell: Harold did give that, I understand, in the testimony.
- H.M.Jr: And how much we are doing and whatever the percentage is of sales. Now, if he is doing it, basing it on the theory that because we are not spending this now we can't have it, he did set up Colonel Donovan on an estimate and, I understand, gave him eighteen million dollars, which you can check. He did set up Civilian Defense on an estimate with "X" millions of dollars, see.
- Now, find out how much MacLeish has got, just that part, just that thing alone. I want to

have it in the draft. Now, I would like to bunch together how much Lowell Mellett has got, Horton, MacLeish and Donovan. Those are all - I think they would come under OEM, wouldn't they?

Schwarz: That is correct.

H.M.Jr: I mean just how much under OEM alone there is for publicity and I will bet you it is somewhere between thirty or forty million dollars.

Schwarz: It is at least that figure.

H.M.Jr: Just for propaganda. Now, here they spend thirty or forty million dollars for propaganda and we are not allowed how much?

Bell: Two million three.

H.M.Jr: Two million three to sell supposedly three or four billion dollars worth of bonds.

Graves: Well, we can --

H.M.Jr: Or you can approach it just the amount that is spent for propaganda under OEM alone. Now, I know we set up Donovan for eighteen million and he doesn't know whether Donovan is going to use it or not. If you want to use that angle, or if you just want to keep it - how much they allow right out of the White House for propaganda. I am not going to take it lying down.

Graves: Well, Mr. Secretary, my own view about the matter, if you care to have it, is this.

H.M.Jr: Well, it is your show.

Graves: The more critical difficulty was not with

reference to our estimates for 1943, which is what we have been talking about. It was with reference to a prospective deficiency for 1942 and that, I think, we are going to get. I think we are all right, as far as 1942 is concerned. I told the Budget that we would probably ask for a million and a half, and they have committed themselves, substantially, to allow us a million two and that is going to leave us all right, I am convinced, for the balance of this fiscal year, and I am not worried about --

H.M.Jr: Well, I am.

Graves: ...next year.

H.M.Jr: I want to make the record. These people, they say, well, I have had this before. They say, "Well, you can come back." And then, well, the Director of the Budget says, "There is nothing in writing. I never heard about it."

Bell: I think I would approach it on the basis that when we started this program the deficit was way down to eight or nine billion dollars and that now it is up to twelve and a half and there is a lot of talk around town that the expenditures next year are going to be forty and the deficit is going to be probably in the twenties and certainly if that is true we are going to have to sell more bonds and it will require more money, that we will accept this four million eight with a very definite understanding that if we feel greater pressure is necessary and we need more funds we can create a deficiency.

H.M.Jr: Will you do this? Give me a written memorandum along that line, see. Harold, give me the stuff. There must be two of you. How

much they are spending for propaganda out of OEM, see.

Now, I will call him up on the phone. I won't write him a letter, with the two of you sitting here, see. I am just going to pull a Bob Moses on him, and if he wants to fight, I am going to fight inside and outside, see. I am going to fight inside and outside, and I am just going to take a leaf out of Bob Moses' tactics and let him justify some of the things. That man is just steeped in waste and inefficiency, and he hasn't done a damn thing about it - excuse me, Mrs. Klotz - and if he wants to have a public fight, I would love to take him on.

Where are his inspectors on the Army camps and on these contracts and everything else. The man is surrounded by waste, and the only thing he does is to take it out on me. Now, he is not going to do it, and I am not going to fight just on the inside, and I am going to tell him so over the phone. If he wants to take me on publicly, he can. The man hasn't got the courage before the Byrd Committee to call his soul his own. And all the time he is sniping at the Treasury, all of the time.

Bell: Well, I am sure we are going to get the money to carry on the budget campaign.

H.M.Jr: All right, I am going to yell it from the housetops, and I am going to tell Harold Smith. I want some of the facts on the thirty or forty million dollars on propaganda right out of the OEM under the White House.

Graves: Can we get that, Dan?

Bell: I suppose so. I think so.

- H.M.Jr: Now, you give it to me, and I am going to put him on warning. The man is constantly every single minute - and he showed his hand when he lost his temper up there, and he says, "How can I do this thing, when I have got only half of the authority, and I don't have the taxing authority." This has been going on ever since he came here and since that Chicago crowd came down here. It is true. What's-his-name there, that man.
- Viner: Brown *low*
- Mr. Secretary, I wouldn't bring in other agencies. I would make it simply on your Treasury record. If you start making comparisons, you can't work it that way. You are simply bringing *ing* into his support these other people, and you are fighting against them all. Fight him alone if you have an issue. Don't tell him to call in all his friends.
- H.M.Jr: How can he on the one hand refuse to let us have a couple of million dollars and he let's the other people have thirty or forty million?
- Viner: Well, of course Treasury doesn't know what their job is, but you do know whether you need it for your own job, and I would stick to your own case and fight it on that.
- H.M.Jr: Well, when Bob Moses gets going, he goes all over the lot, and he always gets his way, and I am going to try it once.
- Bell: I don't see any harm in sending a letter.
- H.M.Jr: If we weren't doing a good job, I couldn't stand on it, but Harold Graves is doing a good job.
- Viner: I say stand on your job, but don't bring in

any other jobs that you don't know enough about.

H.M.Jr: But I do know about it. How can you justify it, two hundred fifty publicity men under Horton? How can you justify it? Two hundred fifty men in that one organization. Lowell Mellett with a state organization in every state in the United States.

Viner: That is not your job.

H.M.Jr: And don't forget, a separate publicity organization which comes under OEM for South America. One for South America, one for Europe, and three for the United States. The three are MacLeish, Horton, and Mellett, all out of the same office. Then when I want two million three for my little organization--

Viner: I wouldn't put it on propoganda or publicity at all. You are doing a selling job.

H.M.Jr: Jake, if I don't get it, I am going to get dirty, and I can only get dirty--

Viner: I am not asking you not to get dirty. I am simply suggesting that you get dirty in an effective rather than an ineffective way. You have got a big bond issue to sell and that takes money, and I would put it strictly on that. You have got a job to be done and it takes money.

H.M.Jr: But it doesn't interest them, and they would most likely rather see us fail.

Viner: I wouldn't say a thing in these communications except Treasury stuff. You have got a job to be done, and it is important for the defense program--

- H.M.Jr: That is what Graves went over with and what did he get?
- Viner: But you are putting your shoulders behind it now.
- Graves: Well, as I said a minute ago, I think we got the important thing we wanted, which is substantially a settlement of our 1942 budget.
- H.M.Jr: Now, Harold, are you willing for me to stick my neck - how much did you ask for for next year?
- Graves: Five million nine hundred thousand dollars.
- H.M.Jr: Can you justify it?
- Graves: Yes.
- H.M.Jr: You don't say it the way you ought to.
(Laughter)
- Bell: I think, Mr. Secretary, before you get through with 1943, it may be ten million.
- Graves: That is right.
- Foley: If I can stick my two cents' worth in, Mr. Secretary, I don't think that this is worth fighting about. I really don't because you can get any amount of money you want as the facts justify your expenditures.
- H.M.Jr: I am surrounded by nothing but a bunch of sissies.
- Foley: Well, I would like to see you fight if it was worth fighting about, but you are going to get this money, all the money you need.
- H.M.Jr: Come on, Mrs. Klotz, stand up for me.

- Foley: That is the way I figured on Foreign Funds. He cut us down on Foreign Funds a million dollars, but I took it because I didn't think it was worth arguing about.
- Thompson: We will get our money all right. I gave Harold this morning a copy of the hearings of a couple of years ago in which the Senate Committee stated they expected us to come back and come back and come back.
- H.M.Jr: Well, isn't that a beautiful way to run the Government.
- Bell: It has always been done.
- Foley: Well, if you have got a man like Smith you have got to run it that way.
- H.M.Jr: Well, let's have the facts. Let me have the facts, will you?
- Bell: Yes, sir.
- H.M.Jr: I can only do it today. I can't fool with it tomorrow. I have got time this morning.
- Bell: Well, I am leaving in a few minutes. I can do it between twelve and one when I come back.
- H.M.Jr: I don't want you to stay up there. Come on back and help me get my money. Be back here at eleven o'clock. All over the weekend I just thought of it. It is just sickening, the waste. Why, the non-defense waste is peanuts compared to the waste if you had a good Director of the Budget, the money that you could save. You could save billions.
- Bell: One of the very able assistants in the Bureau of the Budget told me on Saturday that he thought if we wanted to economize,

the place to economize was in defense.
That is where the savings could be made.

H.M.Jr: Anybody that reads those Senate reports,
I mean they are just sickening. They just
turn my stomach.

Harold, you certainly have got enough people
around here that Bell can go on the Hill and
you can give me the facts.

Graves: I don't exactly know how we approach this
job of finding out specifically how much
is allotted to these other agencies, Dan.

Bell: I think George Jones can get it upstairs in
the Budget Section.

H.M.Jr: My God, two men can go on the Hill and the
Treasury can still function.

Bell: George Jones can get it for you. The Budget
Section upstairs can get it for you.

Graves: From the Budget?

Bell: Yes. They will get it some way, either
printed reports or.....

H.M.Jr: Want to go up on the Hill now?

Bell: I think it is about time.

H.M.Jr: All right.

Bell: Only one thing, it looks as though we are going to get about two hundred ninety million dollars in tax notes this month, which is about forty million over our estimates. Probably the savings bond estimates will fall about ten or twelve million below the estimates.

However, the defense expenditures probably won't go over a billion four fifty, but it is fifty million under our estimates and seventy-seven million under last month's expenditures. It is a short month this month and the thirtieth fell on Sunday, so you lost a day, see.

H.M.Jr: Well, give me a list of how much they have spent, beginning with the first of July, by months, through until the first of December, will you, Dan?

Bell: Yes, sir. May I be excused?

H.M.Jr: Now, I am going to have something, am I, from Graves?

Bell: Yes.

H.M.Jr: So I can do it after lunch? I will have you both here.

Bell: O.K. I will be back in time.

H.M.Jr: I am going to have both of you.
(Mr. Bell left the conference).

Thompson: That is all.

H.M.Jr: Harry?

White: The only item in Wallace's article that I think you would be interested in specially and to which he probably wanted your attention called was his suggestion, or recommendation in fact, that a good deal of our gold could very profitably be used to purchase raw materials at the end of the war so as to provide foreign countries with purchasing power.

I imagine that is one reason why he wanted your approval.

H.M.Jr: Yes.

White: There are several items in there, but I think in general with the possible exception of the rather vague recommendation on the ever-normal granary plan to be extended throughout the world, I think you would heartily approve everything else he says.

H.M.Jr: All right. What else?

White: That is all.

Morris: Nothing.

Schwarz: For your interest, the Kiplinger letter this morning predicts a hundred and fifty billion as the total defense spending program. It says it is not going to be announced at one time, but it will be leaked out bit by bit. That is their prediction.

- 18 -

H.M.Jr: How is our friend Goldsmith?

Schwarz: He is all right this morning.

H.M.Jr: Has he got the inside dope, when I am going to finance?

Schwarz: Some suggestions, yes.

H.M.Jr: I had better read them. I might know what is going on (laughter).

Schwarz: Would you like to see it?

H.M.Jr: What else, Chick?

Schwarz: That is all.

H.M.Jr: George?

Haas: On this sheet, Mr. Secretary, are the Savings Bonds.

Now, the November financing comes out on the calendar basis, not showing quite as favorably as this.

H.M.Jr: All right. I got a telegram Saturday. Harold knows about this, but Barnard doesn't. It was from Wallace requesting that we put off for a month our taking this space for Procurement. Well, I called Wallace on the telephone and I said, "Is this an order? If it is an order, of course I will do it." He said, "No, it is not an order." He says, "I never issue orders." So we had quite a talk, and Nelson Rockefeller went and did the baby act. He ran to see Teacher. He is interested in consolidating two offices, I guess. Nelson Rockefeller's office and the office of --

White: National Defense Council of Latin America.

- H.M.Jr: I made the statement which Graves says is incorrect, that we wanted a hundred and seventy thousand square feet for Lend-Lease and -- which is what you (Barnard) told me.
- Barnard: That is what Mack said.
- H.M.Jr: Graves said that is incorrect.
- Barnard: I think he is right, too. I know Mack didn't say it at first. I think part of it is additional storage space down there. I don't know whether it is Lend-Lease. Maybe it is partly Lend-Lease, and partly ordinary Government Procurement.
- H.M.Jr: Well, anyway, I told Wallace, I said, "It seems to me that buying war materials for England and China at war are more important than consolidating two statistical offices," and I said this to him, I said, "Is it agreeable to you that if I tell Graves to tell Rockefeller that if it means that they go on the street, then we will postpone it for a month, but if it just means that they can't consolidate it for a month, let them wait?" First I asked Wallace if I waited would he give me his word he would back me up at the end of the month, that I wouldn't be in the hole. He said he couldn't do that, he didn't know enough facts, so then I pressed him to say if it is a question of our needing the space or these two fellows just waiting for a month to be consolidated, then they wait. He said, "All right," so he changed again and said, "Well, but will you tell Rockefeller you will help him?" I said, "Sure," (laughter). Then I called up Graves and then Graves tells me that we can't do it for a month anyway, because the building isn't ready, so I told him to let Wallace know that we gave in to Wallace because we can't do it for a month anyway.

Graves: I called Mr. Rockefeller. This was Friday, not Saturday. I called Mr. Rockefeller after you called me, and told him that. He was very appreciative. I told him I was coming over to see him today, which you asked me to do.

H.M.Jr: Yes.

Graves: I will go over there.

H.M.Jr: I would let him come and see you.

Graves: He offered to do that, but I told him I would go over and see him.

H.M.Jr: But now Harold, if it is just a question of consolidating two statistical offices, they can wait.

Graves: Well, as you just said, the building, the key building, is the building on H Street over here that was supposed to be ready on the first day of December.

H.M.Jr: For Public Buildings.

Graves: That is right, and Mr. Reynolds said at this conference the other day that it certainly would not be ready for occupancy the first of December, and that he - that it was very indefinite when it would be ready, and I am sure from what he said that there is no chance that it will be ready before the first of January.

H.M.Jr: But Rockefeller's interest is just a question of consolidating two statistical offices, isn't it?

Graves: I didn't get that.

White: It is a little more than that, but I would agree that they can do business over the telephone.

H.M.Jr: I told him Leon Henderson has offices in two opposite ends of the town, but after I got through with Wallace he was willing to - he took the pressure off, but I think that when we get - after you have seen Rockefeller you had better give me a little memo of the kind that I can send to the Vice-President.

Graves: Yes, sir.

H.M.Jr: But I still don't - we put Public Buildings out and they go into this new building, is that it?

Graves: That is right. They go into this 1818 H Street building when it is ready and then we take the space that they now have in the Procurement.

H.M.Jr: And where does Rockefeller come in this thing?

Graves: That I don't know.

H.M.Jr: I don't either. He wasn't at the meeting, was he?

Graves: No.

H.M.Jr: Well, I haven't changed a bit.

An amusing thing, in the letter that Rockefeller wrote the Vice-President, he said that the President had approved our plan, see. Of course, I never took it up with the President.

Graves: I think that means that the President has approved the allocation of the Procurement Building in its entirety to the Procurement Division after Public Buildings vacates.

H.M.Jr: Well, don't give an inch, Harold. Offer your cooperation, but don't give an inch.

Graves: Except to delay the matter for this month.

H.M.Jr: Well, you have got to.

Graves: Yes. (Laughter)

Barnard: Here is a letter from Mr. Mack. You may want it.

H.M.Jr: All right, thanks. Anything else?

Barnard: That is all.

H.M.Jr: Viner, would you sort of get your feet wet on this financing and George can give you a copy of the memorandum he gave me. I would kind of like to talk to you about it.

Viner: Did you get a letter, Mr. Secretary, on the meeting?

H.M.Jr: Yes.

Viner: Mr. Secretary, I think you ought to be giving thought to the probability that very soon if the bill rate rises that you will have to push up the rate under tax anticipation notes.

Haas: It is right up there. Dan has been talking about it and he wanted to see the Secretary. I don't know if he has talked to the Secretary or not.

H.M.Jr: No, he hasn't. Well, the first meeting we have with the little group that works with --

Viner: I was wondering whether you print these notes ahead and whether there is any problem of stopping that if the notes carry the rate on them or anything of that sort.

H.M.Jr: Well, Graves doesn't know anything about that.

Haas: The program was, at the beginning of the year, the

new series would be put out.

H.M.Jr: Well, we will be talking --

Haas: It is an important problem.

H.M.Jr: Jake, we will be talking today and you sit in on it. Anything like that.

White: What is this, reducing the excess reserves coming home to roost now?

Haas: That is right.

White: Increased bill rates?

Haas: Yes, from 07 to 27.

White: How much does it amount to?

Haas: 07 to 27.

White: How many billions of dollars did we pay for the cooperation of the Board?

Viner: I don't think that at all touches the fundamentals of the problem.

H.M.Jr: Anything else? Ferdinand?

Kuhn: Nothing. Could I see you for just a moment after the meeting?

H.M.Jr: Yes, but I want to see White after the meeting.

Kuhn: All right.

Buffington: Mr. Milford of the Baltimore Federal Reserve Bank called on Friday in answer to a question that I had asked him about why the Glenn Martin Company had not distributed these folders, "Know Your Taxes." He said that they had an inflexible rule. He had talked to the executive vice-president.

They had an inflexible rule not to circularize employees. Mr. Hartson was going to see Mr. Martin today to see if they could make an exception and distribute them. Mr. Hartson told Mr. Milford that he was under the impression that a very large proportion of the employees of Glenn Martin didn't know that the employers would notify the Government of the various laboring men's income during the year. He thought something should be done about it. I called Mr. Cann at Internal Revenue. Mr. Sullivan was out of town. I called to see if there would be any objection either through the unions or through the corporations, particularly the companies like these aircraft companies, of making public to employees the fact that their income will be reported, possibly putting something on their bulletin boards.

H.M.Jr: Be reported?

Buffington: The corporations will report.

Sullivan: Oh yes.

Buffington: Ninety-nine form.

Sullivan: Wait a minute, George. At least six weeks before the fellow has to pay his income tax he gets a duplicate slip of what the company sends to us and that informs him that the company has notified us of the employees' earnings.

Buffington: I understand that, but I thought we have already missed time in having those people prepared and know that their incomes will be reported so that the sooner we got it done --

Viner: They will get that in the first or second week of January. You see, they will get a slip from their employer. I am speaking of the way I get it.

- Buffington: I would like to have them get it December first.
- Viner: They can't do it because the firm doesn't yet know until the end of the year.
- Buffington: No, I meant to have the employees know that their income had been reported to the Government so that they will begin to think in terms of savings for taxes.
- Sullivan: Well, all of those fellows earned enough so that they got such a slip last year, didn't they, George?
- Buffington: Mr. Hartson told Mr. Milford he thought there were a great many men in their employ who, for the first time this year, would be getting enough to make that report necessary.
- H.M.Jr: Well, there is another way of letting these people know, if you want it. Every Internal Revenue office has a complete list of employers under Social Security and you could make a distribution that way, if you wanted to, you see. Do you see what I mean?
- Buffington: Yes.
- H.M.Jr: You could reach them and let them know anything you wanted to through that by having the thing mailed out of Internal Revenue, the sixty-two offices, you see. Now, as to Glenn Martin, he always does things differently than anybody else, see.
- Buffington: Well, strangely enough, we have only had requests from United Aircraft of all the airplane manufacturing companies for folders to distribute to employees. I have checked with the various Federal Reserve banks and found that they have not distributed to airplane manufacturers. It may be that they are getting it through - the inform-

ation through their commercial banks, and we would have no record of that. We wouldn't be able to trace that out.

- H.M.Jr: What do you want to do, just get the "Know your Taxes" folder to them?
- Buffington: Yes.
- H.M.Jr: You don't think you have reached them? How many have you sent out?
- Buffington: Forty million.
- H.M.Jr: You don't think you have reached them?
- Buffington: Well, I don't know that we haven't, nor do I know that we have. It seems to me that is one important industry that should have that information.
- H.M.Jr: Possibly one of these industries would let somebody ask a hundred employees how many of the hundred have got that folder before you do it any further. Why couldn't you make a spot check?
- Buffington: Well, I am checking again today with Glenn Martin.
- H.M.Jr: but don't forget we have the key list of key lists, and that is the Social Security list is in every collector's office in the United States, and that takes care of everybody who is on the unemployment list. Through that - am I right, Harold, that through that you could reach them?
- Graves: You could reach only the employer. I doubt whether it would be effectual in the Martin

case to use the Social Security list, because after all, that would simply take you to the management of the Martin company. You have in the end to rely upon them to make the distribution.

Buffington: If there were no objections probably the most effective way of doing it would be through the unions.

H.M.Jr: Well, keep plugging. Harold?

Graves: You asked me on Friday to have Mr. Stodgill from the Bulletin here today.

H.M.Jr: Yes.

Graves: He will be here about eleven.

H.M.Jr: Is that the --

Graves: You recall asking me about the Washington papers?

H.M.Jr: Yes.

Graves: And the newspaper boys program?

H.M.Jr: Well, Harold, I am going over to Dr. Ledbetter's office at eleven thirty. If he was here just before that, I could see him, at eleven, if he was here.

Graves: I doubt if he would be. He gets in, I think, on a ten forty train. Afternoon would be much --

H.M.Jr: That is awfully hard. I can't do it this afternoon. I don't leave here until eleven twenty.

Graves: Well, suppose I try to get him here.

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Graves: Well, suppose I try to get him here.

H.M.Jr: I don't leave here until eleven twenty.

Graves: I thought I would bring, too, Mr. Lynch and Mr. Barkdull, our Administrator and Deputy Administrator for the District of Columbia, who really did the work on the four Washington papers.

H.M.Jr: O.K.

Graves: Fine.

H.M.Jr: Roy?

Blough: Shall I accumulate these charts until you are done with financing, these tax charts?

H.M.Jr: No, I would like to see those. On companies?

Blough: Yes.

H.M.Jr: I would like to see those.

Blough: You would like to see them each day?

H.M.Jr: Yes.

Blough: When after the meeting I will give you these.

H.M.Jr: All right.

Cochran: I gave you the ticker item Friday afternoon announcing that Handy and Harmon had raised their silver price to thirty-eight. We sent our first bid to Mexico today at thirty-five cents, so we don't know whether we shall get the silver, or whether they will sell it on the market. Mr. Handy wrote you a letter, giving a copy of the communication he sent to the Department of State, and this is the acknowledgment.

H.M.Jr: Thank you.

Cochran: We bought only three hundred thousand ounces of silver this last month.

H.M.Jr: Yes.

Cochran: The Shanghai exchange market improved this last week, due partly to our new regulations, I think. This morning the political news isn't good, so you can't tell what it would be. The ticker announced that the British and Dutch were taking their commercial ships out of Shanghai harbor, and that one of the coastal ships from Hongkong enroute to Shanghai had been asked to return to Hongkong. Communication with Shanghai is going to be almost impossible, because practically all of the American ships have stopped going there except those that were taking off the Marines, and it is only those coastal vessels from Hongkong that have been getting people in and out.

Did you read of Senator Adams' death?

H.M.Jr: Yes.

Sullivan: Do you have any definite date for this tax conference with the President?

H.M.Jr: No, and I am not asking.

Sullivan: You don't think it is going to be tomorrow, do you?

H.M.Jr: Oh, no.

Sullivan: The reason I asked, I tentatively agreed to speak at the luncheon of the Community Chest workers tomorrow at twelve thirty, and I wanted to cancel that if I thought there was any likelihood --

H.M.Jr: You have got to get a better excuse than that.

- Sullivan: O.K.
- Foley: We have a telegram here from Chambers in Honolulu saying that the Young trial on second degree murder charge was completed today. After five hours' deliberation, jury returned verdict, not guilty of murder but of manslaughter. Appeal under consideration. Sentence will be imposed December first. I think that is very satisfactory as a solution in so far as we are concerned, because manslaughter is a much lesser charge than the charge for which he was indicted. I assume that the indictment was comprehensive and included the lesser degrees of murder, manslaughter being a lesser degree. He probably wouldn't get more than ten or fifteen years at the maximum.
- H.M.Jr: Just a sort of summer holiday (laughter).
- Foley: Summer holiday. Well, it is better than life. I think Chambers had better come back. I don't see any reason why he should stay there to work on the appeal.
- H.M.Jr: Well, that rests with you and Gaston, whatever you and Gaston say.
- Foley: We are having a hearing this afternoon --
- H.M.Jr: Whatever you and Gaston say.
- Foley: Yes, sir.
- We are having a hearing this afternoon before the Policy - Foreign Funds Policy Committee. Willkie and Farr and David Morse from New York are appearing in behalf of refugees, asking for more liberal treatment of them. I think we ought to have a stenographic record

of the testimony and the arguments. If we could have somebody from your office to help on it.

- H.M.Jr: Yes. Let me - I want to just say - you wait a minute. I want to say something.
- Foley: Yes, sir.
- H.M.Jr: Yes, you can have him.
- Foley: That is all.
- Gaston: We are having a Customs conference in New York all this week, the northern district. I would like to go up on Wednesday.
- H.M.Jr: O.K.
- Gaston: I think I wrote you a little note about Ed Flynn and Mrs. Honeyman.
- H.M.Jr: Yes.
- Gaston: She came in to see me this morning, and she would like to delay it for a time for her own reasons.
- H.M.Jr: That is all right, but she had better - you had better write the thing up and say to the President what happened, that we told him and that she has come in and asked for a delay, and I will write that letter to the President. Write it for me to sign.
- Gaston: It will take two or three days yet before we get the report on the character investigation.
- H.M.Jr: Yes, but if she asks it for delay, then I want to let the President know that. And a copy to Frances Perkins.

Gaston: Two things. She wants to get out of town and the other thing - before it is announced and goes to the Senate - and the other thing is that she wants to have Fisk notified, the present collector.

H.M.Jr: Well, whatever it is, I would like to write it, and a copy to Miss Perkins.

Gaston: Right.

H.M.Jr: Anything else, Herbert?

Gaston: Yes, if you have an opportunity, I would like to talk to you for just a minute on a very confidential matter.

H.M.Jr: O.K.. Well now, let's just see. Kuhn wants to see me first and then I want to see Foley and then I will see Gaston and White. It will take a little time.

December 1, 1941

File

Mr. Cochran

At the 9:30 Staff Meeting on Friday, November 28, I reminded the Secretary that our Silver Purchase Agreement with Mexico was to become effective on December 1. With the market demand for silver for industrial and military purposes, there would be a shortage of silver if Mexico should refrain from selling to the open market, and either hoard its silver pending a further increase in price, or sell its silver to the Treasury which, in turn, would not be able to put it on the market unless the price advanced to 1.29 per ounce. Mr. Knobe of the Federal Reserve Bank at New York was concerned over this situation, and had suggested that we might care to intimate to the Mexican authorities, as we had recently, through Mr. Knobe, to the Canadian officials, that it was agreeable to the Treasury that their silver should be offered to the market, rather than sold to the Treasury under our international agreements. While we had anticipated at the time we were working on the Mexican arrangement that Mexico might be placed thereby in a position strongly to control the silver market, I doubted whether we should approach Mexico at once on this point and suggest that Mexico do anything other than exercise free choice as to whether silver should be sold to the Treasury or to the market.

I added that Messrs. Handy and Harman had written a letter to the Department of State in regard to the silver situation, especially as it might be affected by our Mexican purchase arrangement. Furthermore, I understood that a copy of this would come directly from Messrs. Handy and Harman to the Secretary. The Secretary said that he preferred to take no action in the premises, but to await developments.

After the meeting, I telephoned Mr. Knobe at 10:45 a.m. I thanked him for the information which he and his assistants had given the Treasury recently with respect to the silver market, and I summarized my conversation with the Secretary. Mr. Knobe thought that the market price for silver would go up later in the day.

The Treasury's silver purchase price on November 28 was announced as 35 cents, as usual. Handy and Harman announced a price of 35-1/8 cents and, according to the Dow Jones ticker of November 28, 12:40 p.m., issued the following statement:

"On November 19, 1941 an agreement was signed between Mexico and the United States by which the United States Treasury Department indicated its willingness to purchase newly-mined Mexican silver direct from the Mexican Government at the daily price quoted by the Treasury on the day of purchase. This Treasury buying rate has been 35 cents an ounce since July 10, 1939. As a result of this agreement, Mexican silver in the amount needed for American industry has become unavailable in the open market at the Treasury price of 35 cents. Accordingly, the New York market advanced today to a price sufficient to obtain the necessary Mexican silver. On the basis of this price we have raised our official quotation to 35-1/8 cents."

- 2 -

As soon as this item was received over the ticker, I sent it to the Secretary. There are attached to the file copy of this memorandum items from the New York press with respect to the silver price.

At the Staff Meeting held at 9:30 this morning, December 1, I referred to Hoady and Harman's change in the silver price. I told the Secretary that we would begin bidding Mexico today for silver at 35 cents an ounce. It was not yet certain whether we or the market would acquire Mexican silver. I added that Treasury purchases of foreign silver from all sources totaled only 300,000 ounces in November.

I submitted for the Secretary's signature an acknowledgment of the letter which had been received on November 28 from Messrs. Hoady and Harman, enclosing a copy of their communication to the Department of State concerning the silver market.



December 1, 1941

C
O
P
Y

Messrs. Handy and Harman,
82 Fulton Street,
New York, New York.

Attention: Mr. C. W. Handy

Gentlemen:

Please accept my thanks for your courtesy in transmitting with your letter of November 27, 1941, a copy of a communication addressed under the same date to the Department of State, concerning current developments in the silver situation.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Copy:emk:12.3.41

COPY

36

HANDY & HARMAN
PRECIOUS METALS
Executive Offices
82 Fulton Street
Corner Gold Street
NEW YORK

November 27, 1941

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

My dear Mr. Secretary:

At the last interview which I had with you several years ago you requested that I advise you of any important developments in the silver situation. The recent agreement between the United States and Mexico in our opinion will probably affect the silver market in the United States, and I am therefore enclosing a copy of a letter on the subject which we are sending today to the State Department, in accordance with their request.

Very sincerely yours,

(s) C. W. Handy

Chairman.

C. W. Handy/W

HANDY & HARMAN
PRECIOUS METALS
EXECUTIVE OFFICES
82 Fulton Street
Corner Gold Street
NEW YORK

37

November 27, 1941

Department of State,
Washington, D. C.

Attention: Mr. Herbert S. Bursley, Assistant Chief,
Division of the American Republics

Gentlemen:

Supplementing the interview which our Mr. Spaulding had with your Mr. Bursley on November 22nd, and in accordance with your request, we submit the following information regarding the effect of the agreement of November 19th between the United States and Mexico upon the availability of silver needed for our domestic manufacturing industries:

INDUSTRIAL DEMAND FOR SILVER

The present industrial consumption of silver in the United States is breaking past records by a wide margin, and all indications point to a continuance of, and possibly an increase in, the present high rate of use. This situation has three main causes:

- (a) A rapidly increasing use of silver for defense work.
- (b) A growing substitution of silver alloys for articles previously made of nickel or copper alloys.
- (c) A greater public demand for articles made of silver.

The substitution of silver alloys (mainly sterling silver which contains 92-1/2% silver and only 7-1/2% copper) by manufacturers in the arts for the nickel and copper alloys previously used is effecting a considerable saving of these scarce defense metals and at the same time is maintaining employment. Such substitution is being encouraged by the Office of Production Management.

Silver consumption in the United States at the present time is at the rate of about 9,000,000 ounces per month. A substantial part of this represents substitution for nickel and copper. The amount used directly for defense is approaching a million ounces per month, and is steadily increasing. A description of these important defense uses is given in the memorandum attached.

SILVER SUPPLIES

There has always been an excess of silver available in the past, and we do not wish to create the impression that there is a shortage now; but any substantial diversion of present supplies from the needs of industry would definitely create such a shortage.

Because of war restrictions, the output of Europe, Asia, Africa and Australia is now shut off from the United States. Furthermore, our Treasury is not only absorbing all newly-mined American silver at 71.1¢ per ounce pursuant to the law of July 6, 1939, but is also buying at its day-to-day rate of 35¢ about 40% of Canada's production under an agreement with the Canadian Government, plus such amounts of other foreign silver as may be offered. As a result, less than half of the world's current production is now available to industry in the United States. An estimate recently made by us in conjunction with Mr. L. W. Knoke, a Vice-President of the Federal Reserve Bank of New York, places the current amount of such available silver at only slightly over 9,000,000 ounces per month, of which Mexico contributes about 7,000,000 ounces.

EFFECT OF SILVER AGREEMENT

We understand that under the recent agreement with Mexico the U. S. Treasury Department has indicated its willingness to purchase monthly up to 6,000,000 ounces of newly-mined Mexican silver direct from the Mexican Government at the daily rate quoted by the Treasury on day of purchase. This rate has been 35¢ since July 10, 1939 but is subject to change from day to day.

If the purpose of this agreement is merely to assure the Mexican Government of a market for their silver in the event that commercial demand cannot absorb it all, American

silver manufacturers would have no cause to feel worried about supplies. If, however, it is the intention of the Treasury Department to purchase direct from the Mexican Government a round amount of silver each month regardless of commercial demand, the situation in the American silver industry would rapidly become serious.

An amount of 6,000,000 ounces per month constitutes nearly two-thirds of the silver available in the domestic market at the current price of 35¢, and the sale of any such amount of Mexican silver to the U. S. Treasury would necessitate the bidding up by American industry of the market price to above the rate of 71.11¢ paid by the U. S. Treasury for newly-mined American silver in order to obtain the domestic supply.

Even in the absence of such an extreme contingency as the sale of the full amount of 6,000,000 ounces per month to the U. S. Treasury, the agreement gives the Mexican Government a degree of control over the market price of silver which might greatly endanger present price stability and could easily cause sharp fluctuations between 35¢ and 71.11¢. An erratic market of this sort would undoubtedly induce speculation, in itself a further harmful development.

Taking the most favorable aspect of the situation created by the agreement, we believe it will be difficult, if not impossible, for Mexican silver producers to withhold their output from the Mexican Government and sell direct to American industry unless the latter offers a premium. For example, the Mexican "Factura Tax" imposes a penalty on sales not made to the Government. It would seem, therefore, that at least a fractional advance in the market price above the Treasury's rate of 35¢ will become necessary in order to secure the Mexican silver needed by American manufacturers. We say "at least a fractional advance" because the extent of the price rise will depend entirely upon the degree to which the Mexican Government takes advantage of the preferential position bestowed upon it by the terms of the agreement of November 19th.

Department of State

Page Four

We can assure you that the entire silver industry of the United States, consumers and producers as well, is strongly opposed to either a much higher market for silver or one which fluctuates violently, as the effect would be to increase the cost of defense products containing silver and to curtail employment. We presume that the United States Government is also averse to any such developments.

In the light of the foregoing information, we hope you may have some suggestions to offer.

Yours very truly,

(Signed) C. W. HANDY

Chairman.

C. W. Handy/W

HANDY & HARMAN PRODUCTS USED IN DEFENSE ACTIVITIESShipbuilding

Silver brazing alloys are used extensively in the construction, conversion and repair of ships by the Navy, Merchant Marine and private shipyards. Grades III and IV of Navy Specification 47S13C and Flux, Brazing (Silver) U.S. Navy Specification 51F4A are specified by the Navy Department for joints made on types of piping systems listed below:

Salt Water Lines	Fresh Water Lines
Lubricating Oil Lines	Fuel Oil Lines
Low Pressure Steam Lines	Steam Heating Lines
Hot Water Lines	Cold Water Lines
Sprinkler Systems	Waste Lines
Drain Lines	Hydraulic Lines
Compressed Air Lines	Refrigerant Lines
Condenser Piping	Flanges and Fittings
Pipe Fabrication	Expansion Joints
Vacuum Systems	
Systems Containing Inflammable Liquids and Gases	
Bulkhead Connections on Non-Ferrous Piping	

We also supply silver brazing alloys for joining lacing wires and outer bands on turbines and for many miscellaneous applications in copper shops where non-ferrous metals are joined. An outstanding new use of brazing alloy (U.S. Navy Specification 47S13 (INT) Grade V) is for making long seams in large diameter copper pipe which is formed from flat sheet, such as is used for overboard discharge lines. Electrical connections on control apparatus and switchboards as well as conduit runs are also made with these alloys.

A special type of pipe fitting has been developed to use silver brazing alloys for the piping systems outlined above. Brazing alloys are used in the form of inserts in these fittings (U.S. Navy Specification 45F12 INT) and flanges (U.S. Navy Specification 45F14 INT). These fittings and flanges are manufactured by:

Walworth Company, New York, N. Y.
 Stanley G. Flagg & Co., Philadelphia, Pa.
 Crane Company, Chicago, Ill.

There are 28 private yards and 10 Navy Yards to whom we are now supplying materials direct. In addition, these and other yards are being supplied with fittings and flanges in which these materials are incorporated. They are as follows:

Alabama Drydock & Shipbuilding Co.	Mobile, Alabama
Bath Iron Works	Bath, Maine
Bethlehem Steel Co., Shipbuilding Div.	New York, N.Y.
" " " " " "	Fore River Yard
" " " " " "	Quincy, Mass.

Bethlehem Steel Co., Shipbuilding Div.	N.Y. Yards Staten Island
" " " " "	Mariners Harbor, N.Y.
" " " " "	Sparrows Point Yard, Md.
	Union Shipyards
	San Francisco, Calif.
Charleston Shipbuilding & Drydock Co.	Charleston, S. C.
Consolidated Steel Corp.	Los Angeles, Calif.
Consolidated Steel Corp. of Texas	Orange, Texas
Crap Shipbuilding Company	Philadelphia, Pa.
Defoe Boat & Motor Works	Bay City, Michigan
Electric Boat Company	Groton, Conn.
Federal Shipbuilding & Drydock Co.	Kearny, N. J.
" " " " "	New York, N. Y.
General Engineering & Drydock Co.	Alameda, Calif.
Ingalls Shipbuilding Corp.	Birmingham, Ala.
Lake Washington Shipyards	Houghton, Wash.
Manitowoc Shipbuilding Corp.	Manitowoc, Wisc.
Moore Drydock Company	Oakland, Calif.
Newport News Shipbuilding & Drydock Co.	Newport News, Va.
New York Shipbuilding Corp.	Camden, N. J.
Pusey-Jones Corp.	Wilmington, Del.
Seattle-Tacoma Shipbuilding Corp.	Seattle, Wash.
Sun Shipbuilding & Drydock Co.	Chester, Pa.
Tampa Shipbuilding Co., Inc.	Tampa, Fla.
Western Pipe & Steel Company	San Francisco, Calif.
U.S. Navy Yard	Boston, Mass.
"	Phila., Pa.
"	Brooklyn, N. Y.
"	Portsmouth, N. H.
"	Charleston, N. C.
"	Puget Sound,
"	Bremerton, Wash.
"	Norfolk, Va.
"	Mare Island, Calif.
"	Washington, D. C.
"	San Francisco, Calif.

An important application is the construction of non-ferrous water cooled condensers, heat exchangers and heaters. The following companies who use these alloys are manufacturing these for government and private yards:

Carrier Corp.	Syracuse, N. Y.
Combustion Engineering Co.	Chattanooga, Tenn.
The Elliott Co.	Ridgway, Pa.
Ingersoll Rand Co.	Painted Post, N. Y.
Struthers-Wells Co.	Warren, Pa.
The Whitlock Coil Pipe Co.	Hartford, Conn.
Worthington Pump & Machinery Corp.	Buffalo, N. Y.
York Ice Machinery Corp.	York, Pa.
Ross Heater & Mfg. Company	Buffalo, N. Y.

Aeronautical Applications

The Army Air Corps and Navy Bureau of Aeronautics specify the use of silver brazing alloys for many diversified applications. Most of this work is done by contractors who use silver brazing alloys, conforming to U.S. Navy Specification 47S130 Grades III and IV -- Federal Specification QQ-S-561b Class 3 and 4, and Society of Automotive Engineers-Aeronautic Materials Specification 4770 and a brazing flux conforming to U.S. Navy Specification 51F4A, Army Air Corp Specification 11316A and Society of Automotive Engineers, Inc., AMS 3410.

Oil Coolers and Radiators

One of the most important applications is the use of these products in the joining of oil coolers and radiators for airplane engines. Brazing alloys and flux are used for joining the outer shell to the inner shell and for the inlet and outlet connections. A large project is under way involving the use of silver brazing alloys in joining the tubes which make the core assembly in a new type of Prestone cooled radiator (Navy Aeronautical Specification 49R2B (AER)). The following companies who use these alloys are producing coolers and radiators:

Airsearch Corporation	Glendale, Calif.
Pedders Mfg. Company	Buffalo, N. Y.
Flexo Mfg. Company	Los Angeles, Calif.
G. & O. Mfg. Co.	New Haven, Conn.
Harrison Radiator Div. Gen'l Motors Corp.	Lockport, N. Y.
McCord Radiator & Mfg. Co.	Detroit, Mich.
United Aircraft Products, Inc.	Dayton, Ohio
Winchester Repeating Arms Co.	
Div. Western Cartridge Co.	New Haven, Conn.

Electrical Shielding and Ignition Systems on Engines

These products are used for the joining of the various parts which make up the ignition system on radial type engines, including the shielding ring and couplings, and spark plugs. On one engine there are 30 brazed joints in the shielding ring and 7 joints on the spark plug. The following companies who use these products manufacture electrical shielding rings and couplings. In addition, they manufacture flexible metal hose which requires joining the end fitting with silver brazing alloys.

American Tube Bending Co.	New Haven, Conn.
*B. G. Corporation	New York, N. Y.
Breese Corporation	Newark, N. J.
*Scintilla Magneto Div. Bendix Aviation Co.	Sidney, N. J.
Titeflex Metal Hose Co.	Newark, N. J.
*Aero Spark Plug Co.	New York, N. Y.
Ethyl Gasoline Corp. Research Lab.	Detroit, Mich.

(* Also manufacture spark plugs)

Airplane Construction

These brazing alloys and flux are used for miscellaneous

applications on electrical connections and shielding, piping connections on fuel and oil lines and the fabrication of parts and accessories, instruments, cable tubes, flame arrestors. The following aircraft manufacturers are being supplied with these materials for one or more of these purposes:

Beech Aircraft Corp.	Wichita, Kansas
Bell Aircraft Corp.	Buffalo, N. Y.
Boeing Airplane Co.	Seattle, Wash.
Consolidated Aircraft Corp.	San Diego, Calif.
Curtiss-Wright Corp.	Buffalo, N. Y.
Douglas Aircraft Co.	Santa Monica & El Segundo, Calif.
Grumann Aircraft Engineering Corp.	Bethpage, N. Y.
Lockheed Aircraft Corp.	Burbank, Calif.
Glenn L. Martin Co.	Baltimore, Md.
Mercury Aircraft, Inc.	Hammondsport, N. Y.
Meyers Aircraft Co.	Tecumseh, Mich.
North American Aviation, Inc.	Inglewood, Calif.
Stearman-Jensen Aircraft Mfg. Co.	Coffeyville, Kansas
Vega Airplane Company	
Sub. Lockheed Aircraft	Burbank, Calif.
Vought Sikorsky Aircraft	
Div. United Aircraft	Stratford, Conn.
Vultee Aircraft Corporation	Downey, Calif.

Airplane Engines

Oil and fuel line connections and braces, ignition shielding outlets and braces, carburetor parts, floats and fuel pumps, propeller parts, super charger parts are braced with these alloys, by the following manufacturers:

Allison Engineering, Div.	Indianapolis, Ind.
General Motors Corp.	
Fairchild Aircraft Div., Fairchild Engine & Airplane Corporation	Hagerstown, Md.
General Motors Corp. Delco App. Div.	Rochester, N. Y.
Lycoming Aircraft Div. Aviation & Transportation Corporation	Williamsport, Pa.
Packard Motor Car Co.	Detroit, Michigan
Pratt & Whitney Aircraft Div.	
United Aircraft Corp.	E. Hartford, Conn.
Ranger Aircraft Engines, Div.	Farmingdale, L. I.
Fairchild Engine & Airplane Corp.	
Vultee Aircraft Div. Aviation & Transportation Corp.	Nashville, Tenn.
Wright Aeronautical Corp.	Paterson, N. J.

Experimental work has been conducted at National Advisory Committee on Aeronautics on the joining of copper fins to cylinder walls to replace the present methods of forging and machining fins. The copper fins are braced to the cylinders and thus form an integral

unit to increase the heat transfer properties. The high conductivity of the silver brasing alloy and the intimate bond to the copper fins permit taking full advantage of the heat transfer properties of copper. This work has been carried to the point where it has been turned over to the engine contractors for their consideration. This application is likely to require very large quantities of these brasing alloys.

Accessories & Instruments

There is a wide variety of applications where silver brasing alloys are used in the manufacture of accessories and instruments. The following companies use these alloys:

Arma Corporation	Brooklyn, N. Y.
Bendix Products Div. Bendix Aviation	South Bend, Ind.
Breese Corporation	Newark, N. J.
Bendix Aviation Corp. Eclipse Avia. Div.	Bendix, N. J.
Chicago Flexible Shaft Co.	Chicago, Ill.
The Lunkenheimer Co.	Cincinnati, Ohio
Aviation Mfg. Corp.	Wayne, Mich.
Thompson Products, Inc.	Cleveland, Ohio
Curtis Pump Company	Dayton, Ohio
Fairchild Aviation Corp.	Jamaica, L.I., N. Y.
Sperry Gyroscope Co.	Brooklyn, N. Y.
Thos. A. Edison, Inc.	West Orange, N. J.
Hamilton Standard Propeller Div.	
United Aircraft Corporation	E. Hartford, Conn.

Airplane Heaters

Stewart-Warner Co., Chicago, Ill., has developed an airplane heating device on which silver brasing alloys and flux are used. This heater has had tentative approval by the U.S. Army Air Corps and production will begin very shortly. It is anticipated that approximately 150,000 heaters, using from 2 to 3 ounces of Grade IV brasing alloy per unit, will be required.

Service Requirements

The Air Corps and Bureau of Aeronautics use large amounts of these products at the various fields and bases for miscellaneous repair work and fabrication:

Naval Air Station	Pensacola, Fla.
Naval Aircraft Factory	Philadelphia, Pa.
Naval Air Station	Norfolk, Va.
" " "	San Diego, Calif.
" " "	Seattle, Wash.
" " "	Anacostia, D. C.
" " "	Alameda, Calif.
Air Corps	Wright Field,
	Dayton, Ohio

Ordnance ApplicationsAerial Bombs

Brasing alloys and flux are being used for joining a nose piece and tubular member into the light walled body. The first educational order has been undertaken by the Edw. G. Budd Co., Philadelphia, Pa. We have supplied the required amount of silver brasing alloy and flux.

Anti-Aircraft Recoiler Mechanism

Coin silver circles are spun to form seals on the plungers used in the recoil chamber. The following companies manufacture these items from coin silver supplied by us:

William Bergfels Co.
Hannifin Mfg. Company
Pacific Platinum Works
Rock Island Arsenal
Rogers, Lunt & Bowlen Co.
Teiner & Torngren Co.

Newark, N. J.
Chicago, Ill.
Los Angeles, Calif.
Rock Island, Ill.
Greenfield, Mass.
Boston, Mass.

In connection with this application, silver brasing alloys and flux are also used for joining the ends of the recoil cylinder. The Vickers Company is having this work done by the Danly Machine Specialties, Inc., Cicero, Illinois.

The water cooled jackets of 40mm and 50mm guns are being brased with these products.

Shells

Silver brasing alloys and flux are used in the assembly of chemical shells for joining the adapter into the body and for brasing the open end of the burster tube. The Edgewood Arsenal has released drawings specifying silver brasing alloy for joining the adapter, and optional on the burster casing. Educational production orders for approximately 2,000,000 shells and burster casings are being released to the following companies:

Armstrong Cork Co.
Budd Wheel Company
Kingston Products
H. K. Porter Company
United Machine & Mfg. Co.

Lancaster, Pa.
Detroit, Mich.
Kokoma, Indiana
Pittsburgh, Pa.
Canton, Ohio

Torpedoes

The Navy Torpedo Station, Newport, uses silver brasing alloys in the fabrication of parts and on piping and pressure lines. Brasing alloys are also used in the construction of the discharge tubes.

Army Field Kitchen Stoves

Brasing alloys and flux are being used for joining the parts of army field kitchen stoves. There are 20 brazed joints per unit. At present the stoves are being manufactured by:

Crescent Stove Works	Evansville, Ind.
Cresley Corporation	Cincinnati, Ohio
Presto Gas Mfg. Co.	Chicago, Illinois
Stewart-Warner Corp.	Indianapolis, Ind.

It is estimated that contracts have been let for 100,000 of these field kitchen stoves, all of which are being brased with silver brasing alloys, and flux, and it is understood that many more of these are to be constructed.

Electrical Equipment

The electrical industry uses these brasing alloys and flux for construction of motors, generators, transformers, turbines, switchboards, electrical instruments and controls, and other electrical equipment for use in ships, tanks, airplanes, machinery, machine tools, etc. The following companies are being supplied with these materials for one or more of these purposes:

Allis Chalmers Mfg. Co.	Milwaukee, Wisc.
General Electric Co.	Schenectady, N. Y.
Westinghouse Elec. & Mfg. Co.	Pittsburgh, Pa.
Kingston-Conley Electric Co.	No. Plainfield, N. J.
Howell Electric Motors Co.	Howell, Michigan
Fairbanks, Morse & Co.	Chicago, Ill.
Wagner Electric Corp.	St. Louis, Mo.
Delco Products Div. Gen'l Motors Corp.	Dayton, Ohio
Robbins & Myers, Inc.	Springfield, Ohio
Jefferson Electric Co.	Bellwood, Ill.

Electrical Contacts

Fine silver, silver brasing alloys and flux in the form of wire, sheet and strip are used in large quantities for electrical contacts on switches, circuit breakers, relays and circuit interfering devices of all types. Fine silver anodes are widely used for plating of electrical connections and switchboards. Companies who use these products for these purposes are:

F. R. Mallory & Co., Inc.	Indianapolis, Ind.
Fansteel Metallurgical Corp.	No. Chicago, Ill.
Callite Tungsten Corp.	Union City, N. J.
General Plate Division	
Metals & Controls Corp.	Attleboro, Mass.
H. A. Wilson Company	Newark, N. J.
Gibson Electric Company	Pittsburgh, Pa.

Heating, Refrigeration and Air-Conditioning

The increased building program necessary for new production facilities and Army cantonments, require heating and air-conditioning equipment. Air-conditioning and refrigeration equipment is also used extensively in shipbuilding. Manufacturers of this equipment are large users of silver brazing alloys and flux for making joints in return bends and tube connections of unit heaters, condenser coils, compressor parts, water coolers, refrigeration coils and radiators. The following companies who use these alloys manufacture this equipment:

Buffalo Forge Company	Buffalo, N.Y.
Carrier Corporation	Syracuse, N.Y.
General Electric Co.	Schenectady, N.Y.
Big Electric Ventilating Co.	Chicago, Ill.
London Radiator & Mfg. Co.	Detroit, Mich.
McQuay, Inc.	Minneapolis, Minn.
Madine Mfg. Company	Racine, Wisconsin
Herman Nelson Corporation	Moline, Illinois
John J. Nesbitt, Inc.	Philadelphia, Pa.
Peerless of America, Inc.	Chicago, Ill.
E. F. Sturtevant Company	Boston, Mass.
Surface Combustion Corp.	Toledo, Ohio
Trans Company	Lacrosse, Wisc.
Westinghouse Elec. & Mfg. Co.	Pittsburgh, Pa.
York Ice Machinery Corp.	York, Pa.
Young Radiator Company	Racine, Wisc.
Tecumseh Products Co.	Tecumseh, Mich.
Garces Products Co.	Detroit, Mich.
Harrison Radiator Div. Gen'l Motors Corp.	Lockport, N.Y.
Fedders Mfg. Company	Buffalo, N.Y.
Long Mfg. Div. Borg Warner Corp.	Detroit, Mich.
Frigidaire Div. Gen'l Motors Corp.	Dayton, Ohio

Automotive Equipment and Parts

Silver brazing alloys are used extensively on engines and automotive equipment for oil floats, frame assemblies, name plates and trim, headlight connections, sealed beam headlights and pneumatic systems, temperature controls, oil cleaners and filters, radio equipment and antennae. The following companies are being supplied with these materials for these purposes:

A. C. Spark Plug Div. Gen'l Motors Corp.	Flint, Michigan
Fernstedt Manufacturing Division	Detroit, Mich.
Mosel Engine Division	Cleveland, Ohio
Federal Motor Truck Co.	Detroit, Mich.
Wilcox Rich Div. Eaton Mfg. Co.	Battle Creek, Mich.
Ford Motor Company	Dearborn, Mich.
Packard Motor Car Co.	Detroit, Mich.
Stewart-Warner Corp.	Chicago, Illinois

Machinery and Equipment

Manufacturers of all types of machinery and equipment use silver brazing alloys. Following is a list of the type of equipment on which these brazing alloys are used:

Pumps	Gasoline Lamps
Turbines	Gasoline Stoves
Dairy Equipment	Gauges
Machine Tools	Heating Equipment
Diesel Engines	Hospital Equipment
Gear Reducers	Lubricating Systems
Chemical Equipment	Textile Machinery
Cooking Utensils	Optical Goods
Dies	Plumbing Supplies
Firearms	Railroad Equipment
Fire Extinguishers	Hot Water Heaters
	Storage Tanks and Vats

Machine Tools

Brazing alloys are used for joining carbide tool tips in all types of cutting tools, as well as joining special alloy tips in spot and flash welding electrodes. This is a broad application and practically all companies engaged in extensive machining and fabricating operations are using these brazing alloys for this purpose.

Chemical Equipment

Silver is used in a wide variety of applications in the chemical industry. Fine silver sheet and silver clad steel are used for tanks, evaporators, heating coils, heat exchangers, drying pans, retention vessels. The following companies use these products for this type of equipment:

E.I. duPont de Nemours & Co.	Wilmington, Del.
Tennessee Eastman Corp.	Kingsport, Tenn.
J. T. Baker Chemical Co.	No. Phillipsburg, N.J.
Heyden Chemical Corp.	Garfield, N.J.
Columbia Chemical Div.	
Pittsburgh Plate Glass Co.	Barberton, Ohio
Sherwin-Williams Company	Gloucester, N.J.

Photographic Equipment

Fine silver is used for film base and for photographic handling equipment. These products are used by the following companies:

Eastman Kodak Company	Rochester, N.Y.
Agfa Ansco	Binghamton, N.Y.
Dupont Film Corp.	Wilmington, Del.

Medicine and Surgery

Silver is widely used for medical purposes, and suture wires and plates, also used for many surgical instruments, cauterizing devices. Companies who use fine silver for this purpose are:

Merck & Company
Mallinckrodt Chemical Works
Becton-Dickinson & Company

Rahway, N.J.
St. Louis, Mo.
Rutherford, N.J.

Tableware and Insignias

Sterling silver and fine silver anodes and silver brazing alloys are used for making tableware and insignias.

DISTRICT OF COLUMBIA DEFENSE SAVINGS COMMITTEE

H. L. RUST, JR., CHAIRMAN

12/1/41
51

REPORT ON NEWSBOYS' DEFENSE SAVINGS STAMP SALES CAMPAIGN

One hundred per cent cooperation has been accorded the Committee in this campaign by the four Washington daily newspapers. These papers have a total daily circulation of nearly 600,000 and a Sunday circulation of more than half a million.

More than 5,000 newsboys are employed by these papers, few of whom have not already enlisted for services in the campaign. Certainly every home in Washington will be reached by this army of young salesmen. Mass meetings attended by the boys have been held, and at these and at smaller group meetings they have been trained for their jobs.

The first local announcement of the campaign was made on Monday, November 24. In the week begun on that date the newspapers devoted approximately 25 columns of space to news articles and pictures and about 35 columns of advertising space, including three full pages, to promotion of the campaign. A similar volume of space will be given to this promotion as the campaign progresses.

The first orders for stamps were taken on Friday, November 28, and the first deliveries will be made on Saturday, December 6. Up to this writing there has been no opportunity to compile returns made by the boys. The reports from newspaper offices are that they are being accorded a fine reception at the homes visited, and the circulation managers of the papers are confident that sales will total an amount that will be a notable contribution to our Government's Defense Savings Program.

Another objective of the campaign is being attained in great measure according to reports reaching the Committee's offices. That is, developing among the thousands of boys enlisted a spirit of patriotism and mass effort in work for their country.

H. L. Rust, Jr.,
Chairman, Defense Savings Staff,
District of Columbia.

Hugh Lynch,
Administrator, Defense Savings Staff,
District of Columbia.

Walter D. Barkdull,
Deputy Administrator, Defense Savings Staff,
District of Columbia.

H. W. Stodghill,
Business Manager,
Philadelphia Bulletin.

December 1, 1941
11:05 a.m.

HMJr: Oscar.

Oscar
Cox: How are you?

HMJr: I'm all right. In my room is Mrs. Klotz and Harry White, and you're on the loudspeaker.

C: Yes.

HMJr: This question about Carswell and that note.....

C: Yes.

HMJr:of C. D. Howe's.

C: Right.

HMJr: If it's agreeable to you and Young, I wish that you and Young and White and Carswell would sit down together.

C: All right.

HMJr: See?

C: Yeah.

HMJr: Because I just don't know where you fellows stop and start on drawing the line about what you can buy in Canada to send to some other country, see?

C: All right. Well, if Harry will make the date, we'll be there at any time that he wants us.

HMJr: Well, he's sitting here right now. (Talks aside) What time this afternoon? About two thirty? He'll try to get Carswell.

C: All right. Well, I'll check it with Harry.

HMJr: All right. Will you? And it seems to me - I don't know - that you fellows are - well, in the first place, if you don't mind, I don't like to criticize

- 2 -

Young to you, but I think - I don't think that the note on such an important policy.....

- C: Oh no, that wasn't very well handled.
- HMJr: I don't think it was very well handled.
- C: You shouldn't write a letter about that stuff anyway.
- HMJr: Agreed. Well, I mean, I just don't think that that's the way to handle the thing.
- C: That's right. I agree.
- HMJr: And if you people only want to buy seven eighths of a plane, that's something else.
- C: (Laughs) Right.
- HMJr: What?
- C: Yeah, I see.
- HMJr: What?
- C: Yeah.
- HMJr: I mean, I'm not pressing it. Personally, I can't see why if we can't, for the moment, our plane production is full.
- C: Yes.
- HMJr: And then for a short time, Canada had surplus production and they can sell it, why we shouldn't buy everything they've got.
- C: I agree, with one exception, in borrowing in one part of the Empire to give to the old man, so to speak. It can be justified on the merits, but politically it's like my buying a sweater from your son to give to you.
- HMJr: That might be done in my family, too.
- C: I doubt it.
- HMJr: (Laughs)

- 3 -

G: I doubt it.

HMJr: Well, anyway, I think that the way this thing was handled, it should be cleared up.

G: So do I.

HMJr: Okay.

G: Thanks. I want to come over and pay you a visit one of these days when you're a little freer.

HMJr: I'll be glad to see you. Any time after Wednesday. I go into a - I'm financing from now until Wednesday night.

G: All right. We'll let you go until the umbilical cord cuts.

HMJr: Right.

G: Thanks.

Conference in Mr. White's office Monday, December 1, 1941, at 2:45 P.M.

Present: Mr. Cox and Mr. McCabe of Lend-Lease, Mr. Carswell of the Canadian Department of Munitions and Supply, Mr. White and Mr. Hicks of the Treasury.

Mr. White reviewed the letter of November 24 to the Secretary from Mr. Howe of the Canadian Department of Munitions and Supply. In this letter Mr. Howe referred to the decision of the Lend-Lease Administration not to purchase from Canada completed defense articles for lend-leasing to Britain, and said that the decision was not within either the letter or the spirit of the Hyde Park Agreement.

Mr. Carswell reported some other correspondence on the subject, particularly a draft of a proposed procedure for transactions between the United States and Canada, according to which component parts would be purchased from Canada only if they were not available in the United States, and if they did not constitute more than 50% of the value of the finished defense item.

The criterion of component parts had been developed for the Hyde Park Agreement in order to avoid adverse public opinion. According to the agreement, the United States would buy from Canada defense articles "for our use", and consequently the type of transaction requested by Canada could be said to be within the terms of the agreement only if "for our use" were to be interpreted to mean for the common war effort. It was reported that the Lend-Lease was willing to buy Canadian planes for China, and was contemplating such a purchase for Russia. In these cases, "for our use" was being so interpreted, but there was a real difference in the public reaction that might be expected from these transactions on the one hand and from the purchase of planes in Canada for Britain on the other hand.

It was agreed that, since the question was one of public opinion, the extent to which corners should be cut should depend upon the urgency of Canada's dollar needs. Mr. White suggested the question be put aside for the moment in order that the Treasury might re-examine Canada's dollar position.

The War Department has, on its own responsibility, made contracts with Canada for completed defense articles with which to meet U.K. requisitions. Mr. Carswell said that the continuation of this procedure had been expected when the estimates of Canada's dollar receipts and expenditures had been made, and that the reversal of this decision would call for substantial adjustment of the estimates.

Mr. Carswell stressed Canada's war effort by stating that his Government was continuing to produce Hurricanes, even though the U.K. Government had ceased buying them, and that his Government had undertaken the production of a new type of desert scout car upon its own account. The cars are now produced and could be sold to the U.S. Ordnance if it were not for the ruling in question.

Mr. White said that the Secretary's reply to Mr. Howe would have to wait upon a further investigation of Canada's dollar position.

December 1, 1941
12:55 p.m.

HMJr: Hello.

Operator: Governor Edison.

HMJr: Oh.

Operator: Go ahead.

Governor
Edison: Hello.

HMJr: Yes, Charlie.

E: Hello, Henry.

HMJr: Yeah.

E: Say, you told me when I saw you to check with you again after you'd gotten a little more information on that case that we were talking about.

HMJr: Yes.

E: I wondered whether.....

HMJr: Well, I've got my men on it, Charlie. They can't do - they told me it will take them two months.

E: Well, I just wondered whether it was closed or not.

HMJr: No, no. They said it will take them - it will take them about two months.

E: Yeah. Well, now there's nothing for me to do on it, is there?

HMJr: No, no. We're doing everything. We've never - in the nine years I've been here, I've never laid off a case on my life.

E: You what?

HMJr: I have never known or have pulled me off any

case in my life.

E: Yeah.

HMJr: Once we start, we go through with it.

E: Yeah. Well, I'm awfully glad to hear that; because I was just afraid that it might pop right into your lap.

HMJr: Oh, no, no, no. My God, don't worry about anything. Didn't I go through with the "Nucky" Johnson case?

E: Yeah.

HMJr: Well, that didn't pop into my lap.

E: Well, no, I know; but I mean, you told me the other day though that you thought the thing was closed - it had been ended.

HMJr: Well, I didn't know that when you spoke before. I turned it over to the boys, and they say it will be at least another two months.

E: Well, all that - that's swell if you're going on with it; and if there's anything you want me to do, why let me know, but I'd a little rather stay out of it.

HMJr: Well, I - from what the Internal Revenue people say, it's just a regular thing that they go through with.

E: Yeah. All right, fine, Henry. Thanks a lot.

HMJr: You're welcome.

E: Good-bye.

December 1, 1941
2:37 p.m.

Sunmer
Welles: Hello, Henry.

HMJr: Sunmer.

W: Yeah.

HMJr: I was to have seen Cordell Hull at three-thirty, but he called it off.

W: Yes.

HMJr: They tell me he's sick.

W: No, I don't think he's sick. I think he's simply over-burdened.

HMJr: Oh.

W: I think he's taking the afternoon off to try and rest.

HMJr: I see. Well, anyway, I'm not seeing him, whatever reason it is. And I am having a financing of a billion and a half. I told him that on Thursday.

W: Yes.

HMJr: And I just wanted to ask the State Department if something would be happening Wednesday, Thursday, or Friday of real importance - I mean that might upset the people of this country - I would appreciate knowing it.

W: We'll let you know immediately, Henry.

HMJr: See?

W: Yeah.

HMJr: But I'd like to know as soon as possible.

W: I can tell you now I don't anticipate anything within that brief period; but if there's any

- 2 -

change in that belief on my part, or on his,
I'll let you know at once.

HMJr: Will you do that?

W: You bet.

HMJr: Thank you.

W: How are you?

HMJr: I'm fair.

W: I hope to see you some time. I've hardly seen
you at all this autumn.

HMJr: I know. Our paths don't seem to cross.

W: Well, I wish they did.

HMJr: So do I.

W: I think I'll have to make them so soon.

HMJr: All right.

W: All right, Henry.

HMJr: Good-bye.

W: Good-bye.

December 1, 1941
3:20 p.m.

HMJr: How are you?

Vice-Pres.

Wallace: By the way, Rockefeller tells me he's very much pleased.

HMJr: Well, that's wonderful.

W: And I wanted to ask you about a Robert Lyons of Indiana. Flynn suggests that I ought to see if he can't be employed somewhere as a "dollar-a-year" man in one of the setups - Economic Defense or the other one - and I understand that he's been doing some work for you.....

HMJr: Well, I don't know, Henry, but I'd be glad to find out.

W:on distributing Defense Bonds.

HMJr: Robert Lyons?

W: Robert Lyons. L-y-o-n-s.

HMJr: Well, I'll find out. Do you want to know what we know about him?

W: Yes, I'd like to get your judgment.

HMJr: Well, I'll give you whatever it's worth. He's been working on Defense Bonds?

W: Yeah.

HMJr: All right, I'll try to get it to you by tomorrow. Will that be time enough?

W: That will be plenty of time. Flynn thinks we ought to take him on because he's a hopeful prospect for a contribution. (Laughs) That isn't a very good reason, is it?

HMJr: (Laughs) Well, I'm glad to think that he feels he'd flower better under your sunshine than mine.

W: (Laughs) That's right. I want to find out how he flowered.

HMJr: (Laughs) Well, anyway, I'll let you know what his record is.

W: Yeah. Thanks, Henry.

HMJr: Thank you.

December 1, 1941
3:45 p.m.

63

J. Edgar Hoover: Mr. Secretary, J. Edgar Hoover talking.

HM Jr: How are you?

H: Fine. I hope you are the same.

HM Jr: Our lady friend that we have been interested in for so long.

H: Yes.

HM Jr: Is she still living in the proximity of Washington?

H: Yes. She is still located there.

HM Jr: Nothing has happened?

H: I had just a short note from the top man, you know?

HM Jr: Yes.

H: He said he had spoken to a party over here who had assured him that he was breaking up the romance, and he asked me - that is, the top man - asked me to make a confidential check to see what the situation was, which I am doing.

HM Jr: I see.

H: The party over here told me the other day that the top man had spoken to him about it and that he had assured him he didn't think there was anything to it from the point of view of romance, and the top man replied that he had a picture of the two of them together in bed.

HM Jr: (Hearty laughter)

H: And the gentleman over here said, "Well, how did you get that?" and the top man said, "From the FBI."

HM Jr: (Hearty laughter) This is the first laugh I've had today.

December 1, 1941
3:45 p.m.

63

J. Edgar Hoover: Mr. Secretary, J. Edgar Hoover talking.

HM Jr: How are you?

H: Fine. I hope you are the same.

HM Jr: Our lady friend that we have been interested in for so long.

H: Yes.

HM Jr: Is she still living in the proximity of Washington?

H: Yes. She is still located there.

HM Jr: Nothing has happened?

H: I had just a short note from the top man, you know?

HM Jr: Yes.

H: He said he had spoken to a party over here who had assured him that he was breaking up the romance, and he asked me - that is, the top man - asked me to make a confidential check to see what the situation was, which I am doing.

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H: The party over here told me the other day that the top man had spoken to him about it and that he had assured him he didn't think there was anything to it from the point of view of romance, and the top man replied that he had a picture of the two of them together in bed.

HM Jr: (Hearty laughter)

H: And the gentleman over here said, "Well, how did you get that?" and the top man said, "From the FBI."

HM Jr: (Hearty laughter) This is the first laugh I've had today.

H: It really is the funniest thing I ever heard of.

HM Jr: (Hearty laughter)

H: He then asked me whether I knew about it, and I said, "Oh, yes." I said, "I have had this party under observation for a long time." I said, "I haven't any photograph of the parties in bed, but I have a photograph of the gentleman going in in the evening and staying and coming out in the morning about 7:30 - not once but about ten times."

HM Jr: What a man!

H: That's what I thought, too. So he indicated that this chap who had been doing this trick over there was going to get out very shortly, and would be replaced by somebody else. In the meantime, I am carrying out the instructions of the top man, and I am going to make a confidential check to see what is going on.

HM Jr: You mean on the lady friend?

H: On the lady friend, yes. She is still there, and I understand this book of hers is about to come out - whatever it may contain.

HM Jr: Well, when you get that confidential report and you care to let me have a copy of it -

H: Fine.

HM Jr: I'd like to - and then I have nothing just for my own confidential reports because I gave up the one you gave me.

H: Yes.

HM Jr: So if and when you do come over some time, - if I could have another one I would appreciate it.

- 3 -

H: I'll be glad to. I'll be very happy to.

HM Jr: You know what I mean?

H: Yes, I understand.

HM Jr: Because I gave up that one.

H: I understand. I will be very glad to do that.

HM Jr: And I'm sure when you come through with your report something will happen.

H: Yes. Well, it is just one of those situations. The thing that worries me about it is that within the last ten days I have heard rumors around the Press Club and places like that, associating this woman's name with the man. Of course, a story like that breaking would just be terrible, you know.

HM Jr: Well, that would be the least of it. It is what she is doing here.

H: Yes, what she's doing here and what her contacts and connections are.

HM Jr: That's what bothers me.

H: The party over here told me that the man who had been going with her had been urging him very, very strongly to see her. I told him that I thought it would be one of the most colossal political blunders for him to commit to even talk to this party because it would be bound to be circulated and would be just the thing she would want. I said I thought it would be very unwise to even consider seeing her. He indicated he was not going to see her.

HM Jr: My whole interest is what subversive damage can she be doing?

H: Right. In other words, we know what she did in Germany - we know what she did in England. We also know what she did over on the West Coast of this country.

HM Jr: That's right.

H: Now she comes in here to this area and I think it is our job here to find out what she is doing here, and if we can to put a stop to it. I think this action which has been taken through your intercession has been very, very helpful.

HM Jr: Well, it was done before sunset.

H: Oh, yes. Apparently action had been taken all right.

HM Jr: I mean the same day.

H: Well, it was a very necessary thing because I frankly was terribly worried as to where our next move was going to be.

HM Jr: Well, when you get that report, you let me know.

H: I will. I'll let you have another copy of that first one.

HM Jr: If I could get the two together. Thank you.

H: Thank you very much indeed for your help, too.

HM Jr: Thank you.

H: Goodbye.

HM Jr: My whole interest is what subversive damage can she be doing?

H: Right. In other words, we know what she did in Germany - we know what she did in England. We also know what she did over on the West Coast of this country.

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HM Jr: Well, when you get that report, you let me know.

H: I will. I'll let you have another copy of that first one.

HM Jr: If I could get the two together. Thank you.

H: Thank you very much indeed for your help, too.

HM Jr: Thank you.

H: Goodbye.

December 1, 1941

T. V. Soong came in to see me, and he simply said the Japanese had backed down. He said he hoped that we wouldn't go into the original agreement again.

T. V. Soong said he called on Australian Minister Casey, and Casey upbraided T. V. Soong for having gotten the United States Government to change its policy. Casey said, "Can't you give us Australians another month or two to get ready?"

Much to my surprise, T. V. Soong told me that Casey in an off-the-record speech somewhere in New England some months ago said that it was the Australians who had brought influence to bear upon England to close the Burma Road last year.



TREASURY DEPARTMENT

WASHINGTON

December 1, 1941.

MEMORANDUM ON MEETING OF THE JOINTCOMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called for 10 A. M., Monday, December 1, in the House Ways and Means Committee Room in the Capitol. There were present

Senators:

Byrd
McKellar
Nye

Congressmen:

Doughton
Taber
Treadway
Woodrum

Treasury:

Under Secretary Bell
Mr. Heffelfinger

Budget:

Budget Director Smith
Mr. Lawton
Mr. Dodd
Mr. Scott
Mr. Stork
Mr. Garber

General Accounting Office:

Mr. Tyler
Mr. Barger

Senator Byrd opened the meeting with a statement of the arrangements which were being made to make a record of the testimony given. He stated it was understood that the hearings were to be treated as confidential and that while a stenographic transcript would be made of the hearings, no copies would be printed and only a sufficient number of copies of the stenographic transcript would be made to furnish each committee member with one. It was understood that copies of the transcript would be retained by the clerk of the committee which would be subject to use by the members whenever they desired to use them. Congressman Doughton said it was agreeable to him; that he understood the meetings were confidential, and if anything was given out it was to be given out by the Chairman.

Mr. S. M. Dodd of the Budget Bureau explained the basis for the appropriations for WPA. He stated that the amount appropriated for 1941 was sufficient for WPA to carry an average enrollment of 1,700,000 people on its rolls per month and that when the Budget for 1942 was under discussion there were about 1,350,000 people on the WPA rolls. On this basis the Budget set a tentative figure of \$995,000,000 for 1942 and this figure was based upon an average employment of 1,300,000 people during the year. After the submission of the Budget and the

expansion of the defense program it was evident that a further reduction in the WPA program could be accomplished and when the estimate for 1942 was submitted to the Congress (May 20, 1941), it involved an appropriation of \$875,000,000 and in addition about \$11,000,000 for administrative expenses for such agencies as the General Accounting Office, Treasury, etc. This estimate was based upon an average employment of about 1,000,000 people per month.

Senator McKellar stated he had recently noticed that there had been an increase in pay for workers employed on WPA projects and Mr. Dodd replied that this increase in pay was due to rising living costs. Congressman Faber observed that, on the contrary, wages were raised so that the workers would not quit the WPA rolls.

Mr. Dodd stated that the increase in wages amounted to about \$4,000,000 per month or \$32,000,000 for the 8 months remaining in the fiscal year 1942. In order to provide funds for such increase in wages approximately 65,000 men must be dropped from the rolls or from the 1,000,000 person per month average upon which the appropriation was based. He said that these would not be dropped in January or February as it is usual for WPA rolls to increase during these months, but the reduction would have to be made in the last 3 or 4 months of the year. Mr. Dodd stated there was no intention to ask for a deficiency appropriation for WPA.

In reply to a question by Congressman Faber, Mr. Dodd gave the number of persons on the WPA rolls by months from July, 1941, as follows:

July - - - - -	1,054,901
August - - - - -	1,042,555
September- - - - -	1,036,981
October- - - - -	1,040,287

Congressman Doughton asked what was the number of unemployed people eligible for WPA employment and Mr. Dodd replied that the Budget Bureau checked into this situation when preparing its estimate of appropriation and that there were several factors which appeared to be significant in this connection. He said the average age of persons now on the rolls was 43 years as compared with an average age of 37 years some time ago. He also stated that there were a large number of women on the rolls and persons in the unskilled labor category; also, that German and Italian born naturalized citizens were finding it difficult to obtain employment in defense industries and a number of these cases were being taken care of. Mr. Dodd stated that WPA was also carrying on a large amount of defense work, such as activities in connection with the construction of highways, airports, sewers, etc. In reply to an inquiry by Congressman Treadway, Mr. Dodd stated there were 350,000

persons on WPA rolls working on defense projects and that all these persons were taken from certified relief rolls. Mr. Dodd also stated that 20% of those on WPA rolls were women, 17% to 18% colored, and 50% were over 43 years of age.

Congressman Woodrum asked whether any check had been made on the WPA program from a geographical standpoint in relation to defense activities. Mr. Dodd stated that the relief load in WPA employment in the metropolitan centers adjacent to defense industries was decreasing but that the present load in other areas not adjacent to defense activities was increasing. Mr. Dodd furnished the following figures showing a breakdown of the employment roll by areas:

Metropolitan centers of 100,000 or more	---	38%
Cities 25,000 to 100,000	-----	17%
Cities 5,000 to 25,000	-----	25%
Cities 2,500 to 5,000	-----	8%
Rural towns less than 2,500	-----	11%

In March, 1938 the number on the rolls in cities of 100,000 or more was 45% of the total enrollment and in September, 1938, 44.5% as compared with a present ratio of 38%.

Congressman Taber asked Mr. Dodd to furnish for the record a breakdown of the number employed by areas as between September, 1939 and September, 1941. It appears that 1,718,000 were on the rolls in September, 1939 and 992,000 were on the rolls in September, 1941.

In reply to an inquiry by Senator McKellar, Mr. Dodd stated that the amount of the appropriation for administrative expenses of WPA for 1941 was \$44,500,000.

Mr. Bell pointed out there appeared to be an increase in the per capita cost of WPA employment and asked whether this had any relation to the defense projects or what accounted for the increase per man cost in May last over December of the previous year. Mr. Dodd replied that this situation was due to the amount of work done on defense projects and that the per capita cost per month on defense projects was \$1.05 as compared to a per capita cost of \$61 on other projects. He stated it was also due to the increase in the number of defense projects undertaken. Mr. Dodd stated that these defense projects should not be confused with Federal projects, that is, projects undertaken by Federal agencies. The amount allocated for Federal projects in 1940 was \$60,000,000, in 1941 \$40,000,000, and in 1942 only \$8,500,000.

Congressman Doughton asked whether any study had been made as to the need for a WPA program now as compared to the period before the depression. He pointed out that with the increase in the defense program

the ability of State and local governments to carry relief loads was constantly being improved. Mr. Dodd replied that the Bureau of the Budget and the WPA were watching the employment program, especially in the defense industries. He also furnished certain figures showing the estimated number of unemployed people in the country in 1929, 1940, 1941 and at the present time. He pointed out that there were large variations between the estimates of unemployed as prepared by various agencies and that for October, 1941 WPA estimated unemployment to be 3,900,000 as compared with 7,400,000 in October, 1940 and 5,900,000 in June, 1941. Mr. Dodd pointed out that WPA will not lose many people from its rolls in December, January and February and that while some people go off the rolls in these months others come on, especially in the small towns in farming areas.

Mr. Dodd furnished considerable information concerning the number of voluntary separations, involuntary separations, reemployment, etc. by months from January, 1941 to date. Mr. Smith stated that the Budget would prepare a comprehensive table with respect to the WPA program for insertion in the record.

Congressman Treadway asked whether the Budget could summarize its conclusions and show where further cuts could be made in the WPA program. No immediate reply was made to this inquiry.

Senator Byrd referred to the table on page 1046 of the 1942 Budget showing estimated expenditures for unemployment relief in 1942 aggregating \$1,478,000,000. Mr. Lawton said this figure was made up as follows:

WPA - - - - -	\$990,000,000
Other agencies - - -	5,000,000
PWA - - - - -	38,000,000
Direct relief,	
Stamp Plan - - -	120,000,000
CCC - - - - -	265,000,000

Mr. Lawton pointed out that the following reserves were being carried against these estimated expenditures:

CCC - - - - -	\$95,000,000
WPA - - - - -	15,000,000
Direct relief - - -	25,000,000
NYA - - - - -	28,000,000
	<u> </u>
Total - - - - -	<u><u>\$163,000,000</u></u>

He said that the estimate for WPA had been reduced \$100,000,000, leaving about \$1,215,000,000 for unemployment relief this year.

Mr. Dodd pointed out that a reserve of \$15,400,000 was made from the WPA funds, of which \$400,000 had been set aside to meet pay raises under the Ramspeck bill.

In reply to inquiries as to why so little of the WPA appropriation had been reserved by the Bureau of the Budget, Mr. Dodd explained that certain factors had to be considered in this matter. He pointed out that 71% of defense contracts were located in 12 States and that in 20 industrial areas 26% of WPA employees are located. These areas have 59% of defense contracts. He said the Budget Bureau was restudying the employment and unemployment situations and had found that employment opportunities in a number of areas were influenced by the failure of students to return to school, thereby increasing the employment reservoir, and also by the inability of workers, because of lack of skill, age or sex, to obtain employment on defense projects. Congressman Taber pointed out that 350,000 employees of WPA on defense projects seemed to be unreasonable. He also pointed out that in August, 1941 the number added to WPA rolls exceeded the discharges and in September, 1941 about the same situation occurred. He pointed out that these were the peak months for agricultural employment and that it seemed reasonable to suppose that there could have been reductions in the rolls during such months.

Mr. Smith pointed out that the Budget Bureau had considered the success of the program for enlarging the practice of subcontracting defense work. He said the Detroit Board of Commerce had advised the Bureau of the Budget that about 40,000 automobile workers in Detroit would be displaced on account of the reduction in automobile production and that it would be many months before these employees would be absorbed in the new defense plant, such as the Ford Bomber Plant. He said that the figures furnished by labor unions as to the number of workers to be displaced were much higher.

Senator Byrd inquired why the various State Unemployment Insurance funds were not able to carry the load of this temporary unemployment. He observed that a great number of States have substantial funds in reserve with the Treasury and placed in the record a table furnished by Mr. Heffelfinger showing the balances in the various State accounts in the Unemployment Compensation Fund as of the end of October, 1941.

The meeting adjourned about 1:00 P. M. and was to be reconvened at 3:00 P. M.

WJK

HARRY FLOOD BYRD, SENATOR FROM VIRGINIA, CHAIRMAN
ROBERT L. JOHNSON, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN

SENATE

HOUSE OF REPRESENTATIVES

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Congress of the United States ⁷³

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL
FEDERAL EXPENDITURES

CREATED PURSUANT TO SEC. 601, OF THE REVENUE
ACT OF 1941

Dec. 1, 1941 s.

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

My dear Mr. Secretary:

The next meeting of the Joint Committee on
Reduction of Nonessential Federal Expenditures will
be held Tuesday, December 2, at 10:00 a.m., in the
House Ways and Means Committee Room in the Capitol.

With best wishes, I am

Faithfully yours,

Harry F. Byrd

Mr. Thompson
attended

December 1, 1941

MEMORANDUM

To: The Secretary

From: Mr. Sullivan MS

Subject: Conference with Congressman Elliott of California on a sales tax system of forced savings.

At your suggestion Mr. Blough and I went to Congressman Elliott's office this morning from 11:15 to 11:50. The Congressman suggested that as a way of getting people back of the defense effort they should be promised their money back at the end of the War.

To accomplish this he suggested a sales tax on all commodities except food, to be evidenced by stamps given to the customer, which he could exchange for noninterest-bearing bonds payable 10 years hence. He said that to prevent racketeers from buying up the stamps it would be necessary to have them nonassignable.

I pointed out to him the administrative impossibility of making unassignable the small stamps which would be necessary for this tax. He agreed this would be a serious difficulty since many people would cash the stamps at a heavy discount, while the purchasers of the stamps might make a large profit when the bonds were later cashed.

I told the Congressman that the Treasury was studying this whole problem. I pointed out that it was a question of at what point it would not be possible to raise further money through taxes. I suggested that forced saving could be accomplished through a withholding tax better than through the sales tax, since the burden could be adjusted to incomes and economic responsibilities. The Congressman asked whether we did not

- 2 -

think the sales tax was the most equitable of taxes. I suggested that we thought it was one of the least equitable because of the heavy burden it placed on lower incomes.

Congressman Elliott apparently had not been in touch with Vice President Wallace or anyone else on this plan. At any rate he did not mention having talked with anyone about it.

December 1, 1941
3:00 P.M.
In Mr. Foley's office

RE FOREIGN FUNDS CONTROL

Present: Mr. Dean Acheson
Mr. E. H. Foley, Jr.
Mr. Bernard Bernstein
Mr. John W. Pehle
Mr. Francis Shea
Mr. Wendell L. Willkie
Mr. H. Bartow Farr
Mr. David Morse

Foley: We have your memorandum. The problem is one that has been worrisome to us also. We have been giving it consideration for some time. We are very glad to have this opportunity to sit down with you and hear from you who have also given some consideration and study to the problem.

We would like what suggestions you may have on the subject. I thought we would have a stenographer present so we could keep a transcript of the record in the event you gentlemen should wish it.

Mr. Acheson represents the State Department and Frank Shea represents the Department of Justice. John Pehle is the Director of the Foreign Funds Controls and Mr. Bernstein is his lawyer.

Willkie: Well, gentlemen, I want to say this to begin with, that we are not here as any predicate to taking any legal position about this. We are here merely to discuss this with you gentlemen and to see whether we can persuade you to make certain modifications and not as any preliminary to litigation by the people that we represent. I have no desire to get in any controversies with the Govern-

ment, because I am very appreciative of the position they find themselves in.

They are convinced that this order puts them in the position of being discriminated against, and we believe that the order is ineffective to accomplish the purposes that we would like to discuss with you and without any objective of claiming anything by reason of what we doubt about the intent of Congress under the Act of 1917, we don't believe that Act contemplates any control of purely domestic transactions.

Now, as we see it, here are several million people that came in prior to this date, and as we understand it, some fifteen thousand came in since then. We believe that as to those fifteen thousand that came in since the date, that a more careful check of their antecedents and purposes and motives and objectives in coming to this country was made than was made of the previous several million that are here; and that therefore the probability of any in this group having any subversive purposes is less, even in percentage, than it would be of the several million who came before; and that if either the Nazis or the Italian Government had any desire to plant anybody in this country for subversive purposes, that it would be more apt that they would have done that prior to this particular date than after this date because they have taken more precautions about getting subversive activities started.

Now, we represent purely these individuals, although I want to say this for these individuals, and it impressed me very much, even after the modification which you made the other day, which made it possible for some of them to function, that they are not seeking individual relief here. They feel that there is a large group of people here that are being subjected to - not intentional

discrimination - they have no such attitude at all; but a discrimination that renders their lives rather unbearable to them and they asked us specifically to present it for the whole group and not for them individually. Even if we could persuade you or there was some method by which these individual clients that we represent could accomplish the releases for themselves or freedom from these orders, they don't want that. They want to go to the basic problem.

Now, we appreciate, of course, that if you are going to establish any date, whether at this date or some other date, that any date leads to certain discriminations. That is, if, in your judgment, there has to be a date, that, of course, as in any tax law or anything else where an arbitrary rule is laid down, there are certain arguments that can be made; that that unfavorably affects others, but we cannot see how it assists to have any date at all.

Take these fifteen thousand people, all individuals. We don't know how much money it may be in toto. You probably do. But it is a comparatively small amount of money compared with any sum such as we speak of today. Maybe it is five million or ten million or twenty million, I don't know, but it is no enormous amount of money. Now the assumption of course is that these people have complied with the statutes up to date. There is no showing of any other kind as we have said to you about this particular list. If there is anybody on it that there is the slightest doubt about, we want them eliminated, but if you create a black-list from the information you have, supplement that, just as you have created other black-lists, and these people give reports from time to time, every objective that you have in mind will be accomplished.

Now, let's take the position of these fifteen

thousand people, many of them of the very highest types. Many of them are people who stayed by their particular flag until the last moment, all from democratic countries. They come here and they find themselves with certain property and they find that they can't use that property in normal transactions. If they had gone to England, they could. If they had gone to Canada, they could, because neither England nor Canada has found it necessary to impose such restrictions as this. As a matter of fact, even if they had gone to Germany, as we understand the rule in Germany, they would have found no such restrictions as this, because I am not as familiar with the rule in Germany as the others, but I am told that there within the confines of Germany - it certainly is the rule, as I understand it, in England and Canada - within the confines of those countries, the assets that they have at their hands and are used entirely in domestic transactions as individuals and not as functioning business organizations, they have the right to use just as any other person in that country.

It seems to me that not only sounds reasonable, but it is the very basis of the thing we are struggling about.

I think we are, on these questions, all of somewhat the same type of ideology, namely that the spread of internationalism is indispensable for the preservation of economic security. I don't know how many of these people are going to stay in this country after the war. Some of them may and some of them may not. I have no doubt that some of them may return. I would like to send them back as missionaries for America, and if you were in the same situation of any one of us who have gone to some other country, if supposing the United States became subject to this same kind of thing as France or Belgium or Holland, or wherever these people come from, and you had escaped into another country, believing strongly

in democracy - and what has occurred to them is an absolutely arbitrary rule that can exist only because of some presumption against them. There is no other basis for the rule, as I see it. The presumption is that these fifteen thousand people have some subversive purpose in mind, that they are going to use their funds for some improper purpose, because otherwise the flow of this money in to the American channels of trade and permission for these people to function normally would all be a benefit, rather than to have these assets in most cases residing in banks where the banks already have more than ample funds. It cannot accomplish anything but harm to the extent that it is a fund at all.

As to the economic system, it places them under these restrictions. It is bound to over a period of time, despite their very fine spirit now, well up certain feelings, and I don't see what it accomplishes.

Clearly your objective is to keep any of this money from being used for improper purposes. Now, as to that, we suggest that there be a blacklist, taking as the individuals and saying, "You may use this fund improperly. You are on the blacklist. You don't come in. You are not automatically granted a license." Then you might say, "Well, these people might later. We ought to know something about what they are using these funds for." We suggest to you, yes, that is right. This is a difficult time and these people shouldn't, perhaps, have the same complete freedom and you should know about all of their activities. We say it could be monthly or bi-monthly or quarterly or semi-annually that they be required to render a report to you of every detail transaction they have, so that you may know and keep abreast and know just what is going on and if, at any time, any doubt arises about any one of these fifteen thousand, they immediately go upon the blacklist. I would be very frank with

you; if I were administering the law, I wouldn't take that on the basis of a weighing of evidence. If I had the slightest doubt, I would put the fellow on the blacklist.

But where there is nothing against them, they come here from democracies and they have small amounts of properties, you say to them, "Well, you can't use that property." It wasn't the policy adopted in the last war. It wasn't the policy adopted under the very act under which you exercise your authority, and only for the purpose of pointing out what we think was the intent of Congress, with no idea of raising technical legal questions, that wasn't the practice in the last war, it isn't the practice in England, it isn't the practice in Canada, it isn't even the practice in Germany, and we don't see, as we view it, any reason for the practice in the United States today.

Foley: Well, in so far as the last war was concerned, Mr. Willkie, of course these powers weren't exercised at all.

Willkie: That is right, but there is a policy carried out.

Foley: As far as Germany is concerned, we don't know what is going on there.

Willkie: No, we don't know, but we certainly do as to England.

Foley: We admit that we are stricter than they are there in so far as the use of these funds is concerned.

Willkie: Yes, but what possible injury could these people do with these funds subject to these suggestions we make? I mean, let's take peace times, normal times, the very basis of our free system. If a man was over here in normal times, a resident, but a citizen of another country, he would have all the rights with reference to his property that any

of the rest of us have, and I think that is the thing that ought to be re-examined. Personally, I am not raising an argument here, but I expect to live to see the day of an international citizenship of some form, perhaps a modified form, restrictive in form, but in normal times they would have that right.

Now, of any one of those fifteen thousand except those that are justifiably put upon a blacklist, that that restriction should be placed on, what obvious purpose does that accomplish, what good?

Shea: Do you feel that there is a probable chance that in the course of the last year or year and a half there was some infiltration of Nazi agents along with the refugees?

Willkie: My judgment, from the way Germany has played her hand every place, is that that infiltration would have been greater before than it has since.

Shea: But do you think that it is probable --

Willkie: I don't think it is probable; I think it is very possible.

Shea: And do you think - how easy do you think it is to spot the ones that have been infiltrated?

Willkie: Well, I think my chances of spotting them under what I suggest, where you would get periodic reports which you could check, would be as great or greater than under the present system. Obviously if I were a German agent, I wouldn't have deposited my money in banks. I mean, I don't think the Germans are that dull. They have shown themselves unusually wise and clever, or clever at least, in their propoganda activities, and I can't conceive of the Nazi regime sending a lot of men in here where their assets are perfectly apparent to the extent that may be happening. I don't think it is among fifteen

thousand people, most of whom are very small fellows. There are just a few here with any substantial amount of assets.

Acheson: Now, who are those fifteen thousand? Does that cover all immigration?

Willkie: I understand it is all, sir, since June 17, 1940. I believe that is the date.

Acheson: And that includes people who are in Germany or Czecho-slovakia or Austria or Italy?

Willkie: Perhaps it does. We don't speak for any of them specifically.

Acheson: That was what I wanted to make clear.

Willkie: You may be right.

Acheson: Do you think there is any sound distinction between the others and those that have come from the German territories since that day?

Willkie: I think it offers a different problem. If I were in your position I would exercise more caution. I think I would exercise more caution.

Shea: Well, from the point of view of the considerations you urge on us, do you think there is any substantial --

Willkie: Yes, I think so. I think the presumption is that the people who lived in democracies believe in the democratic way, and the presumption is that those who came from Germany probably believe the other way. Therefore, I think the tendency of wanting to violate our laws or to seek to do something subversive, having grown up under a certain regime, would be there. I think that is very distinctly true.

Pehle: Well, aren't the people that came in from Germany

the very people that came because they didn't want to live under the system?

Willkie: Well, that might be true to a substantial extent, not speaking for those or representing them. I think there is some distinction. I will agree with you it is a rather subtle distinction, and you can't define it exactly, but I certainly wouldn't want to make with the same assurance the statement that the probabilities - although I would say even in that case, it would be just a guess of mine, that if Germany was seeking to send out agents, it wouldn't send them out depositing money in banks, with their wisdom and knowledge of what might happen to such things, that they obviously could be readily checked.

Shea: Apart from your interests in your particular clients, I gather your interest is, by instructions of your own clients, a little wider than that.

Willkie: That is right.

Shea: From the point of view of those wider considerations which you have urged on us, would you be happy with a decision which let out the Dutch, the Belgians, and so forth, but imposed these restrictions on those who came from Germany, Italy and Austria?

Willkie: I would with the information I presently have, yes. Yes, I would, distinctly so, because I think I would want to check --

Shea: Well, a number of the considerations certainly which you urged in your brief would be as much --

Willkie: Assuming that is true, I don't think the arguments are less effective.

Shea: Well, I say a number of the considerations that you urged in your brief are at least as applicable to

the refugees from Germany or Austria.

Willkie: Possibly that is true. I would even think among those that the number that might be engaged in subversive activities would be slight.

Shea: Well, have you had evidence before you which convinced you it is slight?

Willkie: Well, I have had the evidence of talking with these men whom we represent who know a great many. In addition to that, just in reason, I should think it was very slight, just every logic would point to it being slight.

Shea: Well, would you feel we were unreasonable in coming to the conclusion that there was at least a substantial probability of a substantial number of dangerous persons having infiltrated with --

Willkie: In the absence of any proof, any positive proof, yes, I would think so. That would be my judgment, since you are asking me. I wouldn't see any distinction between them and the five million or whatever number it was that came in before. I wouldn't see that your protective device of June 17, 1940 - if I was going to make a guess, taking the year before that, I would guess if Germany was engaged in purposeful infiltration that it would be during that year that there would be a larger percentage than there would the year following. That would be my guess, and judging that entirely from their activities in other countries. You read about it and hear about it.

Foley: Well, Mr. Willkie, if we adopted your suggestion that we relax the controls entirely as to the people that came here subsequent to June 17, 1940, what would you suggest that we do about future refugees that are coming to this country?

Willkie: Well, as to future refugees?

Foley: Yes.

Willkie: It would seem to me that as to future refugees the ability to check before any such ones would come in would constitute a greater guarantee than any other method. I think all of these people have been more carefully checked.

Foley: Well, don't you think there is a possibility that if we relax the controls as to the ones that are here now, that it might be an inducement to wealthy people in Germany to come over here, for using their funds to finance activities that were unfriendly to our interests?

Willkie: Well, it would seem to me that the ability to get in rests only with you and the ability to individually check at that time would be so great that you would have the finest kind of a check, a much better check than any rule or order or system or method could give you.

Foley: Well, we could keep them all out. That would be one way.

Willkie: You could check very carefully and in the case of lack of satisfaction, just not permit them to come in, and I think that, after all, is much better as a method than any of the others. I frankly think that of those who have come in since June 17, 1940, the percentage is less, if there are any, than the others.

Foley: Of course, of those that did come in since June 17, 1940, some came in ostensibly with German permission, whereas the other ones came in voluntarily.

Willkie: Yes, but in many cases not actually.

Bernstein: Well, how do you draw the distinction there, Mr. Willkie? If a Frenchman or a Belgian or a Dutchman would come out of the occupied territory

since Germany has taken over control - as a matter of fact, the term "occupied territory" probably has to be enlarged a bit because if these people come through even unoccupied France or Spain, there is an element of control that Germany can throw into those areas. People coming out of those areas with possible German consent or connivance, do they present any greater assurance of being democratic in the sense that you have used it than the people who come out of Germany itself?

Willkie:

Well, in the first place of course, we are speculating somewhat. But from everything I have learned in discussing it with many people in Portugal when I was there, having talked with many others that have come out, I don't think one in fifty comes out with the consent of Germany. A great many escape. I think in some cases laxity and all of those kind of things enter into it.

Bernstein:

You think that the mass of people that came over even from the democratic countries since June of 1940 or are likely to come over in the coming year would actually have had no control exercised over them directly or indirectly by the occupying forces?

Willkie:

As far as when they get here? I wouldn't think that after you made your checks that would be true of one in a thousand, not one in a thousand, that you had the opportunity to check individually.

Foley:

I take it your clients are not complaining that the controls are so rigid that they aren't able to get the amounts that they need for their reasonable living expenses and their current needs, but it is a psychological --

Willkie:

Psychological, it renders them ineffective in life, it puts them under a sort of a ban and control and limitation. I can imagine for any man in this room under similar circumstances, going to a free country, it would have terrific psychological and every other kind of effect on him, to be singled out without any cause except a presumption that has no weight in fact as far as he is concerned. In other words, the most democratic of countries imposes the most restrictive of measures upon these citizens, much more restrictive than England, which is just across the channel.

I think you and I under similar circumstances would feel very much embittered about it. I don't think these people are embittered, but I just think it would be natural. The more you enjoyed freedom, the more restrictive it would be.

Bernstein:

I wonder about the British situation, if there aren't a few factors worth pointing out.

Foley:

You might develop that, Bernie.

Bernstein:

In the first place, they are at war, and there would be a much less likelihood of enemy agents or subversive elements attempting to go in there, because they are directly aiming at those people, and they are throwing them into prison and as a matter of fact, a certain percentage of refugees have been put in concentration camps.

Willkie:

Yes, I am all in favor of that where there is the slightest question about them.

Bernstein:

That is right, and it certainly was much easier for a person to have come into this country in the last year and a half.

Willkie: Than in England?

Bernstein: I think so.

Willkie: Well, I would doubt that, but --

Bernstein: A second factor is that they have had a complete foreign exchange control, so that the funds would not have been allowed out of England to any country of the world except under a license. We have not --

Willkie: They had no exchange control.

Bernstein: We have not gone quite that far. As you know, we have not limited transfers to Latin America in the ordinary situation. There are some exceptions to that, but perhaps the most important thing is that from Germany's point of view, having dollars is of far greater value than having sterling or any other currency in the world, because the dollar is the most valuable international --

Willkie: You wouldn't think the total amount involved with these fifteen thousand refugees in dollars would amount to anything, would you?

Bernstein: I think that is a point I would like to mention, because I think it amounts to far more than you have mentioned, and I think the number of people is also possibly far less than you mentioned.

Willkie: Well, how is Germany going to get this money from domestic transactions? How is Germany going to get this money from domestic transactions?

Bernstein: I would like to canvass that for a moment.

Willkie: O.K.

Bernsteins: That is, assuming instead of having fifteen thousand - the class that you represent, and that is the non-Axis refugees --

Willkie: That is right.

Bernsteins: Supposing that class constitutes a thousand to fifteen hundred and supposing that in all they may represent, let's say, a hundred million dollars --

Willkie: Yes, that is all right.

Bernsteins: Of funds in this country, so that you get a comparatively small group of people with very large sums of money at their disposal.

Willkie: Well, is there any one of them that has any very large amount?

Bernsteins: By very large amount if you mean beginning with over a hundred thousand --

Willkie: Yes.

Bernsteins: A very, very considerable number. You see, if you have anything like a hundred million dollars over fifteen hundred people, you can see --

Willkie: Fifteen thousand, it is.

Bernsteins: No, I have a figure of fifteen hundred for your category.

Willkie: All right.

Bernsteins: You can see that you have got a hundred to three hundred people who have very, very substantial sums of money. Now, in addition, that is the type of person who not only has had relatives,

abroad, like every other human being, but he probably has property connections abroad, with the usual human incentive to protect them, perhaps, or hope to be able to. Now, is that class more likely to be a subject of blackmailing through the device of hostages abroad, both relatives and the permission to get out, than some of these other categories?

Willkie:

Number one, I think if I had a substantial amount of money in this country, a million dollars or so, and I was in the United States, I don't think any inducement of any property holdings would affect me in the slightest. I think it would affect me much less than if I had a million dollars' worth of property abroad. Not me, I am taking human nature. In other words, I think if a man had confidence in this country, that any property holding abroad would affect him less than if he had nothing and had some property abroad.

Pehle:

Of course the people that have property abroad are also people that have property here. I mean, the people that were smart enough and aggressive enough and industrious enough to gather property abroad were the very people that had property here and in England and in Switzerland, and so forth. In other words, they are people that have property on both sides and people that are used to working deals to protect their property and to protect their interests.

Willkie:

Yes, but still I am saying that - let's take any man in this room. Suppose that under similar circumstances he comes to the United States and you go up to Canada. I don't know what the top one has. Let's say two million dollars the top man has, and you had two million dollars in Canada.

Foley: You are not talking about this room, are you?
(Laughter)

Willkie: I have no doubt most of you have a million.
I don't think I would be thinking much about
my property some place else.

In the second place, these are all domestic
transactions, completely domestic transactions.

Morse: Can I ask you a question, Mr. Bernstein?

Bernstein: May I just address myself to that last remark of
Mr. Willkie's? They could just hand it over to
an agent who wouldn't have to walk any further
than Eighty-third Street and Second Avenue, and
once you turned over the dollars to such a
person, first, the dollars could be used in
this country very obviously against our interests,
and secondly, there would be no effective control
over those dollars to prevent their being taken
out of the country. We are fully cognizant of
that, and we are fully cognizant that controls
can't be that complete and effective to prevent,
for instance, dollar currency going on from
here to Latin America, nor from its being
used here, and that is why the argument that has
been made from time to time, let's just prevent
it getting out of the country.

Willkie: Well, I would say that applied to every American
citizen.

Bernstein: To a certain extent that is true. You are dealing
in terms of probabilities and you couldn't control
a hundred and thirty-nine million dollars.

Morse: Well, let me ask you this question. What do
you do about the people that came in before June
17, 1940 and had property here?

Bernstein: Well, they are generally licensed, and to that extent they are like any of the rest of us, that is, they can't send it into Germany or --

Morse: Aren't they subject to the same pressures and problems of the people who came after June 17, 1940?

Bernstein: I think it is sometimes a question of probabilities. I mean, the longer a man is here, the more likely, I suppose, his ties are to be here and no ties abroad. He has more of a chance to bring his family over, and he has either had more time to reconcile himself to the loss of the property in Europe or for the usual quid pro quo.

Morse: Do you think that argument would apply to persons who came here a year or two prior to June 17, 1940?

Bernstein: It might. I mean, these things, as Mr. Willkie --

Willkie: Let me suggest another probability to you, that the man who had been here two years, we will assume, would have more knowledge - here is a fellow who has been here a year. Now you are talking about some method by which he is going to give it to somebody, and somebody else is going to get it, and so forth. The man who had been here two or three years would know much more about doing that than the man who had been here a short time. I don't see any difference. The probabilities, it seems to me, would run the other way. Now, when you talk about a hundred million dollars, assuming that is the sum, and I have no notion of what the sum is, except from mere speculation and slight information, but no method of my determining it, that to my mind, as long as there is no general restriction

or whatever loopholes there may be as to every person in the United States, is pin money compared with what could be gotten out if you have other restrictions about money getting out are sufficient that money can be readily passed on to persons and slipped out, because with the billions of dollars in this country --

Pehle: Is that money available to the Axis?
I mean, the real problem is --

Willkie: Well, you are talking about one of these men being given some money, or he has control of his account, and he slips it to somebody else, and that person -- I assume this is what you mean -- gets it to Latin America, and out of there he gets it abroad.

Bernstein: Or uses it in Latin America.

Willkie: Now I say the hundred million dollars, if that is the amount, and I don't know what the amount is, or twenty-five million dollars, that comes from not controlling what shall be done with funds passing out of the United States. That is an entirely different problem that you people have to determine, or the Government, the Administration, has to determine, as to whether you want --

Shear: Well, it may not be that. I mean, take the following specific situation. A Mr. "X" came over from France. He has a million dollars in this country.

Willkie: Yes.

Shear: We have a certain report on him, and it is the

kind of a report on the basis of which you would say, "Well, you certainly can't throw this fellow in jail. You certainly can't brand him as a person who is conniving with the Nazis." At the same time, you haven't got the kind of a record on the basis of which you would want to underwrite him either.

Willkie: I would put him on the black list.

Shea: Well, now he has a million dollars, but if he is free to use that million dollars, and if he proves to be a dangerous person, he could pay out that million dollars in cash and presumably a million dollars could be a dangerous amount of money for use for sabotage purposes.

Willkie: That is right.

Shea: Now, you say you would put him on the black list. That leads me to put you another question. Do you think that we would injure him more by putting him on a black list than by this overall control which includes him with a lot of other people, not on the basis of a definitive judgment that he is a dangerous fellow, and remember, in my statement of the hypothesis we didn't know that he was a dangerous fellow. We just didn't know --

Willkie: Had doubts about him?

Shea: Well, we just didn't have the information on which to clear him.

Willkie: Yes, you didn't have confidence.

Shea: And he is a fellow who could do substantial injury.

Willkie: All right, I agree with you about doing more injury, but by keeping from doing him more

injury, you are doing an injury or discrimination to thousands.

Acheson:

I think that is where you are wrong. I think the figures that you have in mind are wrong about this. I think the people that we are talking about are far more than you have in mind, because when you take the general licenses that are outstanding, anybody may deal with five hundred dollars a month. The requirements of reporting are that no one who has less than a thousand dollars need report it at all. The numbers of people involved become very much smaller, very much.

Willkie:

Well, assuming it is still a substantial group, let's assume your (Shea's) situation. You are talking in terms of a million dollars. Well, if you think the million dollars is the amount of the transaction that should be reported to you in advance, why it is very possible to have additional restrictions of a hundred thousand dollars or more, any transaction of that kind must be cleared in advance.

Shea:

Well, he wouldn't have to clear the whole thing out in advance. I mean, he could pay it out in twenty thousand dollar amounts and do it with some degree of effectiveness.

Willkie:

Well, of course that seems to me, if you will permit me, to depend on a probability, and the total sums involved, compared with what any disloyal American citizen would do, is a triviality.

Shea:

Well, I must say, Mr. Willkie, that on the evidence which I have received, while I don't want to say that I feel sure about this matter, I don't think it is piling triviality on triviality. I think that in a substantial

- 22 -

number of the cases of persons coming over our feeling would necessarily be, "Well, there isn't enough here to take this fellow and put a finger on him as a person that we can establish to be one who is playing with the Nazis." At the same time, neither would we have the kind of evidence on the basis of which I would want to underwrite him as a person that would not be a man likely to be dangerous.

Secondly, if he has --

- Wilkie: I don't like that discrimination. It seems to me that you would have in your mind enough doubt, resolving everything against him, to put him on the black list or for the presumption to reside with him.
- Shea: Well, I would certainly feel hesitant about putting a man on the black list without some fairly substantial stuff on him.
- Wilkie: Well, I wouldn't if I had it to do. He is the fellow concerning whom there is the doubt.
- Pohle: Yes, but the doubt may be nothing tangible.
- Wilkie: Then I wouldn't do it if there was nothing at all.
- Voley: In other words, once you start that, you wouldn't just be controlling the use of his funds. You would be taking steps toward eliminating him from social and commercial and economic influence and you would be going along toward --
- Wilkie: Then that argument resolves into this, that because of those few we will restrict all. Of course, that is like any discriminatory law, that we could check every boy because some boys go wrong. I mean, you can carry that argument into any phase of life to --

Pehler: That is in effect what the immigration policy is, that we only let a few people in here and we check them very carefully, because there may be a few bad people among them, but the much fairer thing would be to let them all in, because as it is now, you are not letting anybody in because you are afraid that a few people will be bad.

Willkie: That is entirely a different question. These people come in only with the consent of the United States.

Pehler: That is right.

Morser: Let me just suggest this, if I may. Even when we come together here to present an issue, being different personalities, we have perhaps different shades of opinions, but I have had occasion to talk with as many aliens, I venture to say, as anyone in this room, and I have talked with them at great length over a long period of time. Now, what is it that bothers them? That always is the thing that keeps coming back to me, what bothers them? What is it they want? They don't want any special consideration or favor, but they want to be removed from what Mr. Shea refers to as being the black list. That is what they think they are on now, and when you talk in terms of eliminating them from society, you provoke me to say that that is precisely what they think they have been eliminated from, despite the fact --

Foley: That is why I asked, David, Mr. Willkie earlier, if this wasn't more psychological than real in so far as these people are concerned.

Morser: If I may go ahead, there are certainly no cross purposes here, because we are all entirely in agreement as to his position. But as to these people for whom we talk, I venture to say

without any reservation in my mind that the primary problem with which they are confronted is a psychological emotional one as well as one of profound conviction in principle.

These people say, "For some reason or other this is a country which is a home for aliens and then by some trick of fate we find ourselves in a classification other than other groups of aliens, and why? Is the Government going to do something to us? Are we being prepared for a slaughter? Are we going to be confronted with confiscation? Other aliens we feel are pointing at us as suspect aliens as against good aliens, and therefore we ask you gentlemen to go to the Government and find out for us if you possibly can if there is a way to remove this burden." That is what it is. It isn't a matter of dollars and cents, in my estimation. It is a damn sight more important than that.

Shear:

Well, I think as Mr. Foley pointed out, that has been a matter of deepest concern to us for some time. It isn't that we slight to any extent those considerations. They are terribly important considerations. The question is how best to safeguard the things we have an obligation to safeguard and at the same time meet that problem. Probably some sacrifices have to be made on either side. Would you answer in regard to the problem which I was putting to Mr. Wilkie, do you think that a person such as an alien, is injured to any such extent by being lumped in the way they now are, that they would be injured by being spotted and put on a black list? It seems to me that if you spot them and put them on a black list, washing and cleaning them, it is practically impossible for years, whereas this over-all coverage is something which I am certain most of us must recognize is a measure that doesn't segregate out and say that this fellow is a

- 25 -

dangerous fellow, and I think it must be generally recognized that a substantial proportion, at least, of these people are not dangerous and that they would make good citizens, and so forth. Now, let me put this to you out of experience, at least in some cases.

Morse:

Do you want me to answer the first part before you give me the case, by analogy to the rules of the Government? That problem concerned me too, and I talked with the people who are involved, not just fifteen or twenty people, but a hundred and a hundred and fifty people, and I said to them, in the method of the Gallup Poll, "How would you feel if the restriction was eliminated but on probable cause or whatever the standards might be which would be established by the Government subsequent to removing of the restrictions, the Government can say, 'We are going to come to you, Mr. "X" and we are going to put you in some kind of a special category until we have determined to our satisfaction that you are entitled to be free with all other aliens.'" And they say, "That is satisfactory as far as we are concerned."

Foley:

Well, David, don't you think if they were given the alternative of being kept out until we can satisfy ourselves that they should be allowed in subject to these controls, every one of them would have accepted the --

Morse:

Come in.

Foley:

They would have all come in.

Morse:

No question about it.

Shear:

I wondered whether you put the right Gallup Poll question. I take it the alternatives that you put them were never to have the kind

- 26 -

of complete freedom which other people in this country have, or to receive that with the chance of being put on a black list. Those are the alternatives you stated to them. Suppose the alternatives you stated to them were, "Have this thing wiped out now with the chance that you will be put back on the black list on suspicion, or the alternative that you have a chance to work your way out of this in some reasonable period of time, and when you work your way out, it will be on the basis of a clean bill of health in which you won't have to fear the danger of being brought back on suspicion. It will only be brought back on very substantial proof of" --

Wilkie: We were hopeful it was at that status now, with the time that you have had, that it was in a position where they could be now cleared. I am sympathetic with you --

Shear: I think one can certainly say that there hasn't been time for the kind of examination on the basis of which you could give a fellow a clean bill of health. It takes a terribly long time to make the kind of investigation on the basis of which you or I would be prepared to say, "That man I am willing to underwrite, I am willing to say that he is all right," in respect of a large percentage of these people. Their position will have to be, well, there are some suspicious circumstances, certainly not circumstances on the basis of which you would be willing to damn this fellow for life or for any longer period, but at the same time there are certain sufficiently suspicious circumstances so that you would like to have a chance to fully investigate him before you turn him entirely loose. Now, wouldn't you say, Ed, that that constituted at least a very substantial proportion of the case in respect of a very substantial proportion of these?

Foley:

Oh, I think that is undoubtedly true and what I was going to put up to Mr. Willkie as proof of the fact that this isn't a frozen problem in so far as we here on this committee are concerned, is the issuing of License No. 42-A, which we put out last week that removed the domicile requirements that we originally had interposed along with a residence requirement, and that took care of a number of people who had come in to the country under conditions that imposed the controls upon them. We are weighing the factors as we see them in the problem. We want to be fair to these people who have come here. There is no disposition on the part of any member of this committee to discriminate unfairly against these people and say simply because they saw a haven of refuge here, having fled from being victimized by Mr. Hitler - we have to weigh our feelings in that direction against what we can see to be the greatest good for the greatest number.

Willkie:

Of course that is the way we weight it and there is not even a suggestion or thought that this committee is seeming to be harsh about this. We accepted your invitation to come down and discuss it and there is no thought that anybody is trying to impose any arbitrary hardship for the purpose of being ugly or anything of that kind.

Morse:

May I just ask one more question?

Foley:

Yes.

Morse:

Mr. Acheson, you suggested a figure considerably less than what we indicated. Now, of course, the figure we indicated, fifteen thousand or less, was one that we speculated on as best we could for persons who came in after June 17, 1940. Would it be proper for you to suggest what is the approximate and more accurate figure?

Acheson:

I wouldn't want to, because I don't know. I have simply gotten whatever information I have from the Treasury, but what I would like to do, if I might, is just to tell you a little bit about what the problem seems to be and the difficulty with both of the suggestions that you made as a way of solving it. We have been fussing around with this for a long time, and one thing that we certainly do not want to do is to correct the situation which has perhaps an arbitrary date - arbitrary in the sense that somebody who came two days before is out and somebody who came one day afterward is in - we don't want to try to correct that situation by doing something equally arbitrary. We would just go from one foolish situation, if it is a foolish situation, to one that is much worse.

What we started with and the reason why our position is not like that, is that since the fall of France we basically have been at war, although we are not theoretically at war. If we were really at war, none of the people about whom we have talked and are talking would have come to this country. They all would have been citizens of occupied or enemy countries under some Trading with the Enemy Act or Immigration Act, and they would have been dealt with very, very carefully indeed. But they have come in. They have been given the best sort of scrutiny we have, and here they are in the country. Now, I don't think there is any background here of the sort we have been talking about with a large number of people, all of whom are suspect, and all of whom are treated as a separate class, and the actual rulings and licenses which are out tap almost all of the general run of people. It is only the people with, as human beings go, quite a large amount of property, who are subject to this at all. Maybe there is some way of dealing with the amount of property. But anyway, it is people

- 29 -

who have been called in the census returns fairly well-to-do people. Now then, the real heart of the problem is that there is a large sum, a very large sum, in terms of money, for possible use for the financing of propaganda in this country and South America, subversive activities and that sort of stuff, which is at the disposal of a comparatively small number of recent arrivals. You want to be careful what you do. We have a responsibility about that. You don't want to turn it loose. Now, you can make a very strong argument that there is probably an equal amount of money in the hands of somebody else, but that doesn't let us out. We can't turn this one loose because we haven't thought of something else.

Now then, when we approach an attempt to solve this on a just and fair basis, the first principle that you bring up is to deal with the people who come from the occupied countries or some of the occupied countries differently from the way that you are treating the Germans or Czechs or the Austrians or the Italians, and there I think we would immediately get into a very difficult position. Everyone who has come since this date has come from a place where the control of Germany is equal. It is just as great in Holland as it is in Berlin. There is no difference. It is just as great in Czechoslovakia or in occupied or unoccupied France. Not in Switzerland, of course, but in these other areas. What we are really doing is saying that people who came from these occupied areas, there is some presumption in some way that they ought to be treated differently from the persons whose origin is Czechoslovakia, Austria, or Germany. I don't see that at all. I think we would be put in a position where we would be trying to defend the proposition that those fellows who had escaped from Hitler, from actual Germany itself, ought to be treated more

- 30 -

severely than those who have come from Holland. I don't see any sense to that.

Wilkies:

Mr. Acheson, could I suggest this at that point?

Acheson:

Let me put the whole thing before you, because I want to get your help on the thing.

Morse:

You are touching right now on the point I meant to address myself to. I will come back to it.

Acheson:

I don't see any logical difference in the situation at all. Then the other thing which we have talked about a little bit here is the suggestion that we have a black list. It is part of my duty to run the black list that we have in South America, and the prospect of doing that in this country is something that I am not eager for at all. It is a terrible job. Down there what we are doing is simply cutting a person off from contact with his country. He goes ahead with his local life in any way he can. But if we started black-listing people up here, in the first place I wouldn't want to have the job. It is terribly hard to get any evidence that satisfies you, but the result of it, as Mr. Shea points out and Mr. Foley points out, would be very catastrophic indeed. We don't simply block these people. You just destroy them for fair. They are in a very bad situation. You would have to let everybody out, which would be the practical effect, because no one on the basis of the evidence that you have would feel justified in taking some person and cutting off all business, all opportunity for business, or employment, or social relationship, or anything - he would be a pariah. That is a very bad job. So that those two outlets to the problem don't seem to me to be

- 31 -

the way to go. I am not sure how to go, but I have difficulty with those two. So go ahead.

Willkie:

Just one suggestion. Of course you start with the basis of differentials. Theoretically we may not be at war, but actually we are, and I agree with you about that. The war is with Germany and theoretically that to me constitutes the distinction. I mean, the very basis of your doing this, as you suggest, and I think very properly, because I think we are at war. I agree with you about that, and that is the reason there is the distinction between the citizens of those countries that we are at war with and the others.

Acheson:

But it is not a very good distinction when you look at the people who reach here. We are at war with a certain class of thing in Europe.

Willkie:

I don't get the deep dread that you have. You are administering this. You put certain people on the black list. Obviously you put them on the black list for some reason. It may be slight reasons, but these people, whether it is fifteen hundred or fifteen thousand, and I am not disputing the figure with you because I don't know, they on the black list.

Shea:

Well, they aren't on a black list.

Acheson:

I don't think they are.

Shea:

They aren't on a black list and they are not to be destroyed.

Pehle:

They don't feel individually we have passed on them.

Foley:

They don't feel like they would if they were on a black list.

- Shea: If they were put on a black list it would really destroy them. They are not on a black list now. If they are released and given a clean bill of health here, no one will look back and say, "This man was a person that the Government determined to be a Nazi agent," and whatever may have happened afterward --
- Willkie: Well, it seems to me --
- Shea: That sticks.
- Willkie: It seems to me in those cases there are going to be, in my judgment, relatively few, although I can't answer you when you say --
- Shea: It seems to me, Mr. Willkie, there are relatively few or relatively many, depending upon whether you put a man on the black list on account of suspicion or you put him on the black list because you have adequate proof to establish that he is a Nazi agent.
- Willkie: Well, I would think even in the case of suspicion it would be few, but I can't prove that, obviously.

- Shea: I think one could say out of experience that there would be a substantial proportion of these persons on whom you wouldn't have evidence on that would make you willing to destroy them. At the same time, there would be enough, just because they have come out in the course of a turmoil and so forth, that you would want to run them down before you finally gave them a bill of health, if what you were doing was giving them a bill of health.
- Morse: I want to ask this question. I want to get the feel of the other side of the table if I possibly can. Do you have the feeling that if this restriction was removed from the number of people who are subject to it, whatever the figure may be, that something would be done by this group of people different than what is being done by the group of people who are aliens who are presently unrestricted?
- Shea: I can't say.
- Acheson: No, not necessarily. There may be many people in that other group of aliens who are now doing, without our knowledge, what we might fear that these other people would do.
- Morse: Then why aren't we under an obligation, therefore, to place the whole group in precisely the same category.
- Bernstein: There are six million of them, really.
- Shea: Well, there certainly is an initial matter which is certainly a very difficult problem in that connection. I mean how far back do you go? You would have to have some cut-off date.
- Wilkie: Well, do you think all the difficulties of which you speak arise by reason of giving these people the right to conduct normal business within certain limits, that that is the occasion

of what you speak? Let's assume that you were that kind of a minded person and under your present order you were getting five hundred dollars a month. I am a person of subversive intent. I want to blow up bridges and destroy manufacturing plants.

Shea: No, that wouldn't be the kind of thing we would mostly fear. I should think the kind of thing we would principally fear would be that you would be a source of financing that kind of business.

Wilkie: All right, as I say, put on your limitation of a hundred thousand dollars. In other words, aren't most of the things that you address yourself to their presence? That is mostly the thing you address yourself to. It is not the use, slight additional use of property. Now, we say to you, here are a group of people, and if any one of us was in that situation the tremendous sense of injustice and discrimination, particularly in the democratic country that we would have come to - now their presence here, of course, is in a moment of hysteria when we all have to be doubly careful. Of course that creates somewhat of a problem in and of itself, but that is inherent in being the kind of a land we are and being willing to allow refugees to come here.

Now, the additional use of property limited as we suggest, monthly, or any other time of reporting, plus a limitation as to the total amount that could be used or drawn out in any way, seems to me to eliminate ninety-nine percent of that situation. If it is an active subversive person with five hundred dollars a month, he can accomplish almost anything in the way of actual sabotage.

Now, if your sole problem is the problem of him financing something, if you place some

such limitation as I suggest in addition, obviously you eliminate that to any appreciable extent, and if you want the reporting to include where his funds are deposited, which you know anyhow, then minute checks can be made all the time, one hundred percent, but it seems to me that practically everything you state arises out of the presence and not out of the money.

Pehle: Mr. Willkie, would you be willing to free the accounts of a man, say, that had a million dollars here and had, say, a daughter in occupied Holland, a man who was in a position to have pressure brought upon him through treatment that might be accorded his daughter if he didn't turn over say fifty thousand dollars to some Nazi agent in the United States?

Willkie: Well, now, let's take first a situation about - I don't see the pressure on the daughter. In the first place, he probably wouldn't get much information about the pressure on his daughter.

Pehle: I am saying here is a man that has a daughter--

Foley: He would get the information they wanted him to have about his daughter.

Pehle: That is right. Some one just comes up to the door and says, "You have a daughter in occupied Holland. I know all about her and how she is being treated. If you want her treated well for the duration of the war, you will arrange to turn over fifty thousand dollars to someone who will come to your door tomorrow. If you don't, well, that is your problem."

Now, are we putting those people themselves in a dangerous position when we release their funds so that they can turn over substantial amounts of money.

Willkie: Now, I would suggest about that, number one,

that he report once a month.

- Pehle: Well, reporting is a very difficult way, unless you are going to check up every man's report and see whether it is accurate and see what he actually did with the funds, particularly if the man has a very substantial amount here. It is a very difficult way of following funds.
- Willkie: Well, you are placing a limitation on the total of the transaction. Now, what could the fellow do with the fifty thousand dollars? What do you suggest about that?
- Pehle: Why, the German agent who gets the fifty thousand dollars can use it to finance propaganda in the United States to--
- Willkie: What could he get to finance propaganda compared with any such amounts that could be gotten under these limitations?
- Bernstein: I think that is the question, really, as to whether it is a trifling amount.
- Willkie: I say with the additional restrictions that I suggest, that no large amounts can be drawn out, then it is bound to be--
- Pehle: Well, how much different is that from what is going on right now? These people can all get a license to do most of the things they want to do. What you are suggesting instead is that you have some over-all amount limit that is the same amount limit, regardless of how much money the man has here.
- Willkie: Because involved in it is freedom. That is the reason I suggest that.
- Farr: And of course the fellow who came here a week

- 37 -

before the date, that same situation, you just don't pay any attention to him. You just think he can't be handled.

Pehle: Well, we admit any date limit is obviously arbitrary.

Shea: Don't you think that the psychological problems of these persons would be pretty well satisfied if it were possible to work out a method whereby they could, in some reasonable period of time, six months or a year or something of that sort, could look forward to and expect to be released from this control if they satisfy the Government--

Morse: With the same bill of health that other aliens had if they came in before that date.

Shea: Yes.

Morse: May I explore that to see what you have in mind?

Shea: Yes.

Morse: If I may, Mr. Willkie, just for a moment. You mean that you would conceivably establish standards which would be pursued for a limited period by some check, with, let's say the Department of Justice, after which individuals would be released from freezing?

Shea: I haven't thought it out, but it is reversing the process, you see. Instead of releasing them all and pulling them back and really putting the finger on them, to gradually release them from the net on the basis of some showing. The details I don't know.

Morse: The only question about that--

Farr: Have a white list instead of a black list.

- Foley: That is right.
- Shea: So that you give them the expectation that if on careful investigation if they can show themselves clear, they can expect within a reasonable period to be released into the normal community life.
- Morse: Well, perhaps that reverse English is just as good, I don't know.
- Shea: Well, I mean wouldn't it--
- Morse: It would be, naturally.
- Shea: As an immediate matter, wouldn't it relieve substantially the psychological difficulties.
- Morse: I personally would say yes.
- Willkie: Yes, assuming that in a reasonable period of time standards were set up.
- Shea: Oh, I am talking about six months or a year.
- Willkie: Well, of course I think that is pretty tough for them.
- Morse: That is right.
- Shea: Well, gentlemen, supposing it is fifteen hundred. The business of running fifteen hundred through careful investigation is no two months job.
- Foley: Well, so that you will know what we know as to the enormity of the problem, we are dealing here with a group of approximately four thousand refugees, including Germans and Italians, who have funds here that, from our information, we feel are approximately a quarter of a billion dollars.

- 39 -

Willkie: Of that quarter of a billion, if we may ask you, how much of it is German and Italian?

Bernstein: It might be half.

Foley: It might be half

Bernstein: We haven't broken those figures down.

Morse: You are talking of dollars?

Foley: I am talking of dollars.

Pehle: I would like to say again about eliminating the Germans and Italians, it seems to me as Mr. Acheson said, first, the greatest part of the refugees are Germans and Czecheslovakians, so you aren't really hitting the refugee problem as we see it in full force unless you deal somehow with that group too; secondly, the minute you single them out from all the rest of the people, then the discrimination that they will be subjected to will be so much more intense and the psychological difficulty under which they will be laboring will become intensified so much by the freeing of other people and the leaving of this group, the group that feel that they have already suffered untold hardships at the hands of it, the people that feel that they are the last people who would do anything in Hitler's favor--

Willkie: Oh, yes, but they suffer under the misfortune of what Mr. Acheson so clearly points out as the basis for all your doing, of being citizens of a country which we are in fact actually at war. That constitutes--

Shear: So far as the precedents on this are concerned, a man in Holland would be considered an enemy under any trading with the enemy act.

Willkie: But the very basis of doing it is the war.

Shea: If we were at war we would treat the man in Holland just the same as we treat the man in Germany on the basis of precedent. The trading with the enemy act defines an enemy as anyone residing in occupied territory, whether it be in Germany proper or Holland, and I must say I feel as Mr. Pehle has said and Mr. Acheson said, I feel that all the arguments which you have made which have a real appeal to me are wiped out if you say to us that those arguments aren't equally applicable or that somehow those arguments stop short of covering the persons who come from Germany and Austria.

Willkie: I don't see that at all because it seems to me the very basis of your action - let me suggest this, and I do it merely to point out a line of thinking to you. There isn't any question that you can control this better by keeping complete control of it, not the slightest question about that. That is all this whole quarrel is about, whether that is the way things should be done. You would be more effective if you put them in concentration camps. You talk to me about effectiveness. I say don't modify your damned order a bit. Restrict it. I wouldn't give a fellow five hundred dollars a month if I actually wanted control of him.

Shea: We haven't talked to you in any such terms.

Willkie: No, I understand that, but I am just saying that that is the very distinction, and the very distinction, it seems to me is that everything you do is on the basis of the war.

Shea: But that isn't a real issue in this matter. The considerations, it seems to me, which we are urging and which you are urging, neither of them talk in terms of absolute control.

Willkie: Well, they deal in terms of--

- Shea: The question is, what is minimum effective?
- Morse: Mr. Shea, as far as I am personally concerned and personally feel about this thing, it seems to me that in principle if you are going to relax your restrictions, they have got to be relaxed for aliens as such.
- Shea: Well, I feel that very strongly.
- Morse: They have got to be relaxed for aliens as such. Now, it is then up to the respective governmental agencies to determine the most effective way of pinning down the things that they think may be subversive with respect to individual groups or classes.
- Willkie: It doesn't make any difference since this is no formal proceeding. I think there is a distinction between the citizens because I think it constitutes the only basis of what you are doing. That is my viewpoint.
- Shea: Well, all I can say is that as a traditional matter, these persons are enemies as much as the residents of Germany proper.
- Willkie: Well, I wouldn't look upon Hollanders or Frenchmen--
- Shea: Well, our legislation always has and our international - the various treatments of persons in time of war always has considered--
- Morse: Did you gentlemen get this point of view, that these people who are subject to this order aren't quarreling quite so much about the fact that they are subject to an order as the fact that they are not classified the same as the other aliens in this country?
- Acheson: You see eleven thousand out of fifteen thousand

are. They are treated just the way everybody else is. They never heard of any other restrictions.

Morse: You mean only four thousand are?

Acheson: Only four thousand in the whole lot.

Pehle: In effect, the great mass of aliens haven't enough money here that a five hundred dollar limitation per month wouldn't take care of them.

Bernstein: They live off relatives and so forth.

Pehle: That is right.

Morse: Let me get this straight in my mind. You mean eleven thousand out of fifteen thousand are exempt from the restrictions?

Acheson: As a practical matter they are exempt because they don't come within it.

Morse: They are in the same class as the other aliens are.

Shea: They haven't enough money.

Acheson: To be touched by it.

Willkie: I don't think that places them in the same class. Here is a man in this country who just has four hundred dollars a month. He passes into the class as soon as he makes enough - supposing he goes into business, to have seven hundred dollars a month?

Pehle: Then he has to get a license, and then he gets seven hundred dollars a month instead of five hundred dollars a month.

Willkie: Yes. I don't think that takes the eleven

- 43 -

thousand out at all.

- Pehle: It takes them out because the great bulk of them aren't confronted with control in their daily life. They aren't hampered by it. They find they can go on with their lives the same way.
- Morse: And they are not suspect.
- Pehle: We don't think the others are either.
- Morse: But they certainly would not be suspect because they have no holdings. Why don't you eliminate them and put them over with the others?
- Pehle: That is in effect where they are now.
- Bernstein: You mean everybody earning less than a thousand or fifteen hundred dollars a year, take those with the small sums of money who couldn't in any degree of likelihood be subject to the blackmail or hostage technique, say that they are out?
- Morse: I mean I am not advocating that, I don't want to come down here for this special group and end up on a matter of dollars and cents, but I just wonder myself why they aren't automatically--
- Bernstein: Simply because as a practical matter those people consider themselves out and--
- Pehle: They aren't the people that come here and ask can they be given freedom--
- Morse: They can't afford to come down and talk with you. These are people that I talk with.
- Acheson: But they have never been touched by this.

- Bernstein: In any real sense.
- Morse: They haven't been touched in any dollar and cents respect, but they have been touched from this other point of view that I have been trying to express.
- Pehle: I think the great bulk of them do not even know the controls exist. Most of the people in that eleven thousand group, not all of them but most of them, I don't think they are ever touched by the controls.
- Willkie: So then all you move to is this, this is the sole question, that you believe these eleven thousand are untouched and you have no method of checking them now at all.
- Pehle: We don't interfere with them at all.
- Willkie: Then all you say is that with four thousand people who happen to have a little property, that that constitutes the distinction, you say that all fifteen thousand people who came out of occupied countries, as I understand, ipso facto, the fact that they came out of the occupied territory, that makes them suspect, but as to eleven thousand of them, no controls, nothing is exercised over them at all.
- Pehle: We have never said that those persons weren't suspect and there are other controls which are exercised--
- Willkie: All right, then all of those other controls operate on these four thousand.
- Pehle: That is right.
- Willkie: That is right. So we get down merely--
- Pehle: You get down to the case--

- Willkie: Get down to straight property, that is it.
- Pehle: ~~Of~~ the man who has substantial funds here who very often has property and relatives and friends abroad through which and through whom pressure can be brought to bear.
- Willkie: It is solely a question of policy.
- Pehle: Mr. Willkie, obviously we don't freeze funds of a pauper because he hasn't got any funds, but it isn't because he is a pauper but because we have no control over funds he hasn't got.
- Acheson: This is purely a financial matter.
- Willkie: Now all I say is if that is financial, then it is a measure solely - I agree with you - of what he can do with his funds, isn't it?
- Acheson: That is right.
- Willkie: And when you talk about the additional restrictions of placing the total amount in any transaction, you have eliminated ninety-nine percent of the hazard of that.
- Pehle: I am not sure what you mean.
- Shea: Do I understand your suggestion to be along the lines that I gathered Mr. Morse brought up, why not limit this control, we will say, to persons having more than "X" thousand dollars and to the extent that he wants to deal in the more than the "X" thousand dollars.
- Willkie: That is right.
- Shea: Well, that is something to be thought about.
- Willkie: So that he doesn't feel that - without placing

- 46 -

property as a qualification, either for intelligence or any other place, obviously among four thousand, you are going to have some very high type people.

Pehle: Certainly.

Willkie: And to put this stigma on them which they feel - that is what I have thought all the time, that it is purely a question of property, that is what you are dealing with, financial control.

Pehle: Sure it is financial control.

Willkie: Now I say the method by which you can accomplish everything all of us are talking about, the white list instead of the black list, and naturally that has an appeal, you place some limitation of individual transactions because your only fear is that this fellow may take some of these funds under pressures and either use them himself or pass them on to somebody else for subversive purposes.

Now, you place a limitation on that amount. You eliminate practically all of that difficulty and then let him go on the white list on the theory that you suggest, I think it is a very wise suggestion. I think it is a better suggestion than the black list. Then you let him work into the full situation as he proves his merit and you practically solve your problem without--

Pehle: Well, the second suggestion, I think, is something that we certainly are going to think about. The idea of limiting individual transactions doesn't - I don't quite see the merit of that. Twenty ten thousand dollar transactions--

Willkie: Well, I will modify that, total amount for any given period.

Shea: Well, I take it that the suggestion is not as to the particular mechanism which is used but to hit a figure which is the dangerous figure, that is, that a man with less than ten thousand dollars can't do much harm.

Pehle: Well, I don't think Mr. Willkie would agree with setting the figure at ten thousand.

Willkie: No, I think that is too much of a limitation.

Foley: The figure you used was around a hundred thousand.

Willkie: Yes, but for judgment to be exercised as to that amount.

Morse: Certainly if the Department doesn't see its way clear to remove - leave the order to remove the date which I am convinced is the way it ought to be done, I want that indicated--

Acheson: What was that? I didn't quite follow you.

Morse: Remove the date and place anybody - any aliens precisely in the same category. Certainly if that can't be done, it does seem to me that out of the two suggestions that were advanced here by Mr. Shea and by Mr. Willkie, there seems to be perhaps a good alternative approach to the problem.

Willkie: We want to thank you very much and, please believe us, we come here in no spirit except to discuss it.

Incidentally, a couple of press boys picked me up, and if it is satisfactory all the way around, you just say that we came here to discuss the problem of non-Axis alien restrictions.

- 48 -

and I won't make any statement. I think it is better not to drag it into the press. Is that satisfactory all the way around?

Foley: Yes, that is entirely satisfactory.

Willkie: He said he would see you afterward. I said I had a brief I would give him, but I won't give it to him. We don't come in the spirit of--

Foley: Well, this conversation or hearing or whatever you call it, as far as I am concerned, has been very enlightening and it has been addressed to problems that have been facing us for some time, and we appreciate your coming in here and giving us your ideas, and we will be thinking about them, and in the light of the discussions here today, I assume you will continue to think about them, and if additional ideas or suggestions occur to you, we will be very glad to receive them from you.

Willkie: Could we leave it this way, that if you get to considering these and anything that you think we could be of any help or that you think we would like to be heard on, to let us know, and we will come in the same spirit we have come here today.

Foley: Fine.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

124

DATE
December 1, 1941

TO Secretary Morgenthau
FROM Messrs. Foley and Pehle

As of the opening of business December 1, 1941, there were approximately 1500 pending applications in the Foreign Funds Control. This does not include more than 500 cases being held pending policy questions which have not been determined or are awaiting clearance with other Government agencies.

J. Pehle
8-11-7L

TREASURY DEPARTMENT

125

INTER OFFICE COMMUNICATION

DATE

Dec. 1, 1941

TO Secretary Morgenthau

FROM Mr. Foley

For your information.

You have requested to be advised about the status of reports under the Vinson defense investigation resolution.

Briefly, this is the story. H. Res. 162, introduced by Representative Vinson of Georgia (Chairman of the House Naval Affairs Committee), authorized the House Committees on Military Affairs and on Naval Affairs to make separate investigations of the progress of the national defense program in so far as it relates to matters coming within the jurisdiction of each Committee. The purpose of these investigations is to determine whether the defense program is being carried forward efficiently, expeditiously, and economically. The Vinson resolution, which was agreed to by the House on April 2, 1941, requires the two Committees to report to the House during the 77th Congress the results of their studies and investigations, together with any legislative recommendations they deem desirable.

- 2 -

Neither Committee has yet made any final report. The Naval Affairs Committee has not made any interim report. The Military Affairs Committee, on the other hand, has issued three interim reports: one about the delay in the construction of an Army airport at Eglin Field, Florida; another on real estate (acquisition of sites) and construction; and a third on strategic and critical materials.

You may remember the Eglin Field matter last spring and early summer in which our Procurement Division came in for some criticism in connection with the award of a contract for the purchase of asphalt. You may also remember the strategic materials report (issued in July) which criticized practically everybody, including our Procurement Division, for contributing to delays and failures in the accumulation of raw materials for the Government stock pile.

The House Military and Naval Affairs Committees got \$25,000 more apiece from the House on November 18 to continue their investigations. At that time spokesmen for both Committees indicated that further interim reports would shortly be forthcoming.

P. H. F. h.

DEC 1 1941

My dear Mr. Secretary:

Thank you for your letter of November 27, 1941, enclosing certain information on the status of appropriations requested in my letter of November 5. Your cooperation in this matter is greatly appreciated.

The information is exactly what I wanted and appears to be very well presented. We are now developing a chart covering these data and as soon as it has been completed, I shall send you a copy.

Sincerely,

(Signed) H. Morgenthau. JF

The Honorable,
The Secretary of the Navy,
Washington, D. C.

By Messenger *V each 9:16*

WL:vsz 11/28/41

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WJ



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON

(56) 24-3

CONFIDENTIAL

NOV 27 1941

My dear Mr. Secretary:

Enclosed herewith please find the information you requested in your letter to me of November 5, 1941.

The only request omitted in the enclosure is your item No. 6, calling for "Deliveries received to date, expressed as a percentage of the total value of contracts let." Your Mr. Lindow, in conference with our Office of Budget and Reports, gave us the authority to omit answering item No. 6, due to the great difficulties involved. When the difficulties and complexities of the balance of the report in the particular form requested, were called to the attention of Mr. Lindow, he volunteered the information that estimates would be acceptable as your office was interested in depicting a trend of obligations and cash disbursements against appropriations within the period specified. The several limitations imposed, when interpreting such a report, are outlined in the enclosed explanatory data.

Sincerely yours,

Frank Knox

The Honorable,
The Secretary of the Treasury
Washington, D. C.

November 27, 1941

Supplement to Navy Contractual Obligations Report
Appropriation Acts, January 1, 1940 to October 31, 1941

CONFIDENTIAL

Scope and Limitations of the Report

1. In preparing the report by Appropriation Acts within Fiscal Years many difficulties were encountered which necessitated a considerable degree of estimating. An effort will be made to highlight herein, the major limitations in this report brought about by the method of presentation.
2. In column (1) under Contractible Items, the figures represent an estimate of the contractible portions of the total net authorizations contained in each Act. The sums shown in column (1) contain all contractible items both for new construction as well as the contractible items used in the Maintenance, Repair and Alteration of Naval Vessels and Shore Activities. In converting the authorized tonnage, mentioned in the Appropriation Act, to dollars, it can be appreciated that with tonnage costs varying daily, any figure presented by way of converting tonnage to dollars is purely an estimate in the first place, and in the second place is an estimate holding good only for the day in which it was set up. Among the many factors entering into the difficulty of converting tonnage into dollars, is that factor created by the authority granted to the Secretary of the Navy, in converting the total authorized tonnage into the various types of combatant ships, with a thirty percent leeway allowed in ships, in types of ships as military strategy might demand. Therefore, the figure represented in column (1) is an estimated goal to be used in measuring the Amount Obligated by Contract.
3. The amounts shown in column (2) under heading Amount Obligated by Contract, contain all of those contractible items which have as of October 31 been contracted for by way of executed contracts or obligated by means of Letters of Intent, Requisitions, Project Orders and Allotments.

At this point it is well to mention that under appropriation Increase and Replacement of Naval Vessels (Construction and Machinery) for the Bureau of Ships, there is outstanding contract authority not covered by appropriation funds in the amount of \$193,512,976. This is however, a prior to January 1, 1940 obligation. It is mentioned here, and not shown on the report, in order that the report may contain only those appropriations on and after January 1, 1940.
4. Under column (3) headed Cash Disbursements, it was considered an impossible task to give the exact amount of Cash Disbursements against each Appropriation Act, due primarily to the fact that Navy's entire system of reporting cash disbursements against obligations are based upon the fiscal year rather than by Acts within a fiscal year. The problem is further complicated in the case of the Bureau of Ships and Ordnance, wherein the cash appropriated is thrown into a cash "pool" as appropriated, to

go toward the building of authorized tonnage. The Cash Disbursements go toward the payment of the debts accrued by construction in progress without regard to Appropriation Acts. As a result the Cash Disbursement shown opposite each appropriation Act can be used as an estimate only. It should be noted also, that Cash Disbursement figures are not through October 31, 1941 due to the natural lag between the obligations and reports received by the Department on disbursements.

5. In the final analysis it is well to bear in mind when considering this report, that it is a report set up to show a trend of obligations and cash disbursements against authorizations, in order to meet the requirements of the Secretary of the Treasury, as explained verbally by Mr. Lindow of the Treasury to Lieut. Commander Wickware of this office, therefore, the totals shown on this report, and particularly the unobligated balances, cannot be compared with the unobligated balance shown on the Semi-Monthly Obligation Statement, prepared by the Navy Department. The former has been compiled and estimated purely to show a trend, the latter is a report compiled primarily to show the exact amount of unobligated balances, and has been arrived at by use of the regularly adopted accounting and budgetary system in use by the Navy Department.

6. While the difference between Navy Appropriation Totals in column (1) and (2) show unobligated funds as of October 31, 1941 of \$7,311,707,000 the actual unobligated balance as of that date shown on our Semi-Monthly Obligation Statement is \$2,267,227,157. The net difference shows the two unobligated balances constituting only 3-6/10% of the total of Constructible Items shown in column (1).

NAVY CONTRACTUAL OBLIGATIONS
BY
APPROPRIATION ACTS - JAN 1, 1940 to OCT 31, 1941

Act Number	Title	1. Contractible Items	2. Amount Obligated by Contract	3. Cash Disbursements
12/40	113 Emergency Supplemental Appropriation Act, 1940	104,942,361	104,919,173	98,730,868
12/40	115 Urgent Deficiency Act, 1940 (\$28,000,000) Non-Contractible Items	-0-	-0-	-0-
11/40	983 Navy Appropriation Act, 1941 (Titles I & II)	918,162,040	914,951,604	863,815,723
26/40	147 First Supplemental National Defense Appropriation Act, 1941 (Title III)	2,072,206,023	1,943,575,465	369,220,292
27/40	158 Second Deficiency Appropriation Act, 1940 (\$15,000) Non-Contractible Items	-0-	-0-	-0-
9/40	781 Second Supplemental National Defense Appropriation Act, 1941 (Title IV)	6,586,306,262	5,777,964,083	398,504,947
8/40	800 Third Supplemental National Defense Appropriation Act, 1941 (Title V)	80,700,000	80,134,356	49,864,660
1/41	9 Urgent Deficiency Appropriation Act 1941 (\$522,775) Non-Contractible Items	-0-	-0-	-0-
17/41	13 Fourth Supplemental National Defense Appropriation Act, 1941 (Title VI)	1,453,665,436	1,323,018,464	449,706,257
5/41	29 Fifth Supplemental National Defense Appropriation Act, 1941 (Title VII)	293,553,820	272,513,641	195,075,101
6/41	34 Navy Department Appropriation Act, 1942 (Title I- 1942)	520,408,005	430,058,037	634,404,568
3/41	138 Second Deficiency Appropriation Act, 1941 (Title VIII - 1941 (Title II - 1942)	47,464,215 1,179,558,100	47,464,215 529,648,662	48,187,627 -0-
25/41	247 First Supplemental National Defense Appropriation Act, 1942 (Title III-1942)	1,726,228,042	868,235,554	18,000,000
28/41	222 Second Supplemental National Defense Appropriation Act 1942 (Navy, II) * (0608-Title IV-1942)	120,996,000	-0-	-0-
Navy Appropriation Totals		15,104,190,304	12,292,483,254	3,125,510,043
7/41	Defense Aid Supplemental appropriation Act, 1941 (II)-Navy Portion Defense Aid Totals	1,157,148,548	898,170,199	106,672,426
Grand Total to October 31, 1941		16,261,338,852	13,190,653,453	3,232,182,469

* No funds allocated to Navy up to October 31, 1941

CONFIDENTIAL

Regraded Unclassified

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE December 1, 1941

TO Secretary Morgenthau
FROM Mr. Haas *HA*
Subject: The Business Situation,
Week ending November 29, 1941

SummaryCommodity prices:

(1) The levelling-out of commodity prices recently has been accompanied by a slackening in speculative activity, as indicated by a reduced volume of trading in the futures markets. The greater caution recently shown by commodity buyers is, in part, a reaction from the earlier period of excessive buying. It has also doubtless been influenced by the persistent decline in stock prices over the past several months.

(2) The BLS all-commodity index in the week ended November 22 showed little change, declining 0.1 point from the recent high of 92.3. Basic commodity prices last week (ended November 29) likewise showed no important trend. Average prices received by farmers in November declined for the first time since the rise began last spring. "Parity" prices, on the other hand, increased 1.4 percent in November.

Business activity:

(1) Weekly business indexes have been distorted by the effects of the coal strike and holiday influences. Barron's index of business activity in the week ended November 22 declined 4.1 points to 137.9. The decline in the New York Times index during the same period was limited to 0.3 point, the index standing at 129.8.

(2) The shortage of steel scrap continues to hamper steel operations and is reported to have contributed to last week's decline in steel operations to 95.9 percent of capacity. The scheduled rate for the current week is raised to 97.6 percent.

General situation

If we were not engaged in a huge defense program, business activity now would doubtless be going through a period of recession following the excessive buying and inventory accumulation during the earlier months of the year. As it is, some of the milder symptoms of a recession are seen in the slackening of retail buying in recent months, and in the reactionary tendencies in commodity and security prices. The underlying trend of business activity, however, continues upward, and there is little doubt that the recent slackening in buying will prove no more than temporary.

Commodity futures trading declines

One evidence of a more cautious tendency among buyers recently has been a diminishing of speculative activity in the commodity markets. (See Chart 1, upper section.) The long rise in speculative commodity prices this year reached a peak in the early part of September, accompanied by a rise in trading volume to the year's high. Since that time the volume of futures trading has shown a substantial contraction. Reference to the lower section of Chart 1 will disclose that the volume of grain trading recently touched the lowest levels since early March, while trading in cotton futures has also dropped noticeably since mid-October.

It may be significant, however, that a somewhat similar decline in trading activity and levelling-out in prices occurred last December and January, just previous to the long price advance. The weakening of farm prices recently has been affected in part by seasonal heavy marketings, an influence which will become less important as the new year approaches.

While commodity futures prices have been flattening out, the stock market has been gradually declining, doubtless contributing to a dampening of buying interest in the commodity markets. By last Friday, the Dow Jones industrial stock average had declined to the lowest level of the year, and was within three points of the extreme low for the entire war period, touched in June 1940 at the time of the French collapse. (See Chart 2.)

This weakness is in marked contrast to the action of industrial stocks in the London market (lower section of chart) which have retraced all the ground lost at the time of the fall of France, and during the past week moved up to a new high since March 9, 1939.

- 3 -

While there are various explanations of the disparity, one factor which has probably contributed more recently has been the selling of stocks in the New York market for tax purposes. The London market is free from this influence, since capital gains are not taxable under British law.

BLS all-commodity index almost unchanged

The BLS all-commodity index continued to move in a narrow range in the week ended November 22, declining 0.1 point to 92.2 from the peak reached a week earlier. Increases and decreases among the subgroups were about equally divided. A moderate decline took place in wholesale prices of farm products.

Basic commodities nearly stationary

The BLS wholesale price index of 28 basic commodities moved only slightly upward in the week ended November 28. Among the foodstuffs, hog prices declined further under seasonal heavy marketings, nearly touching the low levels of mid-October. Grain prices also weakened somewhat. Cottonseed oil and lard prices strengthened under Government buying. (See Chart 3.)

Among the industrial materials, cotton and print cloth prices rose moderately, and rosin prices early in the week reached a four-year high.

The passage of the price control bill by the House on November 28 was interpreted bullishly by commodity traders, since in its present form it is generally believed to provide no effective control of inflation. The bill includes the provisions reported out by the House Banking and Currency Committee on November 1 with respect to farm products, namely, that ceilings shall not be imposed on prices of farm products at less than the highest price as determined on three bases: 110 percent of parity, the average price for 1919 through 1929, or the prevailing level on October 1.

Farm prices decline; "parity" prices higher

Average prices received by farmers, as of November 15, showed the first decline since the broad price advance began last spring. The weighted average index of the Department of Agriculture dropped 2.9 percent from that of the previous month, but the index was 36 percent above that of November 1940.

Parity prices were increased as of mid-November to adjust for a rise of 1.4 percent in the index of prices paid for goods bought by farmers. A substantial upward revision has been made in the October parity figures and in those back to August, because the prices paid by farmers for goods bought proved to be above the Department of Agriculture's preliminary estimates. Table 1 shows parity prices for selected farm products on November 15, 1940, and on October 15 and November 15, 1941.

As a net result, average farm prices in November were 6 percent below parity. In October they had been 1 percent below, and in September 1 percent above parity.

Restriction on speculation in soy beans recommended

Measures to curb excessive speculation in soy beans were recommended by the Commodity Exchange Administration on November 26, in a special report to the Secretary of Agriculture. The recommendations, made on the basis of an analysis of soy bean trading on September 15 and other information, included the increasing of margin requirements and "some form of restriction on excessive in-and-out trading." The analysis indicated that on that date hedgers were carrying their own risks, and to this extent speculative trade was not performing its usual function.

Publication of the CEA report was followed by further advances in soybean prices, apparently because the report revealed that speculators were "predominantly short, contrary to their usual bent", and that of the total speculative interest, farmers constituted the largest group.

Dominican Republic sugar crop bought by Great Britain

Purchase of the bulk of the Dominican Republic 1942 sugar crop by Great Britain was announced Friday. The sale was made at a guaranteed minimum price of 2.25 cents, f.o.b., subject to upward revision depending upon the price which may be determined for the Cuban crop, for which the United States and Great Britain are negotiating. The guaranteed minimum price for the Dominican Republic crop, with freight and duty included, would be equal to our ceiling price of 3.50 cents, delivered in New York.

Weekly business indexes lower

After rising in the first half of the month, weekly business indexes declined in the week ended November 22. The declines, however, are probably less significant than usual because they appear to have been due in part to the coal strike, and perhaps in part to the usual difficulties in making proper statistical adjustments for holiday factors.

Barron's index of business activity during the week above mentioned declined 4.1 points to 137.9. The composition of the New York Times index is such as to make it less responsive than Barron's index to developments in the coal industry, hence it declined only 0.3 point to 129.8 in that week. (See Chart 4, top section.)

Improvement in power and fuel situation

An important factor in the decline in the Times index was a contra-seasonal decline in electric power production, although output was still nearly 13 percent above year-earlier levels. (Refer to Chart 4, middle section.) The electric power situation in the southeastern States has improved recently as a result of heavy rains, which have considerably improved operating conditions of hydro-electric plants. It has consequently been announced that the contemplated 30 percent reduction in industrial power consumption in the area is no longer imminent. Moreover, restrictions against non-essential electric lighting are expected to be relaxed before Christmas.

Total freight carloadings declined more than seasonally in the week ended November 22, due to a sharp drop in coal loadings resulting from the coal strike. (Refer to Chart 4, bottom section.) Soft coal production during the week mentioned dropped about 19 percent.

In spite of the strikes which have occurred this year in the coal industry, bituminous coal production in 1941 has exceeded year-earlier levels by about 11 percent. In the anthracite coal industry, supplies have piled up to such an extent that the industry is now working only 2 days a week. This situation is attributed to a lower than normal demand resulting from mild weather conditions, and to heavy advance buying last summer when consumers feared fuel oil and transportation shortages.

Scrap shortage menaces steel production

Although the steel industry managed to resume operations within a few days at units closed by the coal strike, the shortage of steel scrap continues to hamper production. Thus by the middle of last week steel producers in the Youngstown district are reported to have restored operations at all units closed by the coal strike, but 5 open hearth furnaces were closed down because of the scrap shortage. In the Chicago district the Inland Steel Company is planning to cut open hearth operations 10 percent due to the shortage of scrap, and in the Cleveland district it is predicted that operations will decline to around 85 percent of capacity within 60 days due to scrap shortages.

During the past week the OPA is reported to have been surveying the iron and steel scrap price schedule, and it was intimated that some adjustments may be made. Reference to the chart of basic commodity prices (see Chart 3) will show that prices of practically all other basic industrial materials have advanced more than steel scrap prices since August 1940. The shortage of scrap, in addition to the coal strike, is reported to have contributed to the decline in last week's steel operations to 95.9 percent of capacity. For the current week, operations are scheduled at 97.6 percent of capacity. (Refer to Chart 4, middle section.)

New orders index lower

New textile orders continued to be booked in heavy volume in the week ended November 22, but they declined substantially from the previous week's unusually high levels. Our new orders index accordingly showed a sharp decline from the previous week. (See Chart 5.) New orders for steel as well as orders for products other than steel and textiles also were moderately lower. The decline in steel orders carried bookings down to 99 percent of capacity as compared with 105 percent in the previous week.

A broad expansion in sales of cotton cloth occurred last week, due to a rise in the price of raw cotton to a level which caused an automatic increase in ceiling prices of certain standard cotton cloths above those which have been in effect since November 13. In the fortnight intervening, business remained virtually at a standstill, since mills had been reluctant to sell in anticipation of higher prices.

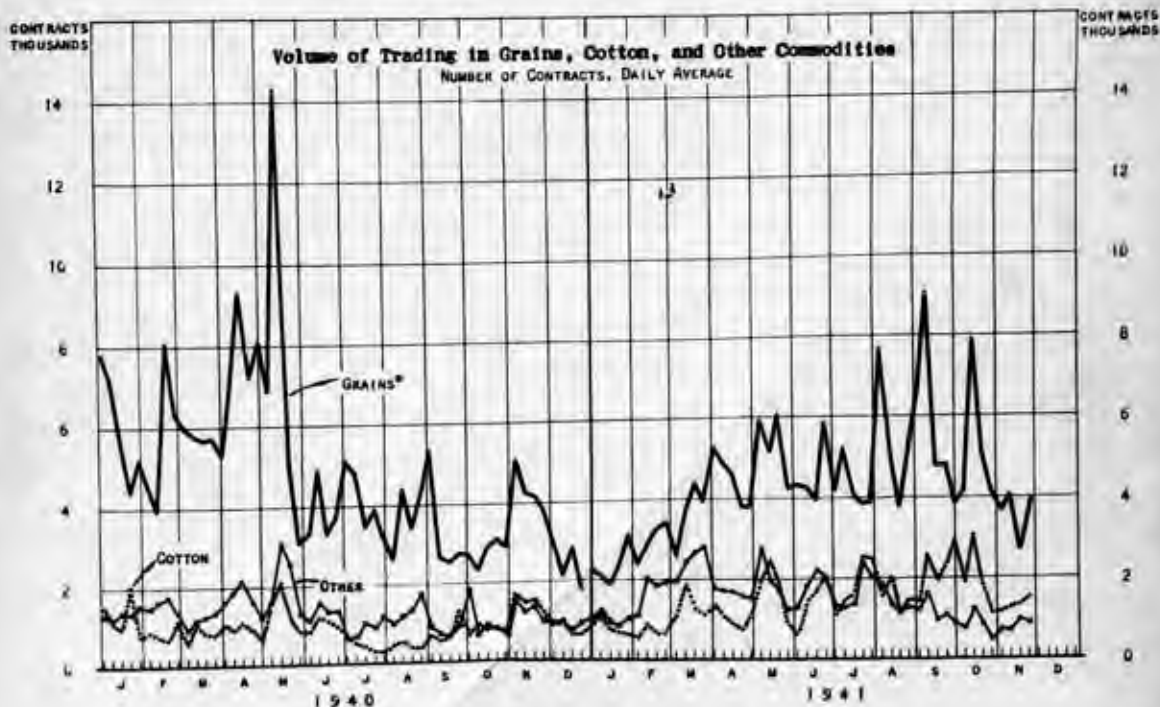
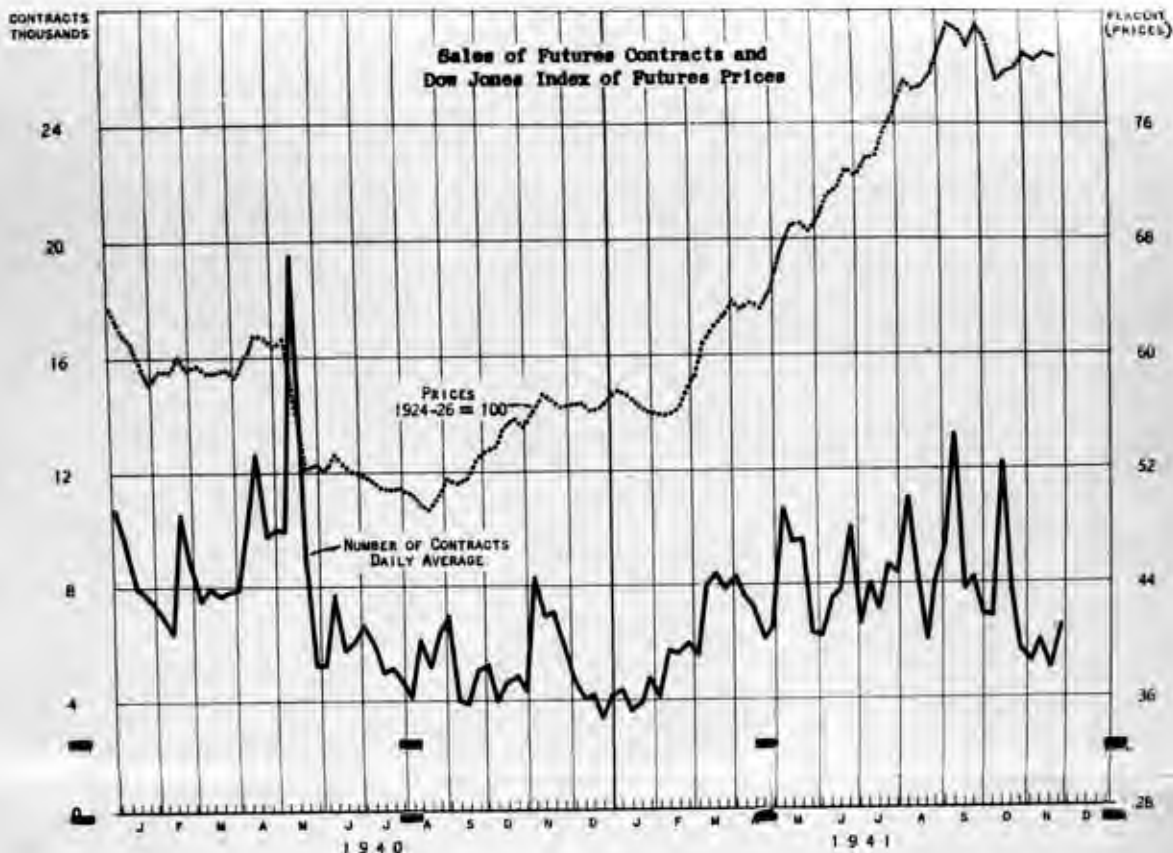
Table 1

Parity prices for selected farm products, November 15, 1940,
and on October 15 and November 15, 1941

Commodity	November 15, 1940	October 15, 1941	November 15, 1941
Cotton, cents per lb.	15.75	17.48	17.73
Wheat, cents per bu.	112.3	124.6	126.4
Corn, cents per bu.	31.5	90.5	91.8
Cottonseed, per ton	\$28.64	\$31.80	\$32.25
Hogs, per 100 lbs.	\$ 9.17	\$10.18	\$10.32
Wool, cents per lb.	23.2	25.8	26.2
Rice, cents per bu.	103.3	114.6	116.3

Source: United States Department of Agriculture.

VOLUME OF TRADING AND FUTURES PRICES

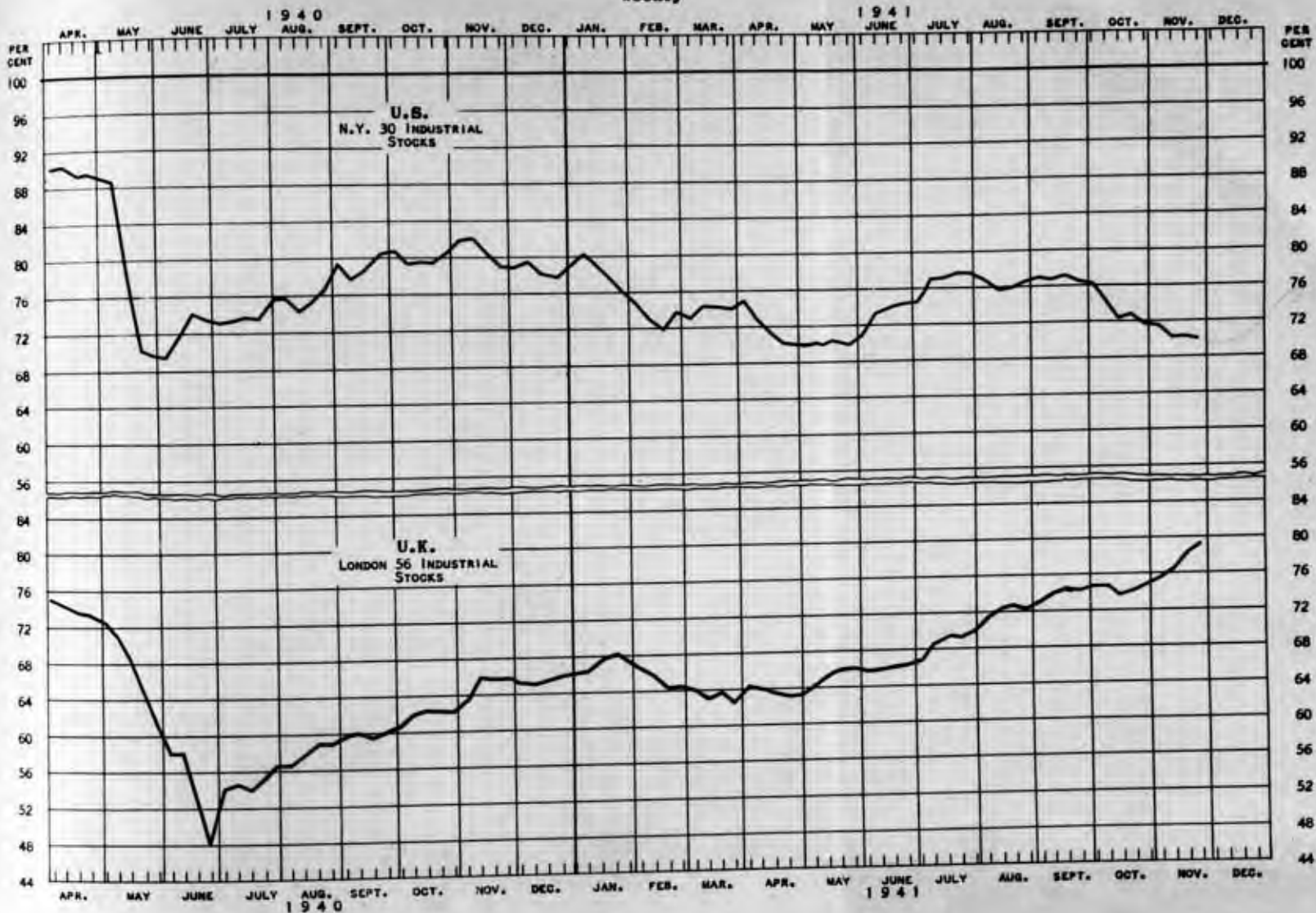


* BEGINNING JANUARY 1941 INCLUDES SOYBEANS

INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

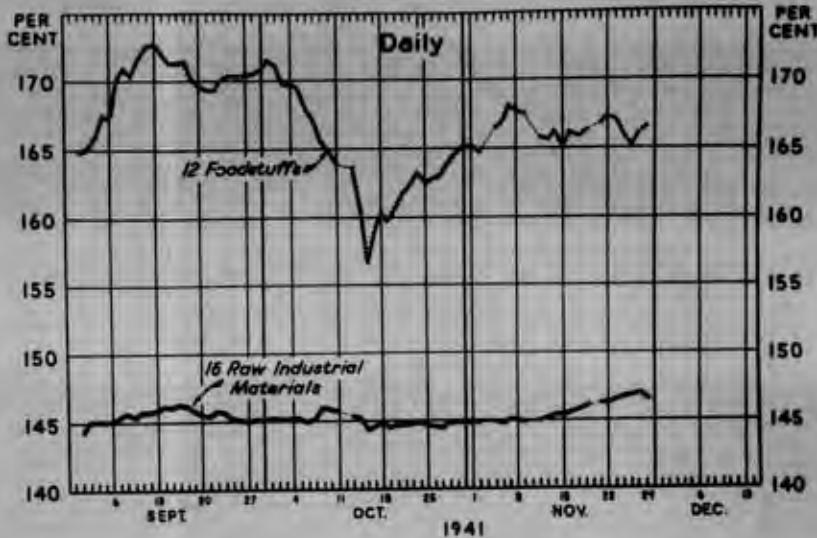
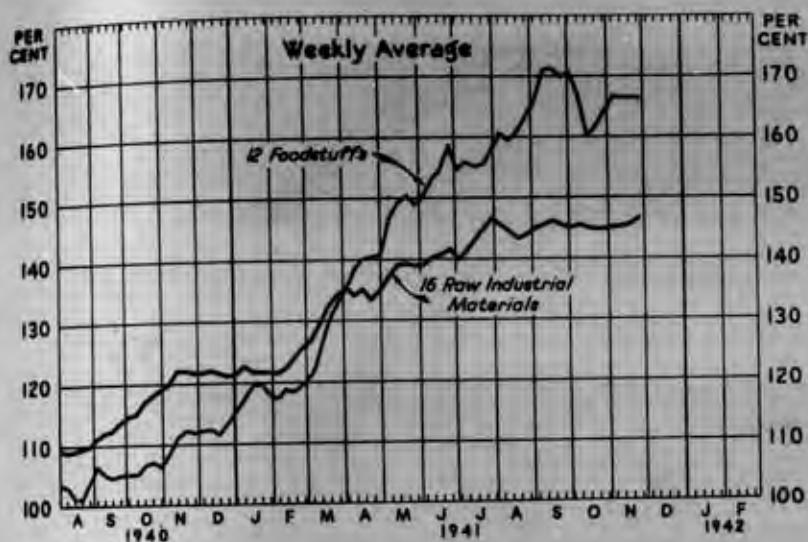
AUGUST 1936 - 100

Weekly

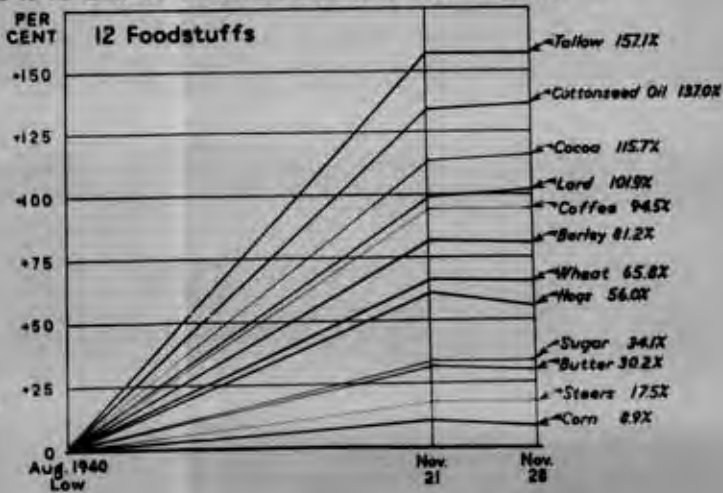
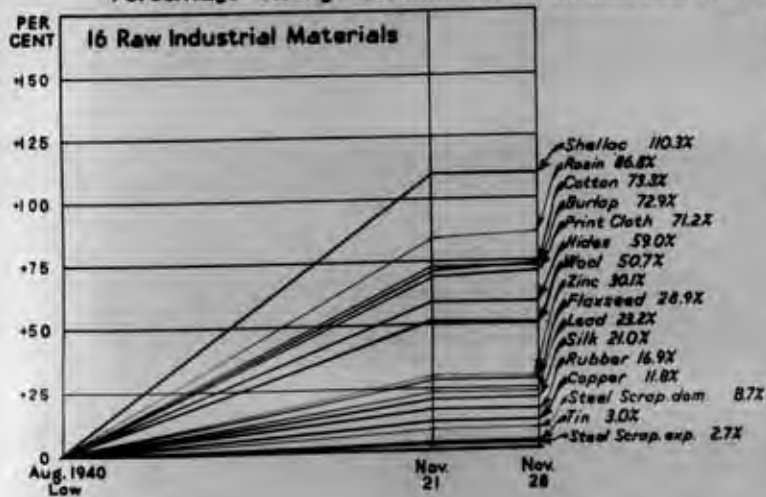


MOVEMENT OF BASIC COMMODITY PRICES

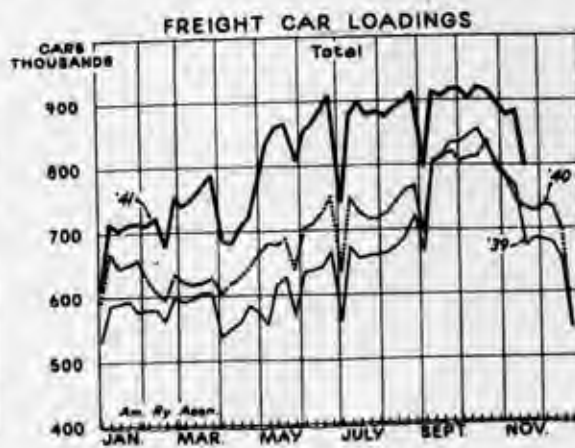
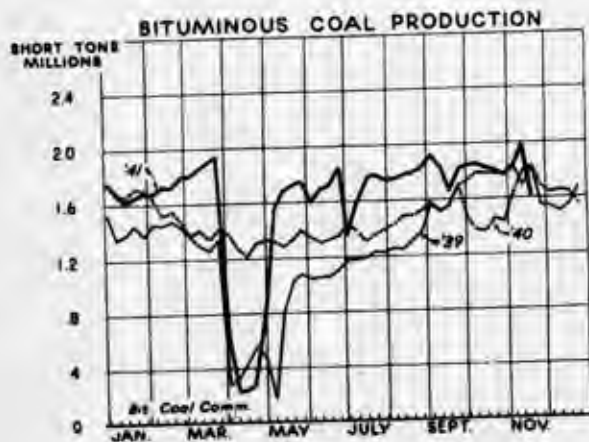
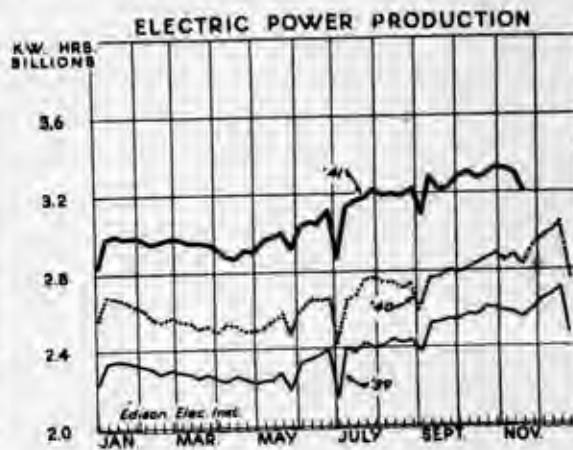
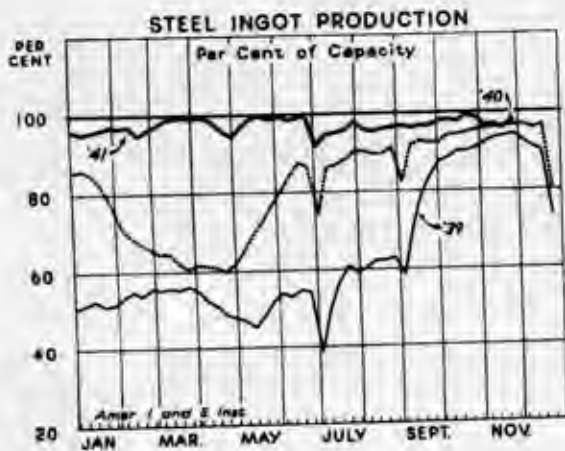
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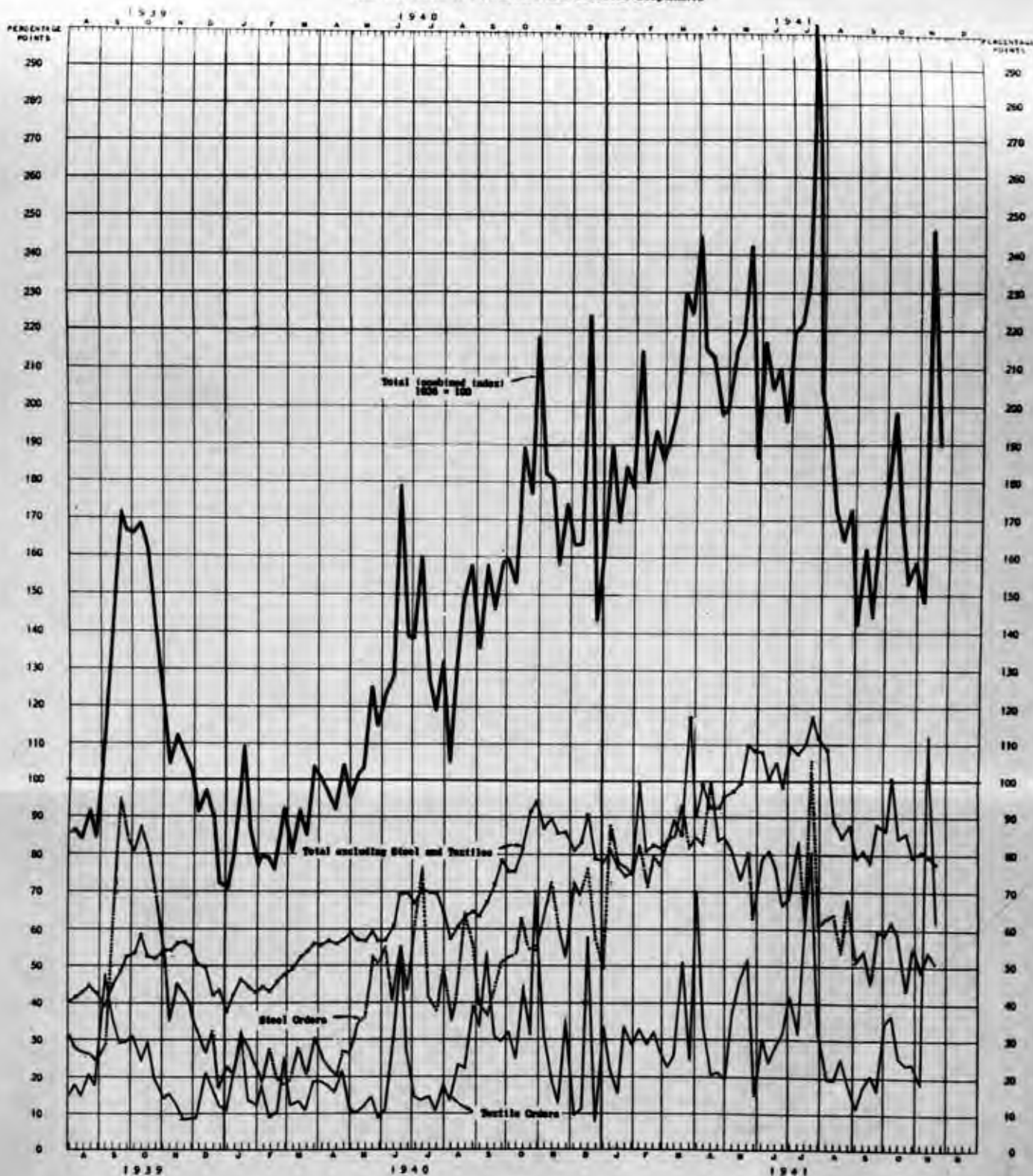
Percentage Change for Individual Commodities, August 1940 Low to November 21, and to November 28, 1941



SELECTED BUSINESS INDICES



INDEXES OF NEW ORDERS
 Combined Index of New Orders and Selected Components



TREASURY DEPARTMENT

144

INTER OFFICE COMMUNICATION

DATE December 1, 1941

TO Secretary Morgenthau

FROM Mr. Hagg

Employment under the Work Projects Administration increased from 1,056,000 to 1,058,000 persons during the week ended November 19, 1941.

Attachments

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week ending	Number of Workers (In thousands)
1941	
May 7	1,519
May 14	1,497
May 21	1,474
May 28	1,464
June 4	1,442
June 11	1,423
June 18	1,410
June 25	1,368
July 2	1,172
July 9	1,030
July 16	1,016
July 23	1,025
July 30	1,036
August 6	1,041
August 13	1,042
August 20	1,043
August 27	1,045
September 3	1,043
September 10	1,037
September 17	1,035
September 24	1,033
October 1	1,032
October 8	1,037
October 15	1,040
October 22	1,044
October 29	1,047
November 5	1,050
November 12	1,056
November 19	1,058

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

	Number of Workers (In thousands)
1939	
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464
June	1,368
July	1,036
August	1,045
September	1,033
October	1,047

Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.

DEC 1 1941

Dear General Burns:

Thank you for your letter of November 17, 1941, informing me of the arrangements contemplated for supplying 300 light bombers to Russia from British contracts in the United States.

We are not certain what effect this arrangement will have upon the gold and dollar position of the British Government.

We presume that the sale of the planes to Russia will be made under the terms of the Anglo-Russian Payments Agreement. We believe that according to that agreement the British Government can call upon the Russian Government to pay in gold or dollars for war materials which the British Government has paid for with gold or dollars. If that is the arrangement contemplated and if the planes are worth about \$150 thousand each, the British Government might obtain some \$45 million which will not be offset by any loss of dollars when substitute planes are later provided to the British Government through a Lend-Lease requisition. I use the word "might" in this connection advisedly because the Russian Government may not be asked to pay for the planes in gold, and because payment in gold might be complicated by the terms of an understanding between this Government and the British Government calling for gold payments from Russia to the British Treasury only when accompanied or followed with pari-passu gold payments to the United States. Since gold now coming to the United States represents gold which we purchased sometime ago for future delivery it would not be part of the above understanding.

The Anglo-Russian Payments Agreement also provides, however, that war materials lease-lent to the British Government will be provided to the Russian Government without cost. Since the British Government is to obtain substitute planes through a Lend-Lease requisition, it may be the intention of the British Government to supply the planes in question to Russia without payment. If the latter represents the intention of the British Government, then it would seem that the gold and dollar position of the British Treasury would not be affected by the plane portion of the transaction.

- 2 -

Inasmuch as the Treasury attempts to keep account of the factors affecting the dollar position of the British Treasury, we should be glad if you would send us any information you might have that would indicate which of the two procedures the British Treasury and the British Government intend to employ in the above transaction.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

General J. H. Burns,
Acting Lend-Lease Administrator,
Office of Lend-Lease Administration,
515 22nd Street, N.W.,
Washington, D. C.

HDW:dlm
11/26/41

By Messinger *Veatch*
12/2/41
cc - White's office

White Paper ans. Mr. L.

OFFICE OF LEND-LEASE ADMINISTRATION

150

FIVE-FIFTEEN 22d STREET NW.

WASHINGTON, D. C.

November 17, 1941

*photostat to
L. White
11/18/41*

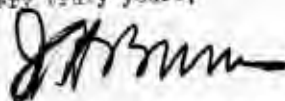
Dear Mr. Secretary:

At the Moscow conference it was agreed that the United States would furnish the Soviet Union with 100 bombers and 100 fighter airplanes monthly. Since it was not possible to furnish all of the bombers from U. S. contracts, an agreement was made with the British to divert 300 light bombers (A-20) from British orders now in force in the United States. These airplanes, complete with the necessary spare parts, were to be shipped from this country at the rate of 100 in October, 100 in November, 50 in December and 50 in January. The weapons, ammunition and bombs were to be furnished by Great Britain and sent to Russian ports from England as the airplanes were furnished. In addition to the 300 A-20's from British contracts there were to be furnished 115 A-20's from Defense aid contracts and 13 from U. S. Army orders during the months of December 1941 to June 1942 inclusive.

The Chief of the Army Air Forces agreed to repay to the British the entire 300 A-20 airplanes from U. S. production at the rate of 100 a month beginning July 1942, or sooner if possible.

It is understood that all questions of financing the transfer of these airplanes, complete with all equipment and ammunition, will be arranged directly between the British and the Russians. Financing replacement of the airplanes, however, will have to be arranged and it is proposed that this take the form of new defense aid to Great Britain, and will be covered by a lend-lease requisition to be submitted by the British.

Very truly yours,



Acting Lend-Lease Administrator

The Honorable

The Secretary of the Treasury

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

151

DATE December 1, 1941

TO Secretary Morgenthau

FROM Mr. Kamarok

Subject- Plane Shipments to British Forces

1. In the week ending November 25, a total of 65 planes of all types (37 combat planes) were shipped to British forces.
2. The first reported movement of heavy bombers to the Middle East occurred this week when two Consolidated "Liberator" bombers (B-24's) were flown to Egypt.
3. In view of the present tension in the Far East, it is of interest to note that in the last six months only about 20 American airplanes have been shipped to the British Pacific forces.

Table A -- Shipments by Area
(From February 1, 1941)

	<u>Week ending</u> <u>November 25</u>	<u>Total Reported</u> <u>to Date</u>
<u>To the United Kingdom</u>		
Light and medium bombers	0	1,021
Heavy bombers	3	90
Naval patrol bombers	0	82
Pursuit	8	201
Army cooperation	<u>3</u>	<u>15</u>
Total to the United Kingdom	14	1,409
<u>To the Middle East</u>		
Light and medium bombers	6	265
Heavy bombers	2	2
Pursuit	14	717
Trainers	<u>0</u>	<u>80</u>
Total to the Middle East	22	1,064
<u>To the British Pacific Forces</u>		
Light and medium bombers	0	36
Naval patrol bombers	0	12
Pursuit	0	119
Trainers	<u>0</u>	<u>55</u>
Total to Pacific Forces	0	222
<u>To the Canadian Forces</u>		
Light and medium bombers	0	38
Naval patrol bombers	0	12
Pursuit	1	29
Trainers	<u>28</u>	<u>1,040</u>
Total to Canadian Forces	29	1,119
<u>Totals</u>		
Light and medium bombers	6	1,360
Heavy bombers	5	92
Naval patrol bombers	0	106
Pursuit	23	1,066
Army cooperation	3	15
Trainers	<u>28</u>	<u>1,175</u>
Total	65	3,814

Table B -- Shipments by Types
(From February 1, 1941)

	Week ending Nov. 25	Total Reported To Date
Bell Airacobra	0	154
Boeing B-17	0	21
Boston III	0	24
Brewster Buffalo	0	119
Cessna T-50	14	496
Consolidated Catalina	0	106
Liberator I	0	22
Liberator II	5	49
Curtiss Kittyhawk	15	338
Tomahawk	0	416
Douglas Boston II	0	29
Boston III	0	415
Fairchild-24	0	6
Glenn Martin Baltimore	6	38
Maryland I	0	114
Maryland II	0	1
Grumman Martlet II	0	9
Lockheed Hudson II	0	1
Hudson III	0	297
Hudson IV	0	9
Hudson V	0	380
North American Harvard II	14	679
Mustang	8	30
Pitcairn Autogiro	3	5
United Chesapeake	0	52
Vultee Stinson-049	0	4
Grand Total-All Types	65	3,814

Table C - Plane Shipments to the British by Weeks*
(From February 1, 1941)

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy bombers</u>	<u>Naval Patrol Bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
35 Weeks (February 1-October 7) TOTAL	1,241	47	95	741	6	916	3,046
35 Weeks (February 1-October 7)							
WEEKLY AVERAGE	35	1	3	21	0.2	26	87
<hr/>							
October 14, 1941	45	9	1	68	0	44	167
October 21, 1941	21	9	1	50	0	57	138
October 28, 1941	10	12	3	38	4	19	86
November 4, 1941	19	2	3	45	0	31	100
November 11, 1941	13	1	2	34	2	42	94
November 18, 1941	5	7	1	67	0	38	118
November 25, 1941	<u>6</u>	<u>5</u>	<u>0</u>	<u>23</u>	<u>3</u>	<u>28</u>	<u>65</u>
February 1-November 18, 1941 - Total	1,360	92	106	1,066	15	1,175	3,814

*Since we do not have a breakdown by weeks of the deliveries to Canadian forces prior to October, no statement of deliveries by weeks is given for this period.

DELIVERIES OF AIRPLANES

July, August, September, and October, 1941

	July	August	September	October	Total
Bombers:					
4 engine.....	2	19	32	42	95
2 engine.....	288	298	349	333	1,268
1 engine.....	<u>55</u>	<u>39</u>	<u>27</u>	<u>29</u>	<u>150</u>
Total bombers.....	345	356	408	404	1,513
Pursuits.....	202	438	474	569	1,683
Other military tactical airplanes.	79	163	162	175	579
Trainers.....	<u>829</u>	<u>885</u>	<u>860</u>	<u>1,124</u>	<u>3,698</u>
Total military airplanes.....	1,455	1,842	1,904	2,272	7,473
Commercial transports.....	<u>5</u>	<u>12</u>	<u>10</u>	<u>1</u>	<u>28</u>
Total airplanes delivered.....	<u>1,460</u>	<u>1,854</u>	<u>1,914</u>	<u>2,273</u>	<u>7,501</u>

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

December 1, 1941

Note: Commercial transports included in this table are airplanes carrying 12 or more passengers only.

Source: Office of Production Management, Aircraft Branch.

FOUR ENGINE BOMBERS INCLUDED IN AIRPLANE DELIVERIES

July, August, September, and October, 1941

Company, class of purchaser and model	July	August	September	October	Total
Consolidated Aircraft Corporation:					
U.S. Army B-24 Heavy Bomber.....	1	-	-	-	1
U.S. Navy PB2Y Flying Boat.....	1	-	-	-	1
British B-24 Heavy Bomber.....	-	<u>19</u>	<u>27</u>	<u>30</u>	<u>76</u>
Total.....	<u>2</u>	<u>19</u>	<u>27</u>	<u>30</u>	<u>78</u>
Boeing Aircraft Company:					
U.S. Army B-17E Flying Fortress.....	-	-	<u>5</u>	<u>12</u>	<u>17</u>
Total deliveries of four-engine bombers...	<u>2</u>	<u>19</u>	<u>32</u>	<u>42</u>	<u>95</u>

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

December 1, 1941

Source: Office of Production Management, Aircraft Branch.

FLYING BOATS INCLUDED IN AIRPLANE DELIVERIES

July, August, September, and October, 1941

Class of boat and class of purchaser	July	August	September	October	Total
2 engine flying boats:					
U. S. Navy.....	35	33	5	1	74
British.....	5	8	23	22	58
Other foreign.....	-	5	14	17	36
Total.....	<u>40</u>	<u>46</u>	<u>42</u>	<u>40</u>	<u>168</u>
4 engine flying boats:					
U. S. Navy.....	1	-	-	-	1
British.....	-	-	-	-	-
Other foreign.....	-	-	-	-	-
Total.....	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total flying boats delivered.....	<u>41</u>	<u>46</u>	<u>42</u>	<u>40</u>	<u>169</u>

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

December 1, 1941

Source: Office of Production Management, Aircraft Branch.

DELIVERIES OF TANKS

July, August, September, and October, 1941

	July	August	September	October	Total
Medium tanks.....	38	93	169	250	550
Light tanks.....	<u>253</u>	<u>281</u>	<u>309</u>	<u>400</u>	<u>1,243</u>
Total tanks delivered.....	<u>291</u>	<u>374</u>	<u>478</u>	<u>650</u>	<u>1,793</u>

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

December 1, 1941

Note: Tanks included in this table are new tanks only. Old tanks which have been rebuilt and modernized are excluded.

TREASURY DEPARTMENT

159

INTER-OFFICE COMMUNICATION

DATE December 1, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STABILIZATION AGREEMENTS

China: During November, no change took place under the July 14, 1937 agreement with the Central Bank of China, in which we agreed to purchase yuan up to a total value of \$50,000,000. The agreement has been renewed each six months and now expires December 31, 1941. At present, we hold about 65,000,000 yuan, with a book dollar value of \$19,112,500, which is collateralized by 619,379,016 in gold held at the New York Federal Reserve Bank.

On April 1, 1941, we made an agreement with the National Government of the Republic of China and the Central Bank of China wherein we agreed to purchase yuan up to the equivalent of \$50,000,000, no collateral being required. So far, we have made no yuan purchases under this agreement, which expires June 30, 1942. The Chinese-American-British Stabilization Board began to operate in mid-August, and the Chinese Government banks have furnished their contribution of \$20,000,000 to the Joint Stabilization Fund. At the end of November, there was a balance of \$6,978,000 in the Chinese Stabilization Fund account at the New York Federal Reserve Bank.

Brazil: On July 15, 1937, we made an agreement with the United States of Brazil, which expires on July 15, 1942. We agreed to purchase milreis up to a total value of \$60,000,000, to be collateralized by gold. At present, we hold 160,000,000 milreis, with a book dollar value of \$8,000,000 and collateralized by 48,089,092 in gold; these milreis were purchased on November 5. The agreement also provides for the sale to Brazil of up to \$60,000,000 in gold by the United States, such gold to be earmarked for Brazil's account at the New York Federal Reserve Bank; by a modification of September 2, 1938, Brazil was permitted to ship gold here and place it in the earmarked account. By the end of November we had sold Brazil \$29,465,771 in gold, and Brazil had shipped \$11,532,765 in gold to New York; except for the amount set aside as collateral, all of this gold is under earmark for Brazil at the Federal.

Mexico: On November 19, 1941, the Treasury entered into an agreement as of November 1, 1941 with the Government of the Republic of Mexico and the Banco de Mexico, under which we agree to purchase Mexican pesos up to a total value of \$40,000,000, no collateral being required. This agreement, which expires on June 30, 1943, stipulates that Mexico shall have 180 days' notice and then an additional 180 days in which to repurchase. So far, no pesos have been bought by us. On November 19, the Treasury also entered into a silver purchase arrangement with Mexico for the purchase of up to 6,000,000 ounces of silver monthly.

Argentina: During November, no change took place under the January 1, 1941 agreement with the Banco Central de la Republica Argentina and the Government of

- 2 -

Argentina, under which we agree to purchase Argentine pesos up to a total value of \$50,000,000, for which no collateral is required. Since this agreement has not yet been ratified by the Argentine Legislature, it is inoperative at present.

Colombia: A Stabilization agreement is being discussed with Colombia, under which we would buy Colombian pesos up to the equivalent of \$3,000,000, no collateral being required.

Ecuador: A Stabilization agreement with Ecuador is being discussed. In earlier conversations, \$5,000,000 was considered as the limit to such an agreement but from an October 24 meeting with the Ecuadorian Ambassador, it was gathered that the maximum amount may be reduced to \$3,000,000, and \$1,000,000 of this would be provided by Ecuador.


Bolivia: In an October 24 discussion with Treasury officials regarding a Stabilization agreement, the Bolivian Minister stated that he thought his country would need between \$5,000,000 and \$8,000,000 to stabilize its currency.

Iceland: Discussion for a \$2,000,000 Stabilization agreement with Iceland began about the end of September. Iceland's approval of the agreement as drafted has not yet been received.

Cuba: In the initial report of the American Technical Mission to Cuba, one of the alternative recommendations was that Cuba might issue pesos against gold obtained on credit from the U. S. Stabilization Fund.

GOLD PURCHASE AGREEMENT

Russia: On October 10, 1941, we agreed to purchase from the Russian Government approximately \$31,805,000 in gold for delivery within 180 days, and gave Russia an advance of \$30,000,000. By the end of November, there remained \$85,520,425 in gold still to be delivered by Russia, and the advance had been reduced to \$23,229,000.



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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 893.6225/12

December 1, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits a copy of despatch no. 1040, dated October 30, 1941, from the American Consulate General, Hong Kong, China, and a copy of the telegram sent in reply thereto after consultation with an official of the Treasury Department.

Enclosures:

1. From Consulate General, Hong Kong, no. 1040, October 30, 1941.
2. To Consulate General, Hong Kong, December 1, 1941.

Copy:bj:12-3-41

Hong Kong, October 30, 1941

SUBJECT: Request for Department's Opinion on
Proposal to Ship Raw Silk out of
South China to the United States
through Hong Kong with Assistance of
Japanese Middlemen

THE HONORABLE

THE SECRETARY

WASHINGTON, D. C.

SIR:

I have the honor to report that preliminary inquiries are being made by brokers in Hong Kong for the resumption of exports of Canton raw silk through this port to the United States.

Upon their occupation of Canton in 1938, the Japanese assumed control of silk exports from that region. This control has continued to be so effective that only small amounts have reached Hong Kong by smuggling, and the prices delivered at Hong Kong have been correspondingly high. It is understood that most of the raw silk produced in the Canton area has been sent directly to Japan for processing and resale to world markets. Now that sales of silk from Japan to the United States have virtually ceased, there appear to be prospects of resuming exports of Canton silk via Hong Kong.

Information from sources believed to be reliable indicates that Canton silk is reaching Hong Kong over two routes; (1) via the East River and Macao, and (2) via Indo-China or Kwangchow Wan by French steamers to Macao and thence to Hong Kong. Japanese middlemen are said to facilitate the shipments over both of these routes with the knowledge and consent of the Japanese authorities. Thus far only small quantities have been handled. The manager of the (French) Banque de l'Indo-chine has informed Consul Bruins of this office that he has been asked by brokers to assist in financing the part of the traffic which goes via French ports, and has found it possible to arrange payment for at least part of the carriage charges in piastres; payment being made to the Japanese in yen for their commissions.

This office immediately asked Mr. D. Kelvin-Stark, Hong Kong Controller of Exchange, for his opinion on the subject. He replied that so far as he knew, the intention is to sell raw silk from Hong Kong to the United States or Great Britain or both. Payment for sales to the United States will result in U.S. dollar credits for Hong Kong. Under the existing currency regulations, these credits will be retained in Hong Kong at the official rate, and the equivalent paid out to the Japanese agents in local currency.

who will in turn pay the producers as they choose, probably either in military yen or Chinese banknotes. He made it clear that none of the U.S. dollar exchange will accrue directly to Japanese interests. He added that Great Britain is interested in buying some of this silk as it is well adapted to parachute manufacture. In view of the complicated nature of the exchange situation in Hong Kong, he is inquiring by telegraph from London whether shipments can be made and financed from Hong Kong to Great Britain under the present freezing and "sterling bloc" regulations.

The proposed shipments from Hong Kong to the United States would obviously be affected by the recent freezing orders and by the marking provisions of the Customs Regulations. It would be greatly appreciated if the Department would give an opinion on the following points: (1) whether raw silk originating in Chinese filatures in the Canton area is to be regarded as of Chinese origin under the Customs Regulations in spite of the fact that the locality may be at present under Japanese control; (2) whether payment for such silk may properly be made from the United States through generally licensed or "cooperating" banks in Hong Kong under the present freezing regulations, in view of the Japanese commissions involved.

Very respectfully,

Addison E. Southern
American Consul General

86E.1601

JEB:bp

In quintuplicate to the
Department by air mail;
Copy to "Division of Commercial Affairs";
Copy to the Embassy, Chungking;
Copy to the Embassy, Peiping.
Copy to the Consulate General,
Shanghai;
Copy to the Consulate General,
Canton.

Copy:bj:12-3-41

PARAPHRASE OF TELEGRAM SENT

TO: American Consulate General, Hong Kong, China.

DATE: December 1, 1941.

NO. : 439

This is in reference to despatch no. 1040 which you sent to the Department under date of the 30th of October.

According to the advice of the Treasury Department, the two questions asked in the last paragraph of the reference despatch may be answered affirmatively in view of the program and the general licenses pertaining to China which were announced on the 12th of November.

HULL
(FL)

Copy:bj:12-3-41

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165

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
840.51 Frozen Credits/4362

December 1, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith for his information a copy of telegram no. 1795 of November 13, 1941 from Tokyo, concerning licenses issued by the Japanese Minister of Finance, unblocking funds for United States official establishments and personnel in Japan.

Enclosure:

From Tokyo,
no. 1795, November 13,
1941.

Copy:bj:12-4-41

Tokyo via Shanghai & N.R.

Dated November 13, 1941

Rec'd 1:36 p.m., 22nd

Secretary of State,

Washington.

1795, November 13, 2 p.m.

On November eleven nineteen forty one the Japanese Government published in the Official Gazette general licenses nos. sixty-one and sixty-two of the Ministry of Finance which in effect unfreeze American Government establishments and personnel in Japan.

Translations follow:

Notification number five hundred, Ministry of Finance.

General license number sixty-one.

In accordance with the provisions of Article twenty-nine of the regulations for control of transactions concerning foreigners, obtainment of permission of the Finance Minister shall be waived, irrespective of the provisions of articles nine, twelve to fourteen, and seventeen, with regard to acts mentioned in the items listed below.

November eleven nineteen forty-one.

Okinobu Kaya, Minister of Finance.

One. When official establishment of the United States, listed below, deposit in the official accounts of those establishments in their transaction banks or dispose of Japanese currency in order to make such deposits, or when those establishments make withdrawals

such official accounts or receive Japanese currency as a result of such withdrawals: provided however that the withdrawals from deposits in one month, including the amount mentioned in general license number thirty-three, does not exceed amounts listed below:

American Embassy and American Consulate General yen thirty-nine thousand and thirty (yen seventy-eight thousand sixty for November only); office of Military Attache to the American Embassy yen two thousand nine hundred eighty-seven (yen eleven thousand nine hundred forty-eight for November only); office of Naval Attache to the American Embassy yen seven hundred seventy-three (yen seven thousand five hundred forty-six for November only); Tokyo branch National City Bank of New York to be transacting bank for above three accounts); American Consulate at Yokohama yen four thousand seven hundred fifty (yen ten thousand nine hundred eleven for November only); United States Department of Agriculture representative yen one thousand three hundred (yen four thousand seven hundred for November only); Yokohama Branch Sumitomo Bank to be transacting bank for preceding two accounts); American Consulate at Osaka yen six thousand (yen thirty thousand for November only) through Nakoshima branch Sumitomo Bank; American Consulate at Kobe yen six thousand four hundred (yen twenty-five thousand six hundred for November only); United States Treasury Department representative yen one thousand seven hundred seven (yen six thousand eight hundred twenty-eight for November only); (Kobe branch Yokohama Specie Bank to be transaction bank in preceding two accounts).

-3-

Two. When United States official establishments enumerated in the preceding item dispose of Japanese currency in order to pay communications charges, salaries of employees, rent, entertainment expenses, and other current expenses; provided however Japanese currency for the foregoing purposes shall either be acquired through withdrawal from the official accounts of those establishments in their transacting banks or NBE checks drawn against official accounts.

GREW

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Copy:bj:12-4-41

ALH

PLAIN

Tokyo via Shanghai & N.R.

Dated November 18, 1941

Rec'd 11:47 a.m., 22nd

Secretary of State,

Washington.

1795, Eighteenth. (SECTION TWO)

Three. When United States official establishments enumerated item number one acquire, dispose of or lease movables; acquire or dispose of domestic exchanges; lease immovables; or acquire Japanese currency by receiving payment for foreign exchange from the Tokyo branch of the National City Bank of New York, or by receiving payment for domestic exchange acquired by the same bank; provided, however, that the foregoing shall apply only when those acts are necessary for the performance of their normal official business.

Four. When the Tokyo branch of the National City Bank of New York, as the other party to the acts mentioned in item number two, received deposits in official accounts or acquires Japanese currency as the result of the receipt of such deposits, or when the bank makes payments from such official accounts or disposes of Japanese currency as a result of such payments.

Five. When persons who are not designated foreigners, as the other party to the acts mentioned in items number two and number three, receive Japanese currency, dispose of, acquire or lease out movables, dispose of or acquire domestic exchange or lease out immovables.

Indention notification number five hundred one, Ministry of Finance.

Indention general license number 62.

In accordance with the provisions of article 29 of the regulations for control of transactions concerning foreigners, obtainment of permission of Finance Minister shall be waived irrespective of the provisions of article nine, twelve to fourteen, and seventeen, with regard to the acts mentioned in the items listed below. November 7, 1941.

Okinoba Kaya, Minister of Finance.

One. When persons listed below make deposits in accounts in their names in their transacting banks or dispose of Japanese currency in order to make such deposits, or when such persons make withdrawals from such accounts or acquire Japanese currency as a result of such withdrawals; provided, however, that their withdrawals from deposits in one month, including the amount mentioned in general license number 33, does not exceed the amounts listed below: (Names of United States officials in personnel in Japan with an indication of the amount to be released to each, which appeared in the original text of this notification, are herein omitted).

Two. Where persons listed in the preceding paragraph dispose of Japanese currency to defray their living and travel expenses to themselves and their families, provided, however that, including the amount mentioned in article fourteen, paragraph one, or in general license number 33, the amount does not exceed that mentioned in the preceding items.

-3-

Three. When persons listed in items number one acquire, dispose of or lease movables; acquire or dispose of negotiable securities; acquire or dispose of domestic exchange; lease immovables; or acquire Japanese currency from the Tokyo branch of the National City Bank of New York by receiving payment for foreign exchange or by receiving payment for domestic exchange acquired by the same bank; provided, however, that these acts are necessary for the living or travel of themselves or their families.

Four.

GREW

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Copy:bj:12-5-41

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PLAIN

Tokyo via Shanghai & N.R.

Dated November 18, 1941

Rec'd 5:07 a.m., 19th

Secretary of State,
Washington.

1795, eighteenth (SECTION THREE)

Four. When the Tokyo branch of the National City Bank of New York or the Tokyo branch of the Hong Kong Shanghai Bank, as the other parties to acts listed in item one, receive money for deposit or acquire Japanese currency as the result of the receipt of such deposits, or when they pay out money on deposit or dispose of Japanese currency to make such payments.

Five. When persons who are not designated foreigners, as the other parties to be listed in items two and three, acquire Japanese currency, dispose of, acquire or lease out movables, dispose of or acquire negotiable securities, dispose of or acquire domestic exchange or lease out immovables.

Sent Department via airmail to Shanghai.

(END MESSAGE)

GREW

MG

Copy:bj:12-5-41

For Miss Gammage

TREASURY DEPARTMENT

173

INTER-OFFICE COMMUNICATION

DATE December 1, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£247,000
Purchased from commercial concerns	£ 22,000

Open market sterling closed at 4.03-1/2. The only reported transaction consisted of £2,000 sold to a commercial concern.

The Uruguayan free peso rose another 65 points to close at .5275.

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	11-3/8% discount
Argentine peso (free)	.2390
Brazilian milreis (free)	.0515
Colombian peso	.5775
Mexican peso	.2070
Venezuelan bolivar	.2590
Cuban peso	1/8% discount

We sold \$19,950,000 to the Swiss National Bank, which was added to its earmarked account. All of the gold used in this transaction was purchased by us from the General Fund.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped \$117,000 in gold from Mexico to the Federal, to be earmarked for its account.

In London, a price of 23-1/2d was again fixed for both spot and forward silver, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.



TREASURY DEPARTMENT

174

INTER OFFICE COMMUNICATION

DATE December 1, 1941

TO Secretary Morgenthau

FROM Mr. Kamarek

Subject: High-lights of Sabotage Summary No. 4

1. Passive resistance, sabotage and general unrest are wide-spread in the occupied countries and there are even reports of sabotage in Italy.

2. In Yugoslavia, resistance has gone through the stages of sabotage, guerrilla outbreaks and now has become active warfare. Small-scale battles are occurring in the mountains.

3. The favorite objects of saboteurs' attention are communications and commodity reserves. Slow-down strikes or "ca-canny" and other forms of passive resistance are also used. As a result, "goods dispatched by train from the Protectorate (Czechoslovakia) often take 21 days on a journey which in pre-war times would only take 3 days."

4. Sit-down strikes have occurred in the Fiat works in Turin and the Breda works (producers of machine guns and cannon) in Milan in Italy.

1st October, 1941.

SABOTAGE SUMMARY NO. 2.

COPY NO. 7..

The general statements in this summary are based on an assessment of the sum total of reports received up to September 30th, including, in some cases, reports which cannot, for reasons of security, be referred to in detail. The reports quoted have been received from widely differing sources whose reliability cannot always be accurately assessed, though every effort has been made to eliminate those open to doubt.

The object of the summary is not to attribute responsibility for action or results, but rather to indicate areas in which subversive activity against the enemy has taken place and so to provide a picture of operations in a large number of countries.

1. GENERAL.

The most interesting development during the period under review is the widening of the scope of guerilla operations in Yugoslavia, where active warfare is now being carried on. In Czechoslovakia Reinhard Heydrich has taken over and a reign of terror is beginning. In France, Belgium and the Balkans widespread sabotage continues and there have also been reports of unrest and sabotage in Italy.

2. YUGOSLAVIA.

In a recent broadcast to the Serbian nation, General Neditch, the German-nominated Prime Minister, announced that the country was on the verge of civil war and that the continuation of guerilla operations would necessitate the despatch of a German "punitive expedition" which would "turn Serbia into ashes and ruin, to the likeness of Montenegro to-day". This was the first intimation that the situation in Serbia proper was becoming untenable for the Germans, most of the reports received previously having been of sabotage and small-scale attacks on German troops. On the 24th September (a few days after this broadcast) news was received of heavy fighting in the region of Kralje, not far from the Albanian border. According to the Hungarian newspaper "Magyar Nemzet", 12,000 Serb guerillas attacked the town, causing the German garrison to appeal to General Neditch for help. On the 26th two German battalions were sent to the aid of the forces of General Neditch, which were engaged in a big battle in the mountains 12 miles West of Kralje, and were apparently finding it difficult to deal with the rebels here and in several other places where the latter were attacking. Further outbreaks by guerilla bands in Serbia proper occurred last week at Uzice and Mitrovitz, and the Germans are reported to have been forced to use dive bombers in their efforts to repulse attacks against their garrisons.

In Bosnia, guerilla activities continue on an even larger scale than in Serbia, and Sarejevo and Doboj have been the scenes of severe fighting. The situation in Montenegro and Herzegovina is not clear, but the Italians are reliably reported to have landed strong forces at Dubrovnik and Boka Kotorska and advanced inland with air support. They are now stated to be in possession of Trebinje, Bilac and Niksic, in addition to the coastal towns: all these points are held by very strong garrisons.

Regraded Unclassified

In addition to these large scale guerilla operations, there have been carried out all over Yugoslavia against railways and telecommunications, and there have been cases of sabotage to power stations, notably at Pula, where the last new electric power plant which supplies the whole of Slovenia, including the important explosives factory at Maribor is reported to have been blown up. Railway sabotage has caused considerable dislocation on the Zagreb-Sussek, Sarajevo-Visegrad and Belgrade-Nish railways, and traffic has also been interrupted on the less important Lestva-Bileca and Jajce-Dolnji Vakuf lines.

Reference has frequently been made in the British press and on the Moscow radio to the activities of Serb guerillas in blowing up German oil depots and ammunition dumps. These reports are somewhat indefinite but specific details are given in one case, where a large oil depot near Belgrade is stated to have been destroyed.

Reliable reports of specific acts of sabotage received during the period under review include :-

1. Dolnice: Partially constructed electric power station completely destroyed by saboteurs.
2. Pula: Large new electric power station blown up.
3. Sarajevo - Visegrad railway: Sleepers removed and two trains derailed between the stations of Pula and Stambolic.
4. Dolnji-Vakuf: Railway cut by saboteurs near the station of Dolnji-Vakuf on the line to Jajce.

3. CZECHOSLOVAKIA.

The reports, quoted in Sabotage Summary No. 3, of the grave unrest and widespread sabotage in the Protectorate, were confirmed last week by the resignation of Baron von Neurath and the appointment of Reinhard Heydrich as Deputy Protector following, to use the latter's own words, "a number of actions hostile to the Reich". There are no specific details of these actions and the circumstances leading up to the dismissal of von Neurath are not yet clear; but the measures already taken since Heydrich assumed his duties prove that the situation was extremely serious. Since Heydrich's appointment a state of emergency has been proclaimed in six districts, the Prime Minister of the Protectorate Government arrested on a charge of high treason and a large number of prisoners (including 2 retired generals) shot. It appears that the men executed had been in custody for a long period and that von Neurath had been unwilling to order their execution owing to lack of definite evidence against them. The fact that these men were chosen by Heydrich for execution is significant as indicating that the von Neurath regime had been unable to identify the persons responsible for the recent deterioration in the situation. One of the outstanding features of passive resistance is the difficulty of identifying the persons responsible and the failure of von Neurath to check the growth of this movement may be one reason for his supersession. As an illustration of the disorganisation which can and is being caused by passive resistance, we have been told by a reliable informant that goods dispatched by train from the Protectorate often take 21 days on a journey which in pre-war times would only take 3 days.

In Slovakia there are signs that opposition to the Germans is growing and there have been many referenda to the resistance strikes and the withholding of food supplies from the Germans. Reliable reports of specific acts of sabotage against communications or in factories are lacking, although the British press and the Moscow radio have given some details of such action.

4. FRANCE.

Reports from every source continue to lay stress on the rising morale of the French population and the growth of active resistance. The series of attacks on German soldiers in the Paris area continues and further reprisals have been taken. Widespread arrests and heavy penalties for subversive activities have been reported from every part of France, both occupied and unoccupied, and sabotage is being carried on on a large scale.

The most open and spectacular manifestation of opposition to the Germans is the campaign of assassination of German occupation troops. 48 people have been shot by the Germans since this campaign began on the 21st August. Of these twelve were shot during the period under review on the 20th of September, the victims being selected from a number of hostages, now said to amount to about 4,000 in Paris alone, seized by the Germans for subversive activities not specifically connected with the shooting of German soldiers. General Von Stulpnagel has announced that repressive measures will in future be even more severe and the victims of reprisals chosen from wider circles.

Although these attacks on German troops are serious and are undoubtedly worrying the German authorities, the recent increase in acts of sabotage is probably more important. As usual, there have been reports of sabotage to communications mainly in the Paris area, in Brittany, Normandy and Artois. In the last named region, according to an announcement by the German Command in Belgium and Northern France, 20 hostages were shot on the 26th September as a reprisal for attacks on "French trains and German troop transports". These were carried out, after the theft of explosive materials from a depot, on the night of the 24/25th and during the next day. In Brittany and Normandy attacks on telecommunications are particularly prevalent, telephone wires being frequently cut and landing coil manholes on underground cables are reported to have been dynamited.

Sabotage to crops is becoming more widespread and on the 25th September Radio Paris announced that violent fires had destroyed barns full of corn and grain all over the country and that it had been proved that these fires were "lit by criminal hands". A number of reports of fires and explosions in factories and garages have also been received recently, and there is evidence to show that the majority of these have been due to sabotage.

The following specific incidents have occurred during the period under review:-

1. Auray-on-Ory: German troop train derailed; 50 German dead.
2. Survilleers: Train derailed and several Germans killed.

3. Angoy: German freight train derailed; 10 waggons loaded with war materials derailed and telescoped. Line blocked for 38 hours.
4. Villeneuve St. Georges: Freight train derailed. (In Sabotage Summary No. 1 we reported that 18 men had been arrested for sabotage in railway workshops in this area. Whether the two incidents are connected we do not know).
5. Carmeville: Collision between a freight train and a railcar at the station; sabotage suspected.
6. Paris:
 - (a) Train collision on the Paris-Orleans line near the station of Choleay le Roi.
 - (b) Large fire in garage near the Champarret Gate; the ten persons involved were pursued but they escaped.
 - (c) Serious explosion in a chemical laboratory. (No evidence here of sabotage).
7. Bordeaux: Explosion at a Bordeaux alcohol factory producing synthetic petrol. Heavy damage caused.
8. Chartres: 5 large barns containing grain destroyed by fire.
9. Reilly (Somme): Serious fire in large barn; large quantities of cereals destroyed.
10. Boissy-les-Parches: Barn containing newly gathered crops burnt down.
11. Montpellier: Serious fire at a farm; several buildings destroyed and heavy damage caused.
12. Roanne: Three large fires in warehouses. Considerable quantities of foodstuffs and cattle fodder destroyed.
13. Nantes: 30 tons of vegetables and large quantities of rice destroyed in warehouse.
14. Vilaine: Extensive property destroyed by fire; heavy damage caused.
15. Dijon: Boiler explosion at a factory which was completely destroyed; damage caused to the value of 2 million francs.

8. SCANDINAVIA.

During the past fortnight further information has come to hand regarding the recent disturbances in the Oslo area. The event giving rise to the drastic developments reported in our last summary appears to have been the premature occurrence of a strike at the important steelworks, Akers Hokeniske Vorksted, and the alleged discovery of plans for a general strike. The pretext for the cessation of work was the failure of the milk ration expected by the workers in the factory.

During the period of the state of emergency the number of persons arrested is estimated at 800 to 1000, and, as already reported, there were two death sentences, which were immediately carried out, several death sentences were commuted to life imprisonment, and further long-term sentences of imprisonment. On the night of September 15th the German authorities announced the termination of the state of emergency, but on the 18th a fresh decree was issued by Terboven, maintaining and applying to the whole country the power of summary process against the promoters of strikes and lock-outs, or persons suspected of sabotage. Such cases are to be tried by the S.S. Court, and the death penalty is retained for serious cases.

Besides numerous reports from Russian sources of sabotage to railways, ammunition dumps and aerodromes, several reliable reports of sabotage in Norway and Denmark have been received during the past fortnight. Only one of these refers to railway sabotage, but it is likely that the Russian statement that a regular campaign is being carried on against railway communications is not wholly devoid of truth.

The following reliable reports have been received during the period under review:-

(a) NORWAY

1. Fredrikstad: On the 14th September, fire broke out in the cellulose mills at Torps Bruk, Fredrikstad, causing several hundred thousand kroner damage. Cause of the fire is said to be a motor running hot.
2. Oslo-Stockholm railway sabotaged between Oslo and the junction of Lillestrom.
3. Oslo: Large storage shed full of expanded cork destroyed by fire and some machinery damaged in an adjacent factory.
4. Sands: Serious demonstrations in local councils where many inhabitants were arrested. The District Chief of Police, Riadal, has been dismissed.

(b) DENMARK

1. Aarhus: The Sabro machinery factory has been destroyed by fire to the extent of 250,000 kroner.
2. Aabyhoej: A machine tool factory producing engineering materials factory destroyed by fire. Cause is unknown.
3. Aalborø: Grain mill store burnt down, involving the destruction of 500 to 600 tons of grain. Fire said to have been caused by machinery friction.

6. THE BALKANS

The increasing subservience of the Bulgarian Government to the Germans has led to an increase in violent methods of resistance and the most drastic repressive measures are being taken by the authorities in order to put a stop to the growth of sabotage and strikes, as well as passive resistance and other forms of subversive activity. For even the comparatively minor offence of publishing or distributing subversive leaflets the death sentence is to be

imposed and long terms of imprisonment and heavy fines are also imposed on all persons listening to anti-Axis broadcasts. The state of deep unrest in the country is reflected in the recent proclamation of a state of emergency and the frequent appeals to the people to co-operate with the Government in their efforts to prevent sabotage.

From Roumania and Hungary also there is news of increasing opposition to the policy of collaboration with Germany. Large numbers of leaflets are circulating in Roumania protesting against the continuation of the war in Russia, and movements of troops and supplies to the western front are being hampered by the sabotage of communications. Although there are no specific reports dealing with sabotage in factories available for the period under review, confirmation has been received of some of the incidents reported in our last summary, notably the destruction of a Bucharest chemical factory, stated to be the most important in Roumania. We have reason to believe that this type of sabotage continues.

The morale of the Greek population continues on a high level. Passive resistance is widespread and there have been several reports of sabotage, mainly from sources whose reliability we are unable to judge, but whose statements probably give a fair picture of the general situation in the country. Sabotage to railways and telecommunications appears to be particularly prevalent, a curfew having been imposed in Athens as a result of the repeated cutting of telephone wires.

Reliable reports of specific acts of sabotage include:-

(a) BULGARIA.

1. Paviikeni: Collision between two goods trains at the station owing to damage to the automatic signals. Several trucks wrecked or badly damaged.
2. Plovdiv: Large fire at a nickel plating factory.
3. Orshovitzs: Large fire at the warehouse of the Malina Sugar Factory.
4. Vratsa: 400 tons of hay and a tractor destroyed by fire.

(b) ROUMANIA

1. Craiovasi: Telephone installations destroyed; 4 men sentenced.
2. Bucharest: Serious fire in an important warehouse. The majority of the stocks destroyed.
3. Ronesti: Farm buildings destroyed by fire; 2 million lei worth of damage caused.

(c) GREECE

1. Piraeus: Municipal dump blown up.

There has been further confirmation during the night of the rising morale of the Belgian population. Widespread subversive activities and cases of sabotage, both active and passive, have been reported. Numerous arrests have been made for the distribution of subversive leaflets, disregard of food regulations and attacks on communications. There has also been two cases of the shooting of German prisoners, and a threat to execute several hostages in reprisal unless the culprits are discovered within ten days as announced by the German Military Command in Brussels.

Sabotage of communications is directed mainly against telephone wires and power cables. Fifteen people have recently been arrested for such action at Mons, and a fine of 3,000,000 francs has been imposed on the population of Liege and Verwiers for unspecified damage to communications. Careless methods in factories have also been reported, notably at an explosives works between Anglet and La Barre, where production of T.N.T. is stated to have been slowed down to an enormous extent.

Reliable reports of specific incidents received during the period under review - apart from those mentioned above - include:-

1. Wasnes: Important timber stocks destroyed by fire.
2. Juprolle: Telephone wires cut.
3. Fauvelle: Telephone wires cut.

8. ITALY

A reliable source reports that the power supply of Genoa was recently cut off by acts of sabotage in the power stations and that other acts of sabotage have occurred in various factories in that city. Confirmation is awaited.

Discontent is undoubtedly on the increase in Italy and one manifestation of this is to be found in the sit-down strikes which occurred (on account of the rising cost of living) in the Fiat works in Turin and the Breda works in Milan. It is not clear how far this feeling of discontent has found expression (apart from the incidents at Genoa) in active sabotage. A number of serious fires have, however, recently occurred in forests and industrial undertakings, and some at any rate of these are attributable to arson. An anti-Fascist source attributes the serious fire in a cellulose factory in Milan to sabotage and reports other specific acts of sabotage in power stations, industrial plants and on railways. Italian official statistics are reported to show that 455 people have been convicted of sabotaging war material and a special military tribunal is said to have been set up in Milan to deal with such offences.

- DISTRIBUTION:
 Members of the Council.
 Regional Heads.
 Heads of Country Sections.
 D.S.R.
 D/C.E.
 Liaison Officers.

BRITISH EMBASSY
WASHINGTON, D.C.

PERSONAL AND
SECRET

December 1st, 1941

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

BRITISH MOST SECRET

(U.S. SECRET)

30 November, 1941

OPEL 10(I) NAVAL

A British submarine attacked an enemy force of cruisers and destroyers yesterday afternoon 70 miles South of TARANTO and claims three hits.

In E-Boat attack reported yesterday a British 3,000 ton merchant vessel and a (7700 ton) tanker were sunk. E-boats again attacked a convoy off CROMER early on 30th and sank another small British merchant ship.

(II) MILITARY

LIBYA. After tank battle near SIDI REZEGH (see OPEL No. 9) the enemy withdrew eastwards. There are no reports of tank (casualties) in this engagement on either side but 10 German officers and 600 other ranks were captured. The Commander of 21st German armoured division, General Ravanstein, was also taken prisoner by New Zealand division.

So far 1,250 German prisoners including 51 officers and 1,600 Italians including 51 officers have reached ALEXANDRIA. A further 1,200 prisoners mostly Italians are at MERSA MATRUH.

RUSSIA. In TULA area a German thrust is in progress North eastward towards MOSCOW-RYAZAN railway. Strong Russian resistance is continuing in ROSTOV area where ROSTOV itself has been retaken.

(III) AIR OPERATIONS

29th. Two He111s bombed two small merchant vessels off Dutch coast; one ship was badly damaged and possibly destroyed.

29th/30th. All offensive operations cancelled.

LIBYA. 27th/28th. 15 Wellingtons bombed DERNA aerodrome; several aircraft on ground were set on fire and others damaged. Four other Wellingtons scored hits on several motor vehicles on road near APOLLONIA.

28th. Five squadrons of Blenheims and Marylands attacked with good results M.T. near MARTUBA and APOLLONIA and on BARDIA - TORUK and EL GAZALA - BARCE roads. At EL GAZALA one large enemy aircraft on ground was destroyed and two damaged.

Fighter squadrons carried out several sweeps over battle area; only one enemy aircraft, a ME. 110, was seen and this was shot down by Hurricanes which also machine-gunned about 20 motor vehicles. During these operations we lost four Blenheims and four Hurricanes. Severe enemy anti-aircraft fire was met.

- 2 -

28th/29th. 34 Wellingtons bombed BENGHAZI harbour. Two ships were hit. 5 naval aircraft from MALTA bombed TRIPOLI aerodrome. One enemy bomber was destroyed and others probably damaged.

(IV) Q.A.A.F.

Nothing of importance.

EGYPT. 28th, dusk. Enemy aircraft bombed railhead at SIDI BARRANI and set fire to a dump.

(V) H.M.S. SECURITY

One bomb was dropped in daylight in Northern IRELAND; no damage or casualties.

30 November, 1941.

OPTEL 11

LIBYA to evening 30th. At 1400/29th German armoured forces attacked NEW ZEALAND division in SIDI REZEGH area from East and South East with object of cutting it off and encircling it. One of our armoured brigades, strength about 60 tanks, moved North at 1400 and were reported about 6 miles South of SIDI REZEGH engaging enemy at 1645. This armoured brigade had previously been attacked by 16 enemy tanks about one mile further South; we lost 3 tanks, enemy casualties unknown.

Our support group was very active and successful against rear of 21st German armoured division which was attacking NEW ZEALAND division from East.

Corridor to TOBRUK reported clear and positions intact on evening 29th.

Enemy ship reported to have landed supplies near MERSA LUQA between TOBRUK and BARDIA.

Enemy tanks refuelled in area North East of SIDI QMAR and our armoured cars are patrolling this area.

On 28th patrol of long range desert forces shot up vehicles and personnel on road 40 miles North of AGEDABIA; other patrols active in the areas BENGHAZI, MECHILI and DERNA.

BRITISH EMBASSY
WASHINGTON, D.C.

PERSONAL AND
SECRET

December 1st, 1941

Dear Mr. Secretary,

=====
=====
I enclose herein for your
personal and secret information copies
of the latest reports received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

BRITISH MOST SECRET

156

(U.S. SECRET)

OPTEL 6

28 November, 1941.

(I) MILITARY

LIBYA. The enemy still holds area Northwest of EL DUDA. The enemy raiding column appears to have collected some German garrisons of HALFAYA and SIDI OMAR and was recalled by German headquarters on morning of 27th. It was intercepted by our armoured forces as reported in my OPTEL No. 5.

ETHIOPIA. Deserters report that after our forces had attacked near GONDAR the Officer commanding Italian Reserve Brigade ordered a counter attack which his troops refused to carry out. In West, patriots have cut road CHELGA-AZOZO and S.A.A.F. aircraft yesterday attacked AZOZO aerodrome and bombed forts and trenches in this area.

(II) AIR OPERATIONS

26/27. 87 tons of H.E. and 11,000 incendiaries were dropped on EMEN. Thick clouds prevented observation. 13 tons of bombs were dropped on OSTEND where bursts were seen in docks.

27th. Beauforts attacked a 1,500 ton merchant vessel off THE HAGUE and left it listing heavily. Hurricane bombers sank a 2,500 ton vessel and an anti-aircraft ship off Normandy and set a second anti-aircraft ship on fire. 2 M.E. 109's were shot down by escorting Spitfires. We lost 3 Hurricane bombers in an attack on shipping in BOULOGNE harbour.

27th/28th. 98 aircraft were sent out: 86 of them including 11 heavy to DUSSELDORF, 1 is missing and 2 crashed: 3 members of the crew killed.

LIBYA. 26th. A total of 11 squadrons of Blenheims and Marylands resumed attacks on enemy tanks, armoured vehicles and M/T. Near SIDI-OMAR and EL-ADEM many fires were started among transport vehicles, while at EL DUDA a column of armoured vehicles was partially destroyed and completely dispersed.

27th. 4 Malta Blenheims scored hits on barracks near TRIPOLI aerodrome.

Hurricanes in a fight with 12 M.E. 109's over EL-ADEM destroyed 2 and damaged 2. 4 Hurricanes are missing.

CENTRAL MEDITERRANEAN. 26th. A 7,000 ton liner escorted by a destroyer was attacked by 2 Eilenheims off HEMS (LIBYA). 2 hits were scored on liner and one on the destroyer; next day the liner was seen to be low in the water 300 yards from the shore.

(III) G.A.I.

27th/28th. 38 aircraft were operating over the THAMES ESTUARY.

(IV) AXIS AIR FORCES IN LIBYA

Heavy rain and floods which made aerodromes unserviceable and communication difficult resulted in a slow start by Axis, they are now maintaining an intensive effort and their casualties have not been excessive.

In general Axis Air Forces have been mainly employed in protecting their bases and supporting their ground troops. Their action against our Fleet has been negligible and bombing of our back areas has not been heavy or particularly effective.

Both German and Italian morale seems good. The Italian Fighter Force has been mainly employed in escort of German Junker 87's and on defensive patrol work. The German Me 109's have made effective interception of our aircraft and bombing by their Junker 88's of our aerodromes has sometimes been good.

The main concentration of Axis aircraft is in the BENGHAZI area which is probably congested.

The effect of strained Axis supply situation should become apparent within the next few days, in spite of liberal employment of Junker 52 transport aircraft to improve matters.

The following reinforcements have reached LIBYA since our offensive started:

(a) German: About 25 Junker 88's, sent to CYRENAICA from GREECE at beginning of offensive, have since returned to ATHENS probably owing to shortage of fuel at BENGHAZI.

Some 25 Me. 110's were brought from CRETE and SICILY to CYRENAICA but majority of these have been lost and not replaced.

15 Junker 87's came from CRETE. No reinforcements of Me. 109's have been received, but some are probably coming.

Two to three hundred Junker 52 transports aircraft from RUSSIA and Eastern GERMANY are now being employed in Libyan campaign.

OPTEL 6

- 3 -

28 November, 1941

188

(b) Italian: Replacements for existing squadrons in CYRENAICA are not being regularly received, but reinforcements by new unit comprising 70 aircraft of all types have arrived.

It is believed that 25 Italian Junker 87's have reached TRIPOLI-TANIA and that some of them may have moved forward to CYRENAICA.

(V) SUPPLIES TO LIBYA

Numerous reports indicate a regular flow of supplies mainly food and lorries and quantities of small arms and ammunition from French North Africa to Libya. Goods railed to TUNIS, the end of standard gauge line, are re-loaded on to metric gauge railway to GABEZ at rate of one train a day. From GABEZ goods are sent in to LIBYA by lorry convoy.

There is no confirmation that a railway has been constructed joining GABEZ with ZUARA in LIBYA. It is however reported that a loop line by passing TUNIS by connecting TEBESSA with KASSARINE was completed on September 7th and that substantial quantities of lorries have been delivered to LIBYA by this route.

OPTEL 7

29 November, 1941

The enemy is withdrawing west from frontier area to assist his troops in TOBRUK area. Our armoured troops are concentrating on preventing his escape. No further reports yet of progress of battle.

On afternoon 27th pockets of enemy were still reported holding out in SIDI-OMAR area.

TOBRUK. Night 27/28. Indications that enemy artillery are thinning out. On morning 28th efforts were being made to round up small pockets of enemy on BARDIA road.

COPY NO. 13

BRITISH MOST SECRET.
(U.S. SECRET)

1st December, 1941.

OPTEL NO. 8.

(Information received up to 0700/29 November, 1941).

(1) NAVAL.

On 22nd, a merchant raider, believed to be German GOLDENFELS (7,800 tons) was sunk by a British Cruiser about 800 miles south west of Freetown.

It is confirmed that a British Cruiser sank German Raider KORLDORANT (believed about 10,000 tons) from which some German survivors were rescued. A British submarine attacked an enemy destroyer at anchor in Navarino south west Greece probably obtaining 2 hits.

Early this morning E-boats attacked a convoy North of Cremer: it is believed ONE and possibly 2 vessels were torpedoed.

(11) MILITARY.

LIBYA. 27th. Pockets of enemy remaining in SIDI OMAR area are making communications difficult.

The enemy column reported moving south of GAMBUT has been engaged by our armoured forces which destroyed 14 enemy tanks and much mechanical transport. Enemy was prevented from moving west and scattered north west and south west. The occupants of several vehicles surrendered in an exhausted condition. The battle was still in progress on the morning of 28th and some 50 tanks possibly including some dummies driven south east were being chased by our armoured forces.

Part of Italian ARIETE Division comprising 45 tanks encountered some of our forces near GABR SALEH on morning of 28th and was driven north. A force has been ordered to prevent junction of these tanks with those proceeding south east.

At dawn on 28th an enemy force attacked New Zealand troops near SIDI AZEIZ: some of our troops were forced to withdraw to area of SIDI OMAR.

TOBRUK. Night of 27th/28th was quiet. 79 field and medium guns have been captured, of which 20 are serviceable. New Zealand Divisions are meeting with stiff resistance.

ETHIOPIA. After hard fight from dawn 27th, General NASI surrendered GONDAR Fortress. Full details are not yet known.

RUSSIA. In KLIN sector, the Germans have made some progress westwards. The situation in TULA sector is confused, but it is believed Germans have made considerable progress in area south east of this town. North west of ROSTOV the Russians are counter attacking.

(111) AIR OPERATIONS.

27th/28th. 68 tons H.E., including 10 4,000 pounders, were dropped at DUSSELDORF. Bursts were seen in town and near a railway centre; large and medium sized fires were started.

28th. Hudsons sank a 1,000 ton tanker in a Norwegian Fjord and set on fire an anti-aircraft ship off the Hague. Near misses were claimed on 3 merchant ships off Norwegian Coast. 28th/29th. All offensive operations cancelled.

LIBYA. 26th. In CAPUZZO area, Hurricane bombers dispersed a stationary mechanical transport believed to be a Staff conference, damaged several vehicles.

27th. As a preliminary to an attack by our armoured units, MARYLANDS and Blenheims bombed the column of enemy tanks and mechanical transport moving westward south east of GAMBUT: many hits were scored. Another effective attack was carried out against a mechanised transport column and a large dump on AKHOMA Road near EL ADEM.

During 26th and 27th our fighters made several sweeps over battle area and destroyed 2 enemy aircraft in the air and 3 on the ground, plus 9 damaged. 30 lorries some containing troops and an armoured car were also destroyed.

Central Mediterranean. 27th/28th. 21 Wellingtons dropped 25 tons of bombs including 3 4,000 pounders on Naples. 1 4,000 pound bomb is reported to have fallen in Royal Arsenal and another on a railway junction. Other hits were claimed on a torpedo factory and aircraft works 2 factories and an oil storage depot. 3 oil tanks were ignited and several other large fires were started. Blenheims reported 5 hits on a 5,000 ton tanker in NAVARINO Bay which set her on fire. Near misses were claimed on a 8,000 ton laden merchant vessel.

(iv) G.A.F. 28/29/ 55 aircraft were (?reported in operation) several of which were minelaying: 35 flew across DEVON and SOMERSET and some reached South Wales. One was shot down by a night fighter.

LIBYA. 27th/ One Italian Bomber, escorted by 11 Italian fighters, attacked AUGLIA. Hurricanes shot down the bomber: One Hurricane was lost but the pilot saved.

(v) Aircraft casualties in operations over and from British Isles. German: 1 destroyed.

(vi) Home Security. 28th/29th. Parachute mine and bomber were dropped in SOMERSET, DEVON and

GLAMORGAN: but except at a south coast town where a parachute mine fell near centre of the town and another in the docks area causing widespread damage, casualties were few and damage was slight.

COPY NO. 13BRITISH MOST SECRET
(U.S. SECRET)

1st December, 1941.

OPTEL NO. 9.

Libya despatched 1840 29th.

Enemy tanks and M.T. moving west from
Bir El Chelta withdrew Eastwards at 1230 28th.Heavy engagement between our armoured
forces and about 70 enemy tanks was taking place at
1400 29th near Sidi Rezegh; at 1645 battle was
still continuing.Indian troops in possession of all 3
Omars but enemy reported holding strong point just
North of Libyan Omar and being supplied from Bardia.
Dispositions taken to cut this supply line.Our long range desert group still
patrolling in back areas.Reported 700 prisoners captured at Gialo
our casualties 20.Tobruk.Enemy locality southeast side of
perimeter captured with several hundred prisoners.

Paraphrase of a Secret Confidential Restricted Message
received at War Dept.

SECRET

194

at 3:35 (a. m.) December 2, 1941
(XXXXX)

(Classification Stamp)

From Cairo Filed 1:10 (XXXXX) December 1, 1941
p. m.

Received in I. B. 3:00 (XXXXX) December 2, 1941 No. 279 (Act 3)
p. m.

This is part 3, last part, of Cairo cable dealing with M-3 tank
Performance.

1. The first three days of desert battle saw the American light tanks
taking the full shock of battle. Pound for pound, this tank has proven
in action it is superior to any other tank of its weight class, is the most
reliable and flexible tank now in the Western Desert.

2. The 4th British Armored Brigade employing the American tank was hit
by a combined attack of the two German Armored divisions near Bir El
Gessa on 20 November. The Germans withdrew at nightfall after receiving
heavy but unknown tank casualties. The 4th Brigade found about 30 of its
tanks out of battle.

Orders came to the 4th on 21 November to move to the escarpment there
to aid the 22nd Armored Brigade under attack by German tanks. The 8th
Hussars (of the 4th Brigade) encountered hidden German antitank emplacements
in pursuit of Axis motor transport, losing five tanks.

A foray by the 3d and 5th Tank Regiments (of the 4th Brigade) onto
the Sidi Resegh landing fields, Axis held, brought about the destruction
of 30 enemy aircraft. The intense tank battle following inflicted consid-
erable armored loss on the Germans; the 4th Brig. lost eight M-3 tanks. This
was during the day of the 22nd. During the night, the enemy ambushed the
brigade headquarters and the 8th Hussars' bivouac, putting 15 more M-3's
completely out of the fight.

An estimated 75 tanks were still functional by morning of 23 November.

An additional 3d American M-3 tanks were placed in action from the

(continued)

I. B. No.

RESTRICTED

G-2/2657-220; No. 557 M.I.D., W.D. 11:00 A.M., December 1, 1941.

SITUATION REPORTI. Eastern Theater.

Ground: Attempts by the Russians to break out of Leningrad have been repulsed.

On the Moscow front, Germans claim to have crossed the Moscow Canal and to have reached Lmitrow and to be continuing their advance east of Tula in the direction of Ryazan.

Successful Russian counterattacks continue in the Donets Basin. Germans admit withdrawal from Rostov to a position a few miles west of the city.

II. Western Theater.

Air: R.A.F. raids were made on Hamburg, the Emden naval base, Bremerhaven, Kiel, and Lubeck. Heavy damage was claimed but casualties were admitted high.

Nazi planes bombed a harbor on the British southwest coast last night.

III. Middle Eastern Theater.

Ground: Axis reports claim their forces have penetrated British defenses in the Rezegh area.

British sources claim that British patrols have reached the coast between Benghazi and Agadabia.

Heavy fighting continues in the Rezegh area.

British forces in the Gialo region have been refitted and are prepared for further operations.

RESTRICTED

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 2, 1941.
12/1/41

Press Release
No. 28-69

The Secretary of the Treasury announced last evening that the tenders for \$200,000,000, or thereabouts, of 91-day Treasury bills, to be dated December 3, 1941, and to mature March 4, 1942, which were offered on November 28, were opened at the Federal Reserve Banks on December 1.

The details of this issue are as follows:

Total applied for - \$468,160,000
Total accepted - 200,156,000

Range of accepted bids:

High	-	100.				
Low	-	99.930	Equivalent rate	approximately	0.277	percent
Average						
Price	-	99.939	"	"	"	0.242 "

(79 percent of the amount bid for at the low price was accepted)

-oOo-

December 2, 1941
11:00 a.m.

RE FINANCING

Present: Mr. Sproul ✓
Mr. Ransom ✓
Mr. Eccles ✓
Mr. McKee ✓
Mr. Haas
Mr. Morris
Mr. Hadley
Mr. Murphy
Mr. Goldenweiser ✓
Mr. Piser
Mr. Williams ✓
Mr. Jesse Jones -
Mr. Bell
Mr. Rouse ✓
Mr. Viner
Mr. Leach

H.M.Jr: Well, we have been talking here - Dr. Viner will be here in a minute.

Bell: He is coming.

I wouldn't say that the market was in quite as good a frame of mind as it was when we did the last issue, but no one doubts but what we can borrow a billion and a half, but I get the impression from the few people we have talked to that they would kind of like to see us split it in half, as far as we have gone. They would like to see something a little medium, you know, that the banks might get and something in a long bond to go to the savings banks and insurance.

(Mr. Viner entered the conference.)

-2-

- H.M. Jr: Hello, Dr. Viner. I have been waiting for you. There are some of your friends around here. But Marriner, have you people explored the thing?
- Eccles: No, we have been talking about it. We met this morning and talked about it for about an hour. We agree with you that the market isn't as - what you would call as hungry as it was when the last issue was put out for long bonds.
- However, the issue that was put out, the last long finance, is of course still selling at a very substantial premium. We feel that possibly even the premium on that issue is, if anything, too high.
- Jones: What is that premium now? -
- Eccles: About a hundred and two and a half, is it, today? Two and a half or two and three quarters.
- Jones: Has it been above that?
- Eccles: Yes, it was around a hundred and three. It went up above a hundred and three, about a hundred and three and a half right after the issue, and then it has averaged around a hundred and three and just the last week or two, in anticipation in part of this long financing, it has come down some, feeling there would be a lot more bonds out.
- Jones: The premium is still about two and a half?
- Eccles: Yes, that is right. Our first choice would be a billion and a quarter of the long issue, open up the existing issue; if that is not agreeable to the Treasury, to put an issue out that would be just as near to the two and a half that were put out as it is possible to make it or you are willing to make it.

- 3 -

And then get two hundred and fifty million in December or in January from bills. That would give you the billion and a half. It would appear that with the billion and a half of new money now you will go into the first of the year with, we estimate, around two billion seven of balances.

H.M. Jr: No.

Eccles: That was your figures, Piser.

Piser: Yes.

Eccles: I don't know where you got that, around two billion seven on the present schedule of a billion and a half new money, fifty million of bills, that is, the continuation of the fifty million of bills a week that you are now getting.

H.M. Jr: You mean a hundred and fifty.

Eccles: Well, a hundred is roll over. I meant the fifty now.

Bell: Two billion one, I figure.

Eccles: How do you get that difference?

Piser: I don't know, I haven't seen Mr. Bell's figures.

Eccles: Well --

H.M. Jr: There is quite a difference.

Eccles: Six hundred million is a big difference.

Goldenweiser: If you take ten percent more, that accounts for a hundred and fifty of that.

Eccles: A hundred and fifty of it.

- Goldenweiser: And then the rest of it, I think, is tax anticipation certificates.
- Fiser: As compared with my previous estimates, we have stepped up the tax note estimate considerably.
- Eccles: Well, a billion and a quarter would not be excessive in this market and two hundred and fifty million of bills, if the money was needed, could be put out in the latter part of December and January. Now, as a second choice, a billion of the long two and a half bonds, opening up the existing issue or putting out an issue that would mature just as near to the maturity of the existing issue as possible, and then a five hundred million two percent issue that would mature in '52. I think that would give a premium of about a hundred and one and an eighth.
- H.M.Jr: Fixed date, Marriner?
- Eccles: Yes.
- H.M.Jr: To a fixed date?
- Eccles: '52-'54, a two percent due in '52-'54.
- Bell: That is in connection with what, a billion dollar issue?
- Eccles: A billion on the long and five hundred million on the short. That would give you the billion and a half. Certain institutions such as your insurance companies and mutual savings banks should be favored in their subscriptions so as to channel a larger portion of the long issue into that field and we should rely, I think, more on the banks for the shorter issue. We have done a lot of talking in the last few weeks about trying to reduce free riding and padding, which there is an awful lot of. I don't know what the

Treasury has decided to do, but we all feel that something should be done in that regard to tend to reduce the secondary market that you are always sure to get and it doesn't seem right to let a lot of these speculators and free riders come in as they came in on the last issue. A larger cash payment would be helpful to some extent. A much tighter policing, a change on the basis of subscription, an increase in the - you have reserved the right to take a ten percent over subscription. At some time we think that might even be increased, which would tend to reduce the amount of padding.

As I understand, you are favorable to taking a twenty-five percent cash payment, down payment. That could even be increased later. At least, we all feel very strongly that something should be done to reduce the free riding and the padding. I have stated what I think is our first choice and what would be our second choice in the existing situation.

H.M.Jr: Have you had time to think about it, Jones?

Jones: I haven't thought a great deal about it, Henry. When will you put this issue out?

H.M.Jr: Thursday or Friday of this week.

Jones: Then when will we have to come again?

H.M.Jr: Then we will do our refunding in January, whatever we have to refund.

Jones: But that is existing?

H.M.Jr: Yes, and we wouldn't have to ask for new money again until when?

Bell: February.

H.M. Jr: But what we are doing, and I think it is smart, we are separating the cash and the refunding so we don't get the two things mixed up, you see.

Jones: At the same time?

H.M. Jr: At the same time, and I think that is smart, and I think we will keep them separate from now on. That has been some of the trouble with the rights. We have tried to adjust the rights in the refunding for the cash and as a result of that there is speculation in the rights and we pay too much money for our cash. Now we are going to do cash alone and refunding alone, and I think we will do better business that way.

Jones: How long was the last issue, thirty years?

Bell: Sixty-seven-seventy-two. Sixty-seven was the call date and seventy-two was the maturity date.

Eccles: Twenty-six-thirty-one.

Jones: Well, your boys who have been checking and figuring back and forth have probably got the feel of it.

H.M. Jr: Well, they have got the thing. Like all of these things, it is the uncertainty of the far eastern thing hanging over us. If the news was out, I don't think it would have any effect, but it is just that they don't know which way the cat is going to jump, so they are kind of nervous; but I think if the news was out today, which way we are going to go, I think you could go ahead, but you know how it always is. Until the news is out it is the uncertainty.

Jones: Well now, what is your thought if you split it, whether you would split it fifty-fifty or two and one or what did you have in mind as to short --

H.M.Jr: Well, what they were talking, some people - I mean, we haven't seen enough people yet, but I don't think - you see, we have the figures on the insurance. They have got three or four hundred million dollars less to invest than they had last time and they haven't had time to have the money come in, so I mean we go back too soon.

If we got out a two and a half percent bond for the insurance companies and the mutuals, it is just a question then whether we get out a new issue or re-open the old one, which is a minor decision. And something for the banks, maybe something in the two percent field for the banks.

Jones: How long would that one be?

Haas: Fifty-two-fifty-four.

H.M.Jr: About ten or twelve years, something like that.

Eccles: It is eleven years at two percent, that is, that gives a premium of one and an eighth.

Jones: That might be desirable, to divide it because of the uncertainty.

H.M.Jr: You see, the interesting thing that has happened, this time the New York banks will be our poorest

- 8 -

customers and the banks outside of New York will be our best on account of the shifts in the excess reserves, so I mean we can't look to New York City this time. Don't you agree on that?

Eccles:

Yes. Well, the New York City banks, however, on the long issue last time didn't hold many of them. It is the banks throughout the country that have the savings deposits. The New York banks don't carry time funds. Their funds are much more volatile. The banks in the country have anywhere from forty to sixty percent of their funds in savings. They have twelve billions of savings, and that is where the markets for the long bonds and the banks are, is out of New York, anyway, mostly.

The New York market, of course, has been your bill... market, your short market.

Rouse:

I think New York will go along on an underwriting basis, as they did before, perhaps to a somewhat lesser degree. They would go along on an investment basis on the ten or twelve year security.

H.M.Jr:

Well, let's go around the room.

- Leach: I agree with what Marriner said. I think you will find when you talk to the people that the banks will be practically unanimous in wanting the two issues. The one insurance company I have talked to thought a two and a half per cent long bond would be all right for the full issue. I had thought that originally myself, but after finding out the opinion of the market, I feel inclined to modify it a little along the lines Marriner said. I find that even our banks are anxious for you to raise the cash requirements because of the twenty-five per cent.
- H.M.Jr: And you would go for the twenty-five per cent?
- Leach: To require the twenty-five per cent cash payment, I say, our banks are asking me why we don't do that.
- Ransom: I prefer the one issue with only such modifications as the Treasury regards as absolutely necessary.
- H.M.Jr: One issue?
- Ransom: Yes.
- H.M.Jr: You are for one of these sweepstakes?
- Ransom: That is right.
- H.M.Jr: These fellows down here in the south are gamblers.
- Ransom: I wouldn't be afraid of that.
- H.M.Jr: Dr. Goldenweiser?
- Goldenweiser: I haven't any opinion at this time, Mr. Secretary.
- H.M.Jr: You haven't?

Goldenweiser: No.

H.M.Jr: What the hell are you doing here? (Laughter).

Ransom: He came for the ride.

Eccles: He came to develop one.

Goldenweiser: I have been carrying a little speech on the subject and it is beginning to get rusty, and I don't think that is a very good time to make it, so I will pass it up.

Ransom: You might remind the Secretary you and I made him several speeches in September.

Sproul: My preference has been for the one long issue, two and a half per cent. After discussing it with some of the people in the market, I am finding almost unanimous opinion that one long issue would be a little too much at this time, that the market would prefer two issues. I modified my opinion only to the extent of cutting down the amount of the long issue by a quarter of a billion, perhaps, and taking up the rest in bills as Eccles has mentioned. It seems to me the market is thinking as always and as it should, in terms of what the market is at the moment.

H.M.Jr: Well, I wonder if Mr. Eccles wouldn't want to change if he would take our figures, which are six hundred million less.

Sproul: I don't know that he would even if you go out with two billion one.

Eccles: My point was a billion and a quarter long bonds and then if you needed the money, you would put a --

H.M.Jr: But I mean how much were you influenced by the

fact that we would go out with two billion seven?

Eccles:

Not at all. I merely suggested that if the balances were as large as Piser had indicated, you wouldn't want to put out even the bills. If it wasn't, you may want to put out - raise a billion and a half by putting two hundred and fifty million of bills out.

Sproul:

The market, as it should, I think, and as it always will, is thinking in terms of what will hit the market in the best spots at this time. I myself think that we should now be thinking of where we can stabilize rates on Treasury borrowing, that we are coming out of the period when it is a question of eliminating the free riders and the padding, into the period when we want to get in all the funds we can from whatever source we can, other than on bank credit, where that can be avoided. Therefore, I think we should be thinking in terms of stabilizing the market, rather than going down to the lowest point we could possibly reach and then coming back up to whatever point it would reach, which we don't want to do, so I still think we should try to emphasize the long-term issue, which I think will have that effect of stabilizing the market at about the two and a half per cent level for long bonds.

I say again, if the market is nervous, cut it down by a quarter of a billion on your long issue, and get other cash as and when you need it with bills. If you don't want to do that, then I agree that the next best thing is a split issue with the emphasis again on the longer term issue, a split of a billion of the long term and a half billion of the intermediate bond.

H.M.Jr: Rouse?

Rouse: That goes for me, sir.

Sproul: No horse shedding.

H.M.Jr: Dr. Viner? Piser?

Piser: I am in favor of the entire amount in the two and a half per cent issue, because I think that would go the furthest toward placing the debt with holders other than commercial banks, and I can see no reason for the market failing to take that issue at the present time. If there is some doubt about it, I would place the maximum amount in the long issue that can be taken.

H.M.Jr: Professor Williams?

Williams: I feel like the others.

H.M.Jr: How about you?

McKee: Mr. Secretary, I can't move over conditions which you have to face between now and March 15, as lightly as some of the rest. In the first place, I think you have got an over-bought situation in New York, over-bought in the total of loans and investments. I think New York has to liquidate between now and March 15. I think they ought to have an opportunity to switch out of their portfolios for the benefit of the Government market something that would mature on March 15 between now and then. I think they could probably handle throughout the country a billion dollars' worth of tax bills. None of us know just what this tax bill is going to do to our general economy, just what the payments are going to be March 15, and I would look forward to a break in your

Government bond market some place between the twentieth of February and March 15, unless we do some abnormal things that we haven't been discussing here, or that haven't been done heretofore, such as converting some of this debt out of the hands of people who are going to be called on to meet demands in a fashion that they will have something maturing in their portfolios. Today their portfolios are of such size that they are going to have to liquidate something or borrow money, and they won't borrow money. Is that right, Allan? They will liquidate first.

Sproul:

That is right.

McKee:

Now, the question of buying Federal funds, that can go so far and no farther without embarrassment, so the next move is liquidation, and I am sorry to see that you have to put out for the quantity of money you need to go to a billion and a half dollars in bonds now - I would like to have seen at least a half billion dollars' worth of bills throughout this country, due March 15.

Now, in lieu of that, then - and if you are going on the program that has been discussed around here, let's start to think how we are going to meet that situation to avoid the liquidation that I think is going to come by that time.

H.M.Jr:

And what about all these tax notes we are selling?

McKee:

Well, is there any reason for a man to use more than twenty-five per cent of his tax notes, the large corporations?

H.M.Jr:

No.

McKee:

Well, twenty-five per cent of the tax notes

you have sold would be what, in the neighborhood of six hundred million dollars, Dan?

Bell: Five hundred million.

McKee: Five hundred million dollars. What part of that is going to pay - what part of that is going to be your total tax take?

Viner: They will use more than twenty-five per cent unless they bought up to the full amount that they needed. It would be to their interest to use over twenty-five, and buy some more for the next payment.

McKee: If they have anticipated their whole tax in tax notes.

Viner: But they haven't.

McKee: Well, maybe that is right, but they would probably use tax notes for their first payment. Now, whatever that is. But your total - say it comes out --

Viner: It may be fifty per cent.

Haas: It depends upon what the short term rate in the market is.

Viner: It depends upon the short-term rate.

McKee: It all depends upon what the short-term rate is.

Bell: You may have corporations with excess cash at that time and they would pay cash and keep their investment in the notes. That is the only thing I can see that would cut down on the possible twenty-five per cent.

Rouse: Well, there is an alternative to that. It might

be cheaper to turn in the notes, rather than to borrow in the market.

H.M. Jr: How much of these bills are going to corporations?

Bell: Quite a few of them now are going to the corporations. I have estimated that seven hundred fifty million dollars in tax bills will be turned in, tax notes, will be turned in in March. Now, that may be high. If it isn't, I think we have got - I mean, if it doesn't go that high, then I think we have got to do something to sort of straighten out the money market, but I don't think that we will know until possibly that latter part of January or February as to what we can expect. We may have seven hundred fifty million dollars of excess funds in which case we have got to put those funds back on the market through one means or another.

McKee: Well, will the market know in time so they won't start liquidation?

Bell: I think we can announce, certainly, in the middle of February that we do not intend for the Treasury operations to tighten the money market. We can announce that any time. I think we have got enough gadgets to use that we can straighten that out.

Eccles: We felt that same way about it. We felt that the tax anticipation notes falling due would be a very substantial factor in avoiding the huge transfer of funds that ordinarily would take place, and then if you saw that the need existed, you could let some of the hundred and fifty million of bills a week that come due, you could just let them run off, and that you could put back in the market - five hundred million or six hundred million there in a few weeks. There the Fed likewise, if need be, could

temporarily buy some bills in the market and sell them after the tax period.

McKee: That is fine, if you are going to announce that in advance so that the people that have got to meet their demands know it in time, and don't start liquidating.

Eccles: You mean the banks?

McKee: That is right. You have got an over-bought situation in New York, I don't care what anybody says. In the natural course of events, they have flattened off their deposits and in the first six months their investments have risen. They are going to have to make some loans to pay taxes. They have to increase their loans and if they are going to do that, they are going to have to decrease their investments.

Eccles: The short-term rate will help just meet that situation, it seems to me. What New York has been doing, they have had the huge volume of excess reserves and country bank balances and they have driven the short term market down almost to zero during the past few years. The net result is the surplus funds on the outside have just not been interested in the market at those low rates with a quarter on bills and a slightly stiffer rate on other loans. Outside funds are interested and are coming in so that that tends to meet the situation and it tends to provide a market outside of New York which heretofore has largely existed in New York.

McKee: All right, you are talking about--

Eccles: And it tends to provide a place where New York can get liquidation outside, so I don't think that there is any--

- McKee: You are talking about a billion and a half dollar issue. What is the Christmas savings going to amount to?
- Sproul: They have paid them already.
- Bell: Around four hundred million.
- Eccles: They have been paid?
- Sproul: They have been paid up.
- McKee: They are not in circulation. A lot of that will stay in currency. You have got a tax bill December 15. You have got Christmas coming along with more activity than we have seen here for many, many years, which is going to create temporarily an awful lot of - an abnormal increase of circulation in my opinion.
- Now, all of those factors seem to be facing this particular financing. The time of the - I think you are a little ahead of it, but what your secondary market is going to be, I don't know.
- H.M.Jr: Well, at least you are warning me anyway.
- McKee: I hope that we can - Mr. Secretary, I think with this abnormal tax, with the possibility of its increase, don't we have to find some way to level the take-off four times a year to more or less of a monthly take, and you can do that by a tax bill operation.
- H.M.Jr: I see.
- McKee: I think it is going to help you in your new cash that you are going to have to borrow.
- H.M.Jr: You mean you want the taxes paid monthly?

McKee: No, I think to eliminate that kind of a mechanical job on your part, you can offset it by a tax--

Bell: Bills maturing.

McKee: ... bills maturing.

H.M.Jr: Of course these tax anticipation notes, that is what they are supposed to do.

Bell: They will do some of it. I think they will do the most of it.

H.M.Jr: And we have sold an awful lot of them.

McKee: I know you have.

H.M.Jr: And a lot of these companies, I think, have bought enough to pay most of their taxes on the fifteenth of March.

McKee: But what I am interested in--

H.M.Jr: The big corporations have done that.

McKee: ... is in keeping this money market stable because you do have to hit it for a lot of new cash in the coming year, and I think we are all interested in that.

H.M.Jr: Well, it is a good point, and we will give it weight.

Anything else, John?

McKee: No, nothing else.

Jones: I don't feel qualified to discuss all these fine points. It seems to me like sort of a horseback opinion would be if you split it about two and one the way it has been suggested,

that that wouldn't be much of a mistake.

H.M.Jr: No, I don't think so. I don't want to do the bill thing, Marriner.

Eccles: You mean the billion and a quarter in the bill?

H.M.Jr: No. I would like to--

Eccles: I think with the billion and a quarter you possibly wouldn't need the bills, but I merely suggested that.

Jones: You can keep that.

H.M.Jr: Yes, it would be very useful.

Bell: It seems to me you ought to keep the bills as an ace in the hole to reduce the February financing if you get a tight situation.

H.M.Jr: Well, we have done that right along.

Jones: I know you have.

Bell: That is a billion and a half in February.

Eccles: Henry, what you meant on the bills, you don't mean to discontinue the present program of a hundred and fifty million a week?

H.M.Jr: No, no.

Eccles: You meant the extra amount of two fifty?

H.M.Jr: No, I meant to borrow a billion and a half through bonds. I would like to borrow a billion and a half through bonds. You remember last time we kind of did a lot shadow-boxing, should we do it all in one or shouldn't we, and I said, "We have got to get used to

it. We have got to do a billion and a half." And I don't think we can shadow-box now. We need a billion and a half, and we will have a little bit more money than we need the first of January, but it will disappear fast enough. While we miss it and one person spends a little bit more and - but our monthly estimate, Bell has been remarkably accurate. He doesn't miss it by more than one or two percent, which is about as close as you can hit it. Isn't that right, Dan?

- Bell: Yes, they have been very close. No one can tell what is going to happen in tax notes.
- H.M.Jr: I mean, he won't miss it by more than a couple percent one way or the other.
- Bell: I missed it seventy million this month on tax notes, but I was under.
- H.M.Jr: And you were over on something else.
- Bell: And defense expenditures went off about sixty million.
- McKee: Aren't the payments going to get heavier and faster on you?
- H.M.Jr: The defense payments for November were less than they were in October.
- Viner: Were they less per day, Dan?
- Bell: Yes.
- Viner: Less per expenditure day?
- Bell: Yes.
- Jones: Five Sundays and two holidays.

H.M.Jr: It is true, but if you read it in the papers--

McKee: Slow down on that.

Eccles: Your tooling up period is over. Now it is the line that is going to take the money.

H.M.Jr: I hope you are right. Well, what I would like to do is, we are seeing some more people this afternoon. I will keep in touch with the Federal Reserve Board here. Are you going to leave us, Rouse, for the rest of the day?

Sproul: Certainly.

H.M.Jr: What are your plans?

Sproul: I was going back this afternoon.

H.M.Jr: We can be in touch with you.

Jesse, as we get some more ideas, I will call you on the phone. How is that?

Jones: Fine.

McKee: Just one thing more, Mr. Secretary.

Jones: If I ever raise my billion, I will call you up.

McKee: Has there been any serious thought given to it - more time for the policing of the subscriptions.

H.M.Jr: I don't know. These boys met down at Atlanta for a week. I suppose they did something besides play golf.

Bell: Not much.

H.M.Jr: They were down there for a week talking about

something. I don't know what they did down there.

McKee: The banks ought to have that information as soon as possible, shouldn't they?

H.M.Jr: They go to Atlanta and meet for one week and talk about policing and then John says, "What are we going to do?"

Rouse: Well, it is very desirable to get uniform treatment for banks that are handling subscriptions, and since last night they corralled Miller of our office at one of these AIB dinners, the fellows in Connecticut as against the fellows in New York, that the treatment apparently was not uniform and that is one thing it is very important to get.

Bell: It is one thing we might discuss right now.

H.M.Jr: I would rather - if you want to, I would rather have you do it over with the Board, Dan.

Bell: Well, it is something that ought to be done pretty promptly if we are going to do it and make a press statement on it. If this comes out on Thursday that gives you eleven days instead of eight or nine.

H.M.Jr: Well, I am not promising to do it Thursday. I may not want to do it until Friday.

Bell: Even that gives you ten days.

Eccles: Just imagine Atlanta subscribing five hundred and some odd million, and Kansas City, which is a very much larger district, a hundred and thirty-five million. Now, that is just the difference in the way the thing is handled.

Viner: They are smart in Atlanta.

Eccles: In Atlanta everybody comes in and free rides.

H.M.Jr: They have money makers down there.

Eccles: I don't know whether the Treasury wants to encourage that padding and free riding. If they don't, it seems to me we ought to do something about it.

H.M.Jr: Well, damn it, I am serious, Dan has been talking - I don't know who looks after that.

Eccles: We have been talking to him too about it. We are certainly anxious to do something, but we haven't been able to get him very far.

H.M.Jr: Well, you can go into his office and jump on him right now.

Bell: Well, Mr. Secretary, it is a decision you have to make, and you have been pretty well tied up. I can just throw it out here and give you what we have been thinking about. It will only take a minute.

H.M.Jr: Give it to me afterward, Dan.

Bell: Do you want us to work out a press statement on the thing.

H.M.Jr: Sure.

Bell: It will have to go to the banks today or tomorrow.

H.M.Jr: Work it out. I am seeing you again at a quarter of three.

Bell: All right.

H.M.Jr: You work it out, and you won't have any trouble with me. Make it as tight as you want.

Bell: Well, there is a lack of uniformity on policing, and the basis for entering subscriptions throughout the system and we did spend quite a lot of time on it in Atlanta and came to this general agreement, that I have got outlined here in a draft of a press statement.

H.M.Jr: I will go at it with you at a quarter of three. Have you shown it to the Federal Board?

Bell: No, I have not. I haven't shown it to Bob Rouse. We just got it this morning.

H.M.Jr: Maybe if some of the Board members have time they will go in and do it now. Will you have time?

Eccles: Yes.

H.M.Jr: You (Jones) are not interested, are you?

Jones: No.

Dec 2, 1941

Chris Levine

222

two issues

2% 52-54

2 1/4% 56-58

//

○ Mills + Repp.

223

markets want 2%
and 2 1/2 ✓

Games 2%

Thlefeld

224

Savings 2k
70 - 75

Charles Spence²²⁵

15-20 year loan

Irwin Porter

226

1st nat. ~~OK~~ of Chicago

11-13 - 270 \$500.

1/2 billion lungs.

227

Kurtz

5 yr. note

127

long 67 premium 1/pt.

Maestre

Have not got
much issue.

5-10 yrs

billim intermediate
billim bugs

H. H. Harris ²²⁹

750 2 1/2 %

750 2 %.

Speas
atlanta

not interested in long
Bmd
refer 10-12 bmd.

Dec 3

231

Burgess

Open 67-72

from 800 - 1000
at per

balance into

2% 57-54

232

Shailer
Equitable

19 yr $2\frac{3}{8}$

Gene Harrison 233

2 1/2% 500 - 1,000.

2%

SCHEDULE OF INTERVIEWS ON FINANCING

Tuesday, December 2, 1941

- 9:00 Mr. Tompkins, V. P. Bankers Trust Co., N. Y.
9:20 C. J. Devine, G. J. Devine and Co., N. Y.
9:40 Messrs. Mills and Repp, Discount Corp., N. Y.
10:00 August Ihlefeld, Pres. Savings Banks Trust Co., N.Y.
10:15 Charles Spencer, Pres. 1st Nat. Bank, Boston
- 3:00 Irvin L. Porter, V.P. and Head of Bond Depart.,
First National Bank, Chicago
- 3:20 William Kurtz, Pres. Pennsylvania Company for
Insurances on Lives and Granting Annuities,
Philadelphia
- 3:40 Sidney Maestre, Pres. Mississippi Valley Trust
Co., St. Louis
- 4:00 H. H. Harris, Pres. First and Merchants National
Bank, Richmond
- 4:20 J. W. Speas, V. P. and Trust Officer, First
National Bank, Atlanta

Wednesday, December 3, 1941

- 9:00 W. R. Burgess, Vice Chairman, National City Bank
9:20 Mr. Shailer, V. P. Equitable Life Assurance
Society, New York
9:40 George L. Harrison, Pres. New York Life Ins.

sent with the policy by Mrs. Kuntz.

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235

THE PENNSYLVANIA COMPANY

FOR INSURANCES ON LIVES AND GRANTING ANNUITIES

MEMBER FEDERAL RESERVE SYSTEM

PHILADELPHIA

Wm. FULTON MURTE
PRESIDENT

December 2, 1941

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

My dear Mr. Secretary:

In order to meet the varied needs of the many types of investors in Government obligations, I would respectfully suggest that the forthcoming issue be made on a three-way basis, viz:

Five-year 1 1/4% notes
Twelve-year 2% bonds
2 1/2% bonds of 67/72 @ 101

Such an offering will permit the institutions to obtain the type of security best suited to their particular needs and will, I believe, give the Treasury a valuable indication of the sources of demand for particular maturities.

While I recognize the imperative need of successful flotation, I think the present custom of large oversubscription and heavy allotments to purely speculative buyers is both unfair and unfortunate and may, in the long run, do damage to the stability of the markets. With that in mind, I would again respectfully suggest that the down payment accompanying subscriptions be increased from 10% to 20%, and that all subscriptions either directly through the Federal Reserve Banks or through the chartered banks, themselves, be signed by the subscriber with some such statement as follows: "I (we) hereby declare that the above subscription is made primarily for the purpose of investment and not for an early speculative profit, and that it is my (our) present intention to continue to hold any bonds or notes allotted to me (us) under this subscription for a period of at least thirty days from the date of issue." We have all heard much argument that to avoid "joy riding" the future issues should be made non-negotiable for some period of months. I am convinced that that step should be taken only as a last resort and that if a purpose declaration is required it will be only in the rarest instance that the subscriber would deliberately falsify such a declaration. It has seemed to me that some such declaration should be well worth trying.

Very truly yours,

Wm. Fulton Murte

President

WFK:KLJ

12-2-41

NATIONAL DEFENSE EXPENDITURES

236

(In millions of dollars)

	War	Navy	Lease Lend	All Other	Total
<u>1941</u>					
January	346	215	-	8	569
February	404	172	-	8	584
March	544	185	-	19	748
April	516	220	-	27	763
May	456	338	7	36	837
June	507	247	15	42	811
July	508	339	34	79	960
August	579	416	69	60	1,124
September	700	377	140	103	1,320
October	786	442	192	107	1,527
November	704	442	198	93	1,437
Total	6,050	3,393	655	582	10,680

All expenditures by U. S. Maritime Commission classified as "National Defense."

Total expenditures fiscal year 1942 to date	3,277	2,016	633	442	6,368
Estimated for 1942 .	-	-	-	-	18,000

December 2, 1941
12:00 Noon

237

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello. Mr. Trammell?

Niles
Trammell: Hello, Mr. Secretary. How are you? This is
Niles Trammell.

HMJr: Fine. I know. Mr. Trammell, the reason I'm
calling is that a little birdie tells me that
you and Mr. Sarnoff would like to bring a few
of your friends to this concert which we are
having through the kindness of N.B.C.

T: (Laughs)

HMJr: Now, of course, my original trouble was with
Mr. Toscanini, who limited it to fifty.

T: Yes, sir.

HMJr: But I don't think that Mr. Toscanini will have
time to count noses.

T: (Laughs) I don't think he will either.

HMJr: And if you and Mr. Sarnoff wanted to bring a
dozen of your own personal friends.....

T: Yes.

HMJr: I would be delighted if you'd send me the names
to send them invitations today.

T: All right, sir, that's very kind. I'll tell
you, the only thing that I wanted to do was to
invite to the concert our Board of Directors.
Now, I know that only two of them, and probably
three, will come.....

HMJr: Yes.

T:because they're out of town; but I wanted
to show them the courtesy of inviting them to
this concert, if I could. Then I think Mr. Sarnoff

has a few that he would like to invite - I don't know just how many, but a very few - and I will get you a list this morning and I'll send it by wire to you.

- HMJr: Yes. If you'd send it and if you didn't mind, to U. S. Treasury, address it to Mrs. Klotz and then she'll get it to me.
- T: All right, that's fine. Now, I told Mrs. Klotz this morning that I would like very much if you would permit me to have the National Broadcasting Company give this little buffet supper after the concert.
- HMJr: Well, I appreciate it, but this the first time that I've ever done anything like this, and I'm getting quite a kick out of it.
- T: Well, that's grand.
- HMJr: And I'm really - Mrs. Morgenthau and I really enjoy doing it because - well, we just enjoy doing it.
- T: Well, that's just grand; and we're delighted to have you do it here and I think everything will run along very smoothly.
- HMJr: Well, if you'll just send - and you know Toscanini, he's - particularly he has put a taboo on any newspaper men.
- T: Oh, I understand; I understand.
- HMJr: I don't want him to throw his baton at me at the last moment.
- T: (Laughs) Well, we'll see that he doesn't do that.
- HMJr: But I'll just leave it to you and Mr. Sarnoff, and I'm sure that - I mean, as long as it's on a personal basis.
- T: Yes, I understand.

HMJr: I mean, people that.....

T: All right, sir. That's very nice, Mr. Secretary,
and I appreciate it.

HMJr: And then we'll look forward to seeing you all
Saturday night.

T: All right, sir. Thank you very much.

HMJr: Thank you.

T: Good-bye.

December 2, 1941
1:03 p.m.

HMJr: Hello.

Vice Pres.
Wallace: Hello.

HMJr: Hello, Henry.

W: Yes.

HMJr: They said you wanted me. Henry Morgenthau.

W: No, I didn't have a call in. They told me that you had some information for me about this Robert Lyons.

HMJr: No, must be mistaken.

W: Beg pardon?

HMJr: No. I got a call that your office wanted me.

W: No, no.

HMJr: Well, I.....

W: They just told me that you had some information for me on Robert Lyons. I don't know how that came.

HMJr: No, I'm sorry. It must be a mistake.....

W: Yeah.

HMJr:because I haven't got it yet myself.

W: Yeah. (Laughs) All right, thanks.

HMJr: All right.

December 2, 1941

Dear Henry:

In answer to your telephone request, I am inclosing herewith copy of a memorandum which I have received from Mr. Harold Graves, who is in charge of Defense Savings, in regard to Robert Lyons.

Sincerely yours,

H. Henry

Honorable Henry Wallace,
Vice President of the United States,
The Capitol,
Washington, D.C.

Steer 5:10 p.m.

n.m.c.



TREASURY DEPARTMENT
WASHINGTON

242

December 1, 1941.

MEMORANDUM FOR THE SECRETARY:

Robert Lyons, about whom you inquired to-day, is the Secretary of the Retailers' Advisory Committee on the Defense Savings program, of which Major Namm is the Chairman.

As I understand, he is a lawyer for a large group of chain stores, with offices in the Bowen Building, Washington, D. C. He is not on the Department's pay-roll.

So far as the Treasury is concerned, there is no reason why Mr. Lyons should not be available for any other service in the present emergency.

GRAVES.

Handwritten scribbles:
12 - 1 1/2
- - 6

MEMORANDUM FOR THE SECRETARY'S DIARY - CONFIDENTIAL

December 2, 1941, 2:30 p.m.

Mr. White told the Secretary that he had had lunch with Mr. Gromyko at the latter's request and that during that lunch period Mr. Gromyko had expressed very considerable appreciation of the sympathetic and effective assistance which Secretary Morgenthau was extending to him in his efforts to get material to Russia to help in their conduct of the war. Mr. Gromyko stated that of all the Departments in Washington, the Treasury was the one Department in Washington in which he would always get a quick and definite response to his inquiries and get immediate and effective action where it was a matter of the Treasury's responsibility; whereas in the other Departments his experience was much less satisfactory. In other Departments he was too often given either vague answers or promises which were not carried out.

Mr. White also mentioned to Mr. Gromyko what Mr. Cox had said, that the flow of goods to Russia was much slower than it should be and it was Mr. Cox's opinion that if Secretary Morgenthau were given charge of seeing that goods went to Russia the flow of goods would be quickly multiplied by five.

December 2, 1941

Merle Cochran

Secretary Morgenthau

Ambassador Bullitt is going to West Africa, Cairo, Palestine, Persia, India, Dutch East Indies and Chungking, and he wants to know what kind of money he should take with him. He says he can't get a letter of credit. I told him I thought if he took U.S. currency with him it would be best. Do you think it would be better if he took pound sterling? Please let me know.

12/3/41 - Miss Gyers will let me know whether Mr. Cochran has reported to Hays on this -

TREASURY DEPARTMENT

245

INTER-OFFICE COMMUNICATION

DATE December 2, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

With reference to your memorandum of this morning concerning Ambassador Bullitt, I submit the following:

The Ambassador should not take pounds sterling, since the importation thereof into several of the areas which he plans to visit is prohibited beyond a limit of 10 pounds.

It would be advisable to take along a fair amount of United States currency, including bills of small denomination, preferably not over the \$20 denomination. For the remainder of his funds the Ambassador should be provided either with advance travel checks by the Government, the facility to draw drafts on the Government, or depend upon a personal checking account in New York. Not knowing the instructions under which he is traveling, I am unaware as to whether Mr. Bullitt can be given travel expense checks in advance by the Government, or be authorized to draw his own drafts. In the absence of such arrangement, his personal arrangement for drafts or checks on New York would be the alternative.

In India there are American branch banks which would buy the Ambassador's check on New York. In Egypt and Palestine such checks could be negotiated with British banks. In all of the areas to be visited by the Ambassador there are American Foreign Service officers who could facilitate the necessary banking transactions, so long as the Ambassador has funds in New York on which to draw.



HENRY MORGENTHAU
112 FIFTH AVENUE
NEW YORK CITY

December 2, 1941

My dear Henry:

I just had a visit from Count Coudenhove-Kalergi, and he has doped it out that the heads of the German army must by this time have realized that Hitler is losing. He thinks they are undoubtedly preparing to displace him during this winter. He guesses about February, and thinks that they will put in his place Pastor Niemöller. They believe that Niemöller would have all the Anti-Nazis in the world at his back, and that he would have the Protestant ministers of the world with him, and believes that even Churchill might be willing if he is War-Weary, to treat with a man like Niemöller, whereas he certainly was most unwilling to treat with Rudolph Hess.

It struck me that there was enough possibility in this thought to pass it on to you.

The Count is a very shrewd capable man. He is at present teaching at the New York University. He told me he met you and had a talk with you.

We are looking forward with great pleasure to seeing you on Saturday.

With best love,

Yours affectionately,



Hon. Henry Morgenthau, Jr.
2211 Thirtieth Street
Washington, D. C.

RANDOLPH E. PAUL
25 BROADWAY
NEW YORK

247

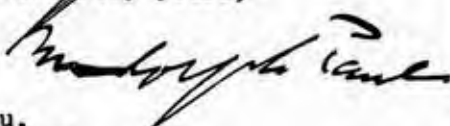
December 2, 1941

Dear Mr. Secretary:

As things have developed it is perfectly impossible for me to get away from New York in the daytime tomorrow. I had reserved space on a noon plane, but it now looks as if the weather would prevent this flight. Even if the planes were flying, I think I shall have to postpone my trip until the night train, which means that I will be in Washington for the day Thursday.

As I understand it this fits pretty well in with your plans as you were going to be absorbed in other matters Wednesday.

Sincerely yours,



Hon. Henry Morgenthau,
Secretary of the Treasury,
The Treasury Department,
Washington, D. C.

ADAMS, THOMAS SEWALL:

Appointed August 10, 1917, by Secretary McAdoo to study the problems of war taxation with a view to undertaking a careful and comprehensive study of the revenues of the Government. His compensation was at the rate of \$5,000 per annum.

On March 12, 1919, Dr. Adams was appointed Chairman of the Advisory Tax Board at \$9,000 per annum. This Board was established under the provisions of the Revenue Act of 1918 (see attached reference to Section 1300 of the Act). He resigned as Chairman of the Advisory Tax Board on September 30, 1919.

On November 14, 1919, Dr. Adams was appointed Tax Advisor to the Commissioner of Internal Revenue at \$600 per month. He served in this capacity until April 1, 1921, when he was appointed Economic Advisor to the Treasury Department at \$10,000 per annum. He resigned from this position December 31, 1921.

On April 16, 1925, he was appointed a Special Scientist in the Office of the Commissioner of Internal Revenue at \$7,500. He declined the appointment.

thus

December 2, 1941.

SECTION 1300.

(d) (1) There is hereby created a board to be known as the "Advisory Tax Board," hereinafter called the Board, and to be composed of not to exceed six members to be appointed by the Commissioner with the approval of the Secretary. The Board shall cease to exist at the expiration of two years after the passage of this Act, or at such earlier time as the Commissioner with the approval of the Secretary may designate.

Vacancies in the membership of the Board shall be filled in the same manner as an original appointment. Any member shall be subject to removal by the Commissioner with the approval of the Secretary. The Commissioner with the approval of the Secretary shall designate the chairman of the Board. Each member shall receive an annual salary of \$9,000, payable monthly, together with actual necessary expenses when absent from the District of Columbia on official business.

(2) The Commissioner may, and on the request of any taxpayer directly interested shall, submit to the Board any question relating to the interpretation or administration of the income, war-profits or excess-profits tax laws, and the Board shall report its findings and recommendations to the Commissioner.

(3) The Board shall have its office in the Bureau of Internal Revenue in the District of Columbia. The expenses and salaries of members of the Board shall be audited, allowed, and paid out of appropriations for collecting internal revenue, in the same manner as expenses and salaries of employees of the Bureau of Internal Revenue are audited, allowed, and paid.

(4) The Board shall have the power to summon witnesses, take testimony, administer oaths, and to require any person to produce books, papers, documents, or other data relating to any matter under investigation by the Board. Any member of the Board may sign subpoenas and members and employees of the Bureau of Internal Revenue designated to assist the Board, when authorized by the Board, may administer oaths, examine witnesses, take testimony and receive evidence.

WHO'S WHOADAMS, THOMAS SEWALL

University professor; born in Baltimore, Dec. 29, 1873; son John Wesley and Ruth (Haslup) A.; grad. Baltimore City College, 1893; A.B., Johns Hopkins, 1896 Ph.D., 1899; married Elizabeth Matthews of Baltimore, Sept. 11, 1902. Clerk Census Office, Washington, 1899-1900; Asst. to Treas. of P.R., 1900-1901; Asso. Prof. Polit. Economy, 1901-1908, prof. 1908-1910, U. of Wisconsin; same, Washington U., 1910-1911; Tax Commr. of Wisconsin, and prof. Polit Economy U. of Wisconsin, May 1911-1915; prof. of Economics, Cornell U., 1915-1916; prof. Political Economy, Yale, Feb. 21, 1916---. Expert Wisconsin State Tax Commn., 1904-1908; Dept. of Commerce and Labor, 1908-1909; Advisor, Treasury Dept., 1917---. Sec. Nat. Tax Assn., 1912---; Member Phi Beta Kappa.

Author: Taxation in Maryland, 1900; Labor Problems (with Helen L. Sumner, q.v.) 1905; Mortgage Taxation in Wisconsin and Neighboring States, 1907; Outlines of Economics (with Richard Theodore Ely, q.v.) 1908; Translator of Levasseur's American Workman, 1900.

Appointed Chairman, Advisory Tax Board, Bureau of Internal Revenue, March, 1919.

Address: Yale University, New Haven, Conn.

The above was taken from the 1920 edition of Who's Who.

ALBERTS, GOSS
1429 WHITTIER STREET N. W.
WASHINGTON, D. C.

December 1, 1941

Dear Mr. Secretary:

It was thoughtful of you to write extending congratulations at the time of the recent Grange election. Press of immediate work has prevented my writing sooner, but I want you to know how much I appreciate it. I only hope that I may be able to do my part in the big task ahead.

Yours sincerely,



The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington

November 19, 1941.

Dear Albert:

It was with a great deal of pleasure that I learned of your election to the high office of National Master of the Grange. I know that the responsibilities it carries are particularly heavy during these trying times, but I feel also that you understand them, and I know that the office will be ably administered. I send you my best wishes as you take up your new duties.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. Albert S. Gess,
National Master of the Grange,
1429 Whittier Street, N.W.,
Washington, D. C.

GEF/dbs

Goss Elected²⁵³ National Head Of the Grange

Albert S. Goss, Washingtonian and former Federal Land Bank Commissioner, yesterday was elected National Master of the Grange at the agricultural organization's seventy-fifth annual convention in Worcester, Mass., the Associated Press reported last night.

He succeeds Louis J. Taber, veteran farm leader who held the post for 18 years, and who requested for the third time in four years, that he be permitted to retire.

The new Grange leader resigned as Land Bank Commissioner last year following a Presidential order transferring that agency to the Agriculture Department. Previously the farm credit administration was an independent agency. Goss contended that the agency should be independent.

A native of Rochester, N. Y., Goss went to Washington State when a young man. There he became master of Washington State Grange for 11 years. He also served as a member of the board of the Federal Land Bank at Spokane.

The farm leader has been active here recently in his opposition to an Administration bill which would overhaul the Farm Credit Administration and ally its work more closely with that of the Government crop control program.

TREASURY DEPARTMENT

254

INTER OFFICE COMMUNICATION

DATE December 2, 1941

TO Secretary Morgenthau
FROM Vincent F. Callahan

I listened to the song "STAND UP AND FACE ABOUT" written by Mrs. Edwina McCarty Davis (Mrs. Robert Davis).

The lyrics are unsuitable. They urge that "we must go back over there" and "we must stop the nasty Nazi acts so gory". The music is equally as bad as the lyrics.

I do not recommend it.

Vincent F. Callahan

CONFIDENTIAL

UNITED STATES SAVINGS BONDS

Sales since May 1, 1941, by Months
On Basis of Issue Price

(In thousands of dollars)

Month	Series E			Series F	Series G	Total
	Post Offices	Banks	Total			
May	\$ 42,836	\$ 57,745	\$100,581	\$ 37,817	\$ 211,420	\$ 349,818
June	40,788	61,729	102,517	28,876	183,134	314,527
July	50,558	94,717	145,274	27,359	169,498	342,132
August	40,725	76,878	117,603	20,318	127,685	265,606
September	38,117	67,123	105,241	18,099	108,987	232,327
October	41,634	81,250	122,884	22,963	124,866	270,713
November	<u>37,997</u>	<u>71,478</u>	<u>109,475</u>	<u>18,978</u>	<u>105,035</u>	<u>233,487</u>
Total	<u>\$292,656</u>	<u>\$510,920</u>	<u>\$803,576</u>	<u>\$174,410</u>	<u>\$1,030,625</u>	<u>\$2,008,611</u>

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

December 2, 1941.

Source: All figures are deposits with the Treasurer of the United States on account of sales of United States Savings Bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES DEFENSE SAVINGS BONDS - SERIES X

 CONFIDENTIAL
 256

 Total Sales by Months and by States
 May - October 1941
 On Basis of Issue Price
 (In thousands of dollars)

State	May	June	July	August	September	October	Total
Alabama	\$ 565	\$ 815	\$ 1,041	\$ 697	\$ 771	\$ 906	\$ 4,796
Arizona	302	408	565	272	342	316	2,206
Kansas	427	513	645	534	667	662	3,447
California	4,845	5,075	11,279	8,041	6,275	7,475	42,991
Colorado	870	923	835	810	888	1,185	5,511
Connecticut	1,832	2,111	2,649	2,353	2,299	2,668	13,911
Delaware	200	269	257	232	244	232	1,433
D.C.	1,347	1,245	1,354	1,175	1,076	1,505	7,703
Florida	1,205	1,282	1,628	964	915	1,278	7,272
Georgia	813	829	1,423	1,607	1,344	1,418	7,435
Iaho	215	269	248	198	346	417	1,693
Indiana	7,195	7,542	11,435	10,583	9,524	10,156	56,435
Illiana	1,757	1,888	2,507	2,063	2,284	2,302	12,800
owa	1,313	1,430	1,868	1,605	1,493	1,653	9,362
ansas	874	1,005	1,256	1,086	1,409	1,372	7,002
Kentucky	793	1,042	1,167	1,004	1,048	1,043	6,098
Louisiana	933	892	1,622	1,058	966	1,027	6,498
Maine	552	530	623	563	657	705	3,630
Maryland	1,293	1,452	1,691	1,556	1,458	1,783	9,233
Massachusetts	4,499	4,610	6,357	4,870	4,116	4,986	29,438
Michigan	3,128	4,981	5,149	4,376	4,715	5,990	28,338
Minnesota	1,770	1,854	2,345	2,359	2,050	2,701	13,080
Mississippi	440	461	930	623	671	764	3,890
Missouri	3,413	4,069	4,791	4,141	3,264	3,719	23,398
Montana	375	396	555	484	616	829	3,256
Nebraska	669	716	850	740	830	896	4,701
Nevada	58	91	154	100	91	158	651
New Hampshire	318	277	444	367	335	409	2,149
New Jersey	4,951	4,953	5,879	5,209	6,642	6,311	33,945
New Mexico	110	133	168	210	236	307	1,163
New York	25,339	19,244	30,724	20,937	20,696	21,521	138,460
North Carolina	737	755	1,360	1,124	1,311	1,637	6,925
North Dakota	235	240	307	270	316	393	1,761
Ohio	5,169	5,716	7,218	6,554	5,684	6,655	36,997
Oklahoma	942	1,359	1,249	927	1,129	1,170	6,777
Oregon	1,380	1,774	1,530	1,382	1,611	1,504	9,180
Pennsylvania	6,955	7,488	8,636	11,896	10,239	8,551	53,765
Rhode Island	784	695	819	748	688	720	4,455
South Carolina	436	438	712	568	655	533	3,343
South Dakota	209	241	322	282	317	377	1,749

(Continued)

UNITED STATES DEFENSE SAVINGS BONDS - SERIES B

CONFIDENTIAL

257

Total Sales by Months and by States
 May - October 1941
 On Basis of Issue Price
 (Continued)
 (In thousands of dollars)

State	May	June	July	August	September	October	Total
Alabama	\$ 816	\$ 891	\$ 1,482	\$ 1,031	\$ 1,094	\$ 1,337	\$ 6,651
Alaska	4,340	4,377	8,947	5,690	3,414	3,370	30,138
Arizona	200	274	375	272	371	315	1,806
Arkansas	270	216	370	280	270	286	1,692
California	1,119	1,201	1,775	1,860	1,442	1,588	8,984
Colorado	1,738	2,040	2,296	1,737	2,193	2,019	12,023
Connecticut	572	614	859	641	759	945	4,391
Delaware	2,035	2,572	2,769	2,258	2,359	2,710	14,703
District of Columbia	154	184	228	187	231	245	1,230
Florida	1	4	98	38	28	74	244
Georgia	-	-	2	-	2	-	4
Idaho	90	130	251	235	373	475	1,555
Illinois	-	-	58	22	26	34	142
Indiana	-	-	-	-	3	1	4
Iowa	-	-	6	-	-	1	7
Virgin Islands	-	-	-	-	-	-	-
U. S. Navy	-	-	-	-	-	324	324
Total	\$100,581	\$102,517	\$144,105	\$118,825	\$112,782	\$121,961	\$700,772
Adjustment to deposits	-	-	+ 1,169	- 1,222	- 7,541	+ 924	- 6,671
Deposits with Treasurer of the U. S.	\$100,581	\$102,517	\$145,274	\$117,603	\$105,241	\$122,884	\$694,101

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

December 2, 1941.

Source: May and June post office sales by states were estimated by the Post Office Department on the basis of actual sales by 111 larger post offices. May and June bank sales by states were reported weekly by the Federal Reserve Banks. All of the above-mentioned reports have been prorated in this table to result in estimated sales equal to deposits with the Treasurer of the United States. July, August, and September sales were reported on a monthly basis by postmasters and by the Federal Reserve Banks. July and August sales are overstated for those states in which the twelve Federal Reserve Banks are located (with a corresponding understatement in the remaining states), since credit for all direct sales by Federal Reserve Banks in July and August was given to those states in which the Banks are located. Direct sales by all Banks in May and June, and by six Banks in September, were not reported by states, but an arbitrary distribution has been made in this table. Direct sales by all Federal Reserve Banks in October were allocated to states on the basis of address shown on duplicate stubs.

* Less than \$500.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

TREASURY DEPARTMENT

258

INTER OFFICE COMMUNICATION

DATE December 2, 1941.

TO Secretary Morgenthau

FROM Mr. Foley

For your information.

Larry Bernard has just advised me that the Acting Clerk of the Senate Committee on Banking and Currency called him this afternoon and said that Senator Glass wanted you to know that the Committee will begin its hearings on the Price Control bill on Tuesday, December 9, at 10:30 a.m.

Leon Henderson will be the first witness.
No other witnesses have been called at this time.

F. W. F.



TREASURY DEPARTMENT
WASHINGTON

December 2, 1941.

TO MR. BELL:

RE: Summary of meetings of the Joint Committee
on Reduction of Non-defense Expenditures -
December 1 and 2.

The morning session of the committee, December first, was taken up by representatives of the Bureau of the Budget explaining the basis for the WPA appropriation.

One of the points brought out in the discussion was that WPA is getting on the defense band wagon for it claims to have 350,000 persons now employed on defense projects, such as highways, airports, etc. Senator McKellar was very active in questioning the Budget Bureau representatives and continually asked where a savings could be made. Senator Byrd argued that the States should assume the burden of caring for workers displaced by the defense program by the use of their unemployment compensation system and the reserves built up for that purpose. Congressman Treadway asked that the Budget Bureau summarize its information with respect to WPA and show where further cuts could be made.

Mr. Smith, Budget Bureau Director, pointed out that the Budget had given consideration to the success of the program for subcontracting defense work in arriving at the current year's program. Mr. Smith pointed out that the Detroit Board of Commerce advised him that 40,000 workers will lose employment in Detroit automobile companies and that it will be some months before these employees are absorbed in the big Ford bomber plant and other defense plants being established in the Detroit area. He said labor unions furnished higher figures as to the number of employees who were being displaced.

The afternoon session on December first, which convened at 3:00 P.M. and adjourned at 4:30 P.M., was given over to the Budget Bureau representatives who explained the basis for the 1942 Agriculture Department appropriations.

Congressman Taber pointed out that the information furnished by the Budget Bureau with respect to the items of expenditures which

could be cut under the plan for reducing expenditures by one billion, one and a half billion and two billion dollars, did not contain any reference to expenditures made by the agricultural agencies from funds advanced by the RFC. He asked that the Budget supplement its report and include statements as to what cuts could be made in these items.

Senator McKellar observed that all agencies of the Government should deposit their receipts in the Treasury and all expenditures should come under budgetary control. Mr. Smith and other members of the committee agreed with this observation.

The Budget Bureau representative stated that the Agriculture Department at the beginning of the fiscal year had proposed reserves of \$131,000,000 from its appropriations, including unobligated balances from appropriations which have remained on the books for years, and that the Budget Bureau had increased reserves to \$167,000,000 which included \$92,000,000 for parity payments. It appears, however, that as of December first the \$92,000,000 reserve for parity payments will have to be released and only \$13,000,000 of this figure is currently available for reserve.

Senator McKellar and Congressman Doughton urged that the bureaus in the Department of Agriculture be consolidated because there were too many bureaus in that Department. Senator McKellar also pointed out that he thought there should be more savings by budget reserves from the Farm program than the Budget Bureau had indicated.

The morning session on December second, from 10:00 A.M. to 12:00 Noon, was given over to representatives of the Budget Bureau who discussed the appropriations for public works.

The Budget Bureau representative pointed out that in submitting estimates for 1942 appropriations new projects were eliminated and the going projects were continued at reduced rates. Mr. Smith pointed out that the President had given instructions when the Budget Bureau was formulating the Budget for 1942 to reduce all public works projects but that the Budget Bureau had found that a great number of projects had been started during the depression years and it took considerable amounts of money just to continue these projects at reduced rates. Many projects could not be stopped without losing the value of the work previously performed on them.

There was a general discussion of the committee's views with respect to reduction of the Public Roads program and Senator Byrd submitted a draft of the legislative provision to postpone one-half of the 1943 road authorization. This provision would have to be

attached to the pending Deficiency Bill when it gets to the Senate and Senators Byrd and McKellar thought the Senate would approve it. Senator McKellar limited his sponsorship of the cut in the road program only if there were substantial cuts in the NYA, WPA, and other programs. If the provision is placed in the bill in the Senate it becomes subject to a separate vote in the House when the bill is returned for agreement by that body.

There was a general discussion led by Senator McKellar and Congressman Taber in which it was advocated that Congress take some action to cover into the Treasury or rescind those parts of appropriations which had been set up in reserve by the Bureau of the Budget. Congressman Cannon pointed out that there was considerable feeling in the House against the practice of the Bureau of the Budget in placing appropriations in reserve on the grounds that by this method the Executive could overrule the action of the Congress in appropriating specific activities or projects. Budget Director Smith explained the basis for the Bureau's practice with respect to setting up reserves.

Senator McKellar brought up the matter of the recent defense highway bill and the action of the President in only submitting an appropriation to carry out part of the bill. Mr. Smith explained the basis for that action and said he had discussed the matter with Mr. MacDonald of the Public Roads Administration and that the estimate submitted by the President includes all cash and contract authorizations that are immediately required. Mr. Smith stated that Mr. MacDonald said he will proceed to apportion the strategic highway money among the various States as authorized by the bill, but that no cash was immediately required to cover these apportionments.

The latter part of the morning session on December second, from 12:00 Noon to 1:00 P.M., was given over to hearing representatives of the National Youth Administration. Mr. Lasseter, Deputy Administrator, was accompanied by Mr. Northrop and another assistant. Mr. Lasseter made a few general comments upon the number of students enrolled in their various programs and the method used for selecting such students, and at the request of Congressman Taber agreed to furnish certain data for the use of the committee.

Senator Byrd became active in questioning the NYA representatives. His questions were apparently based upon an examination made by the General Accounting Office of NYA activities in which numerous irregularities were alleged to have occurred.

Senator Byrd read a copy of a letter reported to have been written by Mr. Aubrey Williams to Mr. Miller, the State NYA Administrator in New Jersey, in which Mr. Williams pointed out that as a result of the defense program there were apt to be many vacancies

in the NYA enrollment and that while Mr. Miller should not undertake any general publicity, he should quietly but intensively work to increase enrollment in NYA. Senator McKellar asked Mr. Lasseter to ascertain whether similar letters went out to all State Administrators.

Senator Byrd raised a number of points which had apparently been a subject of criticism in NYA activities, such as holding public meetings to recruit students for enrollment, the number of automobiles and trucks operated, the amount of travel expenses, the use of project funds for administrative expenses, the use of telephones for conferences, etc. Mr. Lasseter explained that a complete report commenting upon all the exceptions raised by the General Accounting Office had been furnished to the House Subcommittee on Appropriations and that he would be glad to furnish a copy of such report for the information of the committee.

The committee adjourned at 1:00 P.M. to meet again on Thursday morning, December 4.

I will prepare more detailed memoranda of the meetings as soon possible.

WLB

HARRY PLATT BIRD, SENATOR FROM VIRGINIA, CHAIRMAN
ROBERT L. DOWDITCH, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN

SENATE

W. F. GEORGE, SENATOR FROM GEORGIA
W. M. LA FOLLETTE, JR., SENATOR FROM WISCONSIN
CLAYTON ALLEN, SENATOR FROM VIRGINIA
ELLENOR W. HULLAR, SENATOR FROM TENNESSEE
LEONARD F. BICE, SENATOR FROM NORTH CAROLINA

HOUSE OF REPRESENTATIVES

THOMAS S. COLLIER, REPRESENTATIVE FROM NEW YORK
ALLEN T. TUCKERMAN, REPRESENTATIVE FROM MASSACHUSETTS
CLARENCE GARDNER, REPRESENTATIVE FROM MISSOURI
CLYTON A. BROWN, REPRESENTATIVE FROM VIRGINIA
JOHN TARDY, REPRESENTATIVE FROM NEW YORK

HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY
HAROLD D. SMITH, DIRECTOR OF THE BUREAU OF THE BUDGET

263

Congress of the United States

JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL
FEDERAL EXPENDITURES
CREATED PURSUANT TO SEC. 801. OF THE REVENUE
ACT OF 1941

December 2, 1941 s.

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

My dear Mr. Secretary:

The next meeting of the Joint Committee on
Reduction of Nonessential Federal Expenditures will
be held Thursday, December 4, at 10:00 a.m., in the
House Ways and Means Committee Room in the Capitol.

With best wishes, I am

Faithfully yours,

Harry J. Burch

3-4-41
to not accompany
(Told Burch)

10/25/41 - 50000

TREASURY DEPARTMENT

264

INTER OFFICE COMMUNICATION

DATE DEC - 2 1941

TO Secretary Morgenthau
FROM Mr. Pehle (Through Mr. Foley and Mr. Gaston)

Pursuant to your request a special investigation was made by the Intelligence Unit with reference to Otto Jeidels. The report indicated that amounts of \$100,000 and \$106,576.60 had been received into Jeidels' accounts with Lazard Freres & Company and transferred to Hubert G. Hohe and Hans Ditisheim respectively. It was explained that these items were accommodation transfers from Europe of funds of two refugees who were unable to effect cash transfers by other means. You referred the report to me and asked for an explanation as to how this sort of thing could happen.

A further investigation was made with respect to this matter and it was established that the transfers in question were effected in 1940, long prior to the freezing of Swiss funds.

Certain other aspects of this matter, uncovered in our investigation, are being pursued further and you will be advised of any significant developments.

J. Pehle
S. 11. 7. 41

TREASURY DEPARTMENT

265

INTER OFFICE COMMUNICATION

DATE DEC - 2 1941

TO

Secretary Morgenthau

FROM

Messrs. Foley and Pehle

Up to November 29, 1941, 2057 replies to your letter addressed to presidents of all banks concerning the freezing control had been received. A thorough analysis of the suggestions contained in such letters has been made and there is attached a speech which is being given at various meetings in connection with our public relations program. It incorporates the main suggestions made by the bank presidents and describes what action we are taking in response to such suggestions.

J. W. Pehle
J. W. Pehle

December, 1941.

THE BANKERS' SUGGESTIONS ON FOREIGN FUNDS CONTROL.

The Foreign Funds Control was instituted a little more than a year and a half ago. In April 1940, when Norway and Denmark were invaded, their assets in this country were immediately frozen. The Treasury was faced with a new job, one which it has had to learn as it went along and as new problems arose. Just as this war is different from any that history has known, so the methods of meeting acts of economic aggression have had to be new and different to most new conditions.

In this task of economic defense, the Treasury relies upon the banks as its front line. The Treasury feels that it must be able to count upon the cooperation of every one of the thousands of banks in this country. Every bank, large and small, metropolitan and rural, has an important role in this program of economic defense.

Realizing this, the Secretary of the Treasury recently addressed a letter to the president of every bank in the country. Many of you received such a letter, but I should like to read it here:

"Dear Mr. President:

"Here in Washington we are anxious to learn more about any difficulties you may be encountering with respect to the freezing of foreign funds.

"It is no easy task to administer freezing control. I know that it may have raised a number of serious problems for you. I should like to hear from you about these problems and at the same time receive your views on how we can do a better job.

"What can we do to make your job easier? Do you have enough information? If not, what else can we send you? What kind of problems are causing you difficulty? Are the Federal Reserve banks and the Treasury Department giving you the kind of assistance you need? Do you see loopholes we are missing? If so, how can we plug them? Are we unnecessarily strict in some areas? Where?

"You are on the firing line. If you can give me your suggestions, we at the Treasury can better understand your problems and improve our efforts. We shall distribute generally our answers and discussions of general questions and problems which are raised.

"If you have not already done so, I hope you will give the Federal Reserve bank in your district the name of the senior officer of your bank who has been placed in charge of freezing control problems for your bank.

"I shall appreciate very much hearing from you as soon as possible."

Thousands of replies were received. The Department was, of course, tremendously gratified to learn from many of these responses that almost all problems which had arisen had been satisfactorily cleared up by the Treasury with the assistance of the Federal Reserve Banks. But more gratifying still, was the fact that many bank presidents gave the Secretary helpful suggestions.

The request was no idle gesture, and the suggestions were genuinely appreciated. Immediately we set to work analyzing them and making use of them. I want you to know, and I hope you will tell your colleagues in the banking profession, that we are actually placing these suggestions in effect as rapidly as the plans can be worked out.

The principal point raised was that the Control is too complicated — that the problem of determining whether an account should be blocked was unnecessarily difficult, and the instructions and documents too involved.

General License 42-A, issued a few days ago, on November 27, 1941, is the first and a very real step in simplifying the procedure. Prior to the issuance of 42-A, in order to determine whether an account should be

- 3 -

blocked, the banker often had to ascertain whether the depositor was merely residing in this country or whether he was both resident and domiciled here. Since persons here under visitors' visas could not become domiciled here, it was necessary for the banker to determine the type of visa held by the depositor, whether it was a quota visa, visitors' visa, treaty trader's visa, or a visa of some other type. Secondly, the banker had to determine the particular "effective" date involved. For instance, if the depositor was a citizen of Denmark, it was necessary for him to have been residing and domiciled in the United States since April 8, 1940, whereas if the depositor were a French national, the "effective" date was June 17, 1940.

Under 42-A this whole procedure has been greatly simplified. First, the domicile requirement has been removed and it is no longer necessary that the type of visa on which the depositor is in the United States be ascertained. Secondly, the "effective" date in all cases has been made June 17, 1940.

Since the determination of what accounts should be blocked is the keystone of the freezing control, the simplification of the blocking procedure is a major step in making the Control itself more simple and more readily administered by each individual bank throughout the United States.

As a further step to meet the suggestion received from many bankers, the Treasury is preparing a bulletin which will state in plain and simple

- 4 -

language exactly how a bank should proceed in blocking accounts. We have also adopted the procedure of issuing a press release coincident with the issuance of important new documents. The purpose of the press release is to explain in layman's language the nature, purpose, and effect of the regulation.

Another point raised by the bankers who replied to the Secretary's letter, was that there were long delays in getting action on applications for licenses. To meet this criticism it was suggested that more authority be given to the Federal Reserve Banks to act on such applications without prior reference to the Treasury in Washington.

As in the case of many of the suggestions made by the banks, the Treasury was already working hard to solve the problem. I believe you will find the following results to be encouraging. Adopting a program of decentralization -- that is, of giving the Federal Reserve Banks greater latitude for independent action -- we have now arrived at the point where approximately 66% of all applications filed are acted upon without prior reference to the Treasury. In July there was held in Washington a conference of officers of all Federal Reserve Banks for the purpose of thoroughly familiarizing them with the policies of the Control, and for discussion of problems which had arisen in their districts. In addition, officers of several of the banks have been brought to Washington for instruction, and our present program calls for a continuous exchange of views through consultation, letters of instructions, and circulars to be sent out to the Federal Reserve banks. To facilitate this work, we have set

up a special unit in the Foreign Funds Control for the purpose of maintaining close operating liaison with all of the Federal Reserve banks.

A drive has been made to reduce the amount of pending work in our own office in Washington. You are entitled to expect that applications filed by you will receive prompt and efficient handling. Where you do not receive a prompt decision it will be because your application falls in a category in which the broad policy has not been determined. An example of this latter group is the "food package cases". A tremendous amount of work was done in studying the problem raised by these cases. In many instances, the food package business was a racket, designed to produce dollars for the use of the Axis. After careful consideration of the entire problem and all of its ramifications, the policy was determined and the applications denied. The Control is still studying groups of cases related to the attachment of funds belonging to persons in the invaded areas, and those which seek to set up trust funds of various descriptions and for various purposes. In cases where prompt action cannot be given because the application raises questions of policy which have not been determined, the applicant will be notified through the Federal Reserve Bank that such is the case.

For the rest of the cases, we feel we are definitely solving the time problem and that we can assure bankers of prompt attention to the applications which they, or their customers, file.

The Federal Reserve Banks are adding personnel to their staffs for the purpose of rendering more prompt service, and providing a group of

-6-

trained people to deal with the many and varied problems arising under the freezing control.

Some of the bankers objected to the reporting requirements. Here again there is much that the Treasury can do and is doing to meet the problem. The Treasury was much gratified at the reception accorded the TFR-300 program, the few objections and the genuinely cooperative spirit in which the banks undertook this arduous task. The Treasury wants banks to know that the exhaustive information called for in the TFR-300 is being put to good use by the Treasury Department. Promptly upon receipt of the reports they are carefully edited, the information is correlated, and the necessary studies are made in order to answer the problems which are daily arising in the administration of the Control. As an example of this, the census reports were of major assistance to the Treasury Department in deciding upon the issuance of General License 42-A. They enabled the Treasury to ascertain how many people would be affected by General License No. 42-A, the amount, type, and location of the assets held by such persons, and many other significant facts. Thus, the work spent by the bankers in preparing the census reports has already paid dividends in simplifying the bankers' own task of administering the Control.

All of the report requirements are being re-canvassed in order to ascertain whether the report is actually needed and whether it can be furnished in more simplified form.

-7-

As another example of the use to which reports may be put, an examination of those filed under General License 9, which permitted trading in commodity futures by blocked nationals, formed the factual basis for amending and virtually revoking such license.

And so, here again, the Foreign Funds Control has, in response to the constructive suggestions of bankers all over the country, taken action, and is giving study to further action designed to meet their views.

Many banks have asked that the Alien Registration Lists be made available to them, and the Control has carefully considered their views. The suggestion that the List be made available to the banks was only rejected after careful study. The tests used to determine whether a person should register as an alien, and whether he is a blocked national are altogether different. The Alien Registration List contains some 6,000,000 names, only a very minute proportion of which are blocked nationals. The overwhelming majority of aliens in the United States are either nationals of non-blocked countries such as the British Empire and Latin America, or generally licensed nationals. On the other hand, many blocked accounts are not the accounts of aliens at all. It was also felt that making the list available would result in unnecessarily alarming the alien population, the great majority of which are loyal Americans, with attendant confusion, disturbed banking relations, and possible runs on banks.

- 8 -

After consideration of all the advantages and disadvantages, it was felt that the use of the Alien Registration List by banks would present practical difficulties outweighing its value.

It has been suggested that, when the Treasury blocks an account by specific notice to the bank, the bank in question be notified of the "nationality" of the account holder. It is, of course, important that an account, for example, be blocked not only as Swiss but also as German in order that the Swiss general license not be operative over such an account. This suggestion has been adopted and is being put into effect.

Many banks feel that in refusing to issue licenses for lack of sufficient information the Treasury should specify the information desired. The Treasury is meeting this point by specifying wherever possible, at least in general terms, the information lacking in the original application. It is of course not always possible to do this; some applications merely contain a statement that a license is desired to transfer funds from one account to another, with no indication as to the nature of the underlying transaction involved. Much of this problem would be solved if you would put yourself in the place of the Control and when filing applications give the information which you would want in order to pass upon the case. The banker is in the best position to know the really significant elements of a proposed transaction and to explain them in sufficient detail to the Treasury.

It was suggested that licenses be granted for longer periods. This is being done wherever possible. The Treasury is now issuing in many cases

- 9 -

business enterprise licenses for periods as long as six months, and other licenses for comparable periods.

A few bankers suggested a general license under which trade could be conducted with certain areas regardless of whether a blocked national was involved. General License Number 53 accomplishes this very purpose, and permits trade with large areas of the world to go on freely without specific licenses being issued. These areas include the United States, Latin America, the British Empire, the Dutch East and West Indies, the Free French areas, the Belgian Congo and others.

Many bankers suggested that applications and reports filed by them should not be required to be executed under oath. This problem is being studied to see what action the Treasury can take to meet the Bankers' suggestions. We have already taken action to meet this problem. The Treasury has permitted many reports to be filed under one covering affidavit. Furthermore, you will note that many reports, such as TFR-132 and TFR-111, need not be notarized.

Time does not permit me to discuss in detail each suggestion raised in the letters received by the Secretary of the Treasury, but I hope I have demonstrated that the Treasury is carefully weighing the suggestions and taking action thereon to meet the problems which the individual banker faces.

I might mention one other suggestion made by the bankers. They suggested that regional meetings be held at which persons familiar with the Foreign Funds Control could discuss the many problems with the banking

- 10 -

community. This meeting is in response to this suggestion. As you know, these meetings are being conducted in many of the principal cities across the continent in order that the problems of freezing control may be brought home to the local banker and his individual suggestions and difficulties dealt with.

As you know, these conferences have been organized with the cooperation of the American Bankers' Association, which is rendering the Department assistance of the greatest value. The officers of the Federal Reserve Banks, the secretaries of state bankers' associations, the bankers whom the American Bankers' Association has selected, and National and Federal Reserve bank examiners are being made familiar with the Foreign Funds Control and prepared to carry the Foreign Funds' message to bankers and other groups throughout the country.

In its huge task, the Treasury needs all the help it can get. It needs the continued cooperation of the banking community to make Foreign Funds Control work, and to close the loopholes which bankers better than anyone else are in a position to detect. It welcomes and encourages your suggestions in our common task. Rest assured that the Treasury will act promptly and effectively upon your suggestions.

December 2, 1941.

My dear Mr. President:

You will remember sending me a letter which you had received from Mr. Newton Reid. Mr. Reid inquired about the standing of the New Hackensack landing field in connection with the present program of defense. Your memorandum of November 21st asked me to suggest a reply.

Feeling that I was not in a position to speak on the question of policy involved, I asked Robert Hinkley to consider the matter and to write me about it. For your information, I am sending you a copy of his letter to me, together with the suggested reply that he has prepared for your signature.

Faithfully yours,

(Signed) H. Hergenthan, Jr.

The President,
The White House.
Enclosures.

GH77cbs

*Delivered by Secret Service
4:35*

C
O
P
Y

THE WHITE HOUSE
WASHINGTON

277

Dear Mr. Reid:

Receipt is acknowledged of your letter of November 16, 1941, referring to a proposal before the County Board of Supervisors to acquire the New Hackensack intermediate landing field in Dutchess County, and asking to be advised if the acquisition of this field by the County would be in the interest of defense.

The Civil Aeronautics Administration is charged with the development of airports which have been approved as necessary to national defense by a board composed of the Secretaries of War, Navy, and Commerce. Under the policy established for this program only those sites are improved which are owned by a political subdivision of government which agrees to accept responsibility for the maintenance and operation of the airport. The New Hackensack Airport would not be eligible for improvement in this program unless the site were in public ownership. In order that you may be advised in more detail with respect to the possibility of this improvement being undertaken in the defense program, I have referred your letter to the Administrator of Civil Aeronautics who will advise you in further detail.

Very sincerely yours,

Mr. Newton Reid
Reid School of Aeronautics
New Hackensack, New York



THE ASSISTANT SECRETARY OF COMMERCE
WASHINGTON

278

November 28, 1941

My dear Mr. Secretary:

I have your letter of November 26, 1941, enclosing a memorandum from the White House and the letter from Mr. Newton Reid of the Reid School of Aeronautics, inquiring as to the desirability of the County of New Hackensack taking over the New Hackensack intermediate landing field and operating it as a field for the general use of aviation.

We have just recently investigated the desirability of improving this landing field which is now private property leased by the Civil Aeronautics Administration. However, the field as it stands meets in general the standards established for our intermediate fields which are not ordinarily operated for general aviation use.

Our defense airport program includes the development only of airports owned by local political subdivisions which are willing to accept the responsibility for their operation and maintenance. I believe that under the policies which we are encouraging it would be most advantageous for this site to be owned by a local public body rather than leased by the Civil Aeronautics Administration, as manifestly it is most undesirable for the Civil Aeronautics Administration to enter into the maintenance and operating field for airports in general use by aviation. The precedent involved would be far-reaching.

It is also possible that with local public ownership the improvement of this Airport might be included in the defense airport program, provided its operations are of sufficient importance to the President to so warrant. However, I doubt the advisability of the President declaring this policy and, accordingly, I would suggest that the reply to Mr. Reid be along the lines indicated in the attached draft.

Very sincerely yours,

Robert H. Hinckley
Robert H. Hinckley

Enclosure

The Honorable
The Secretary of the Treasury
Washington, D. C.

November 26, 1941

Dear Bob:

The President has sent me the inclosed correspondence. Frankly, I do not know how to answer it because I don't know what your policy is in a situation like this.

I would appreciate it very much if you would send me a memorandum covering this situation which I, in turn, could send to the President.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Robert Hinkley,
Assistant Secretary of Commerce,
Commerce Department,
Washington, D.C.

By hand - 4:15 Brown

THE WHITE HOUSE
WASHINGTON

280

November 21, 1941.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

What do you think and will
you tell me what I should say in
reply?

F. D. R.

COPY

REID SCHOOL OF AERONAUTICS

231

New Hackensack, N. Y.

November 16, 1941

Honorable Franklin D. Roosevelt
Hyde Park, Dutchess County
New York

Dear Mr. President:

There is at this time a proposal before the County Board of Supervisors to acquire the New Hackensack Intermediate Landing Field. Dutchess County has long been unaware of the roll it could play in helping to develop civil aviation but now when aviation is so vital to our war effort, it is just beginning to awaken.

The Civil Aeronautic Administration in its policy to promote and extend aviation and aviation facilities, is offering to turn over the New Hackensack field to the county upon the provision that the county purchase the land which the government now has under lease.

At present the field is operated as an intermediate landing field where commercial flight training and airline and airmail service is not permitted. Also, the present policy of the C.A.A. toward defense airports requires that the land be owned by a county or city before federal appropriations be made for further improvement such as runway extensions, building of hangers etc. All of which would indicate beyond a doubt that it would be to the advantage of not only the county but the nation as a whole to acquire the airport for these services. And this can only be done if the county take it over.

We would heartily appreciate your cooperation in making it known that such acquisition would be in the interest of our defense program and in the interest of our county welfare and is approved by you.

Most sincerely yours,

(Signed) Newton Reid

Newton Reid

THE WHITE HOUSE
WASHINGTON

282

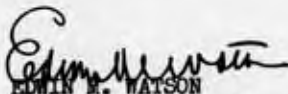
December 2, 1941.

Dear Mr. Secretary:

Donald Connolly of the Civil Aeronautics Administration just sent me his final report regarding your suggestions for certain improvements at the New Hackensack, New York, airport, and I attach hereto for your information a copy of his letter.

With kind personal regards, I am,

Very sincerely yours,



EDWIN E. WATSON
Secretary to the President.

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



DEPARTMENT OF COMMERCE
CIVIL AERONAUTICS ADMINISTRATION
WASHINGTON

292

OFFICE OF THE ADMINISTRATOR

November 28, 1941

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

My dear General Watson:

In your memorandum of November 5, 1941, you enclosed a letter from the Secretary of the Treasury, together with a memorandum from the Commandant of the United States Coast Guard, recommending certain improvements at the New Hackensack, New York, airfield, and asked for the recommendations of this office.

The New Hackensack, New York, airport is maintained by the Civil Aeronautics Administration as an intermediate field on the airway between New York City and Albany. These intermediate fields are provided largely for emergency landings of aircraft utilizing the airway rather than for the general use of aircraft, and the field as now developed meets the general standards provided for such intermediate airports.

If the airport is to be utilized for general aircraft operations its improvement would be desirable. Recently we have arranged for the removal of trees on the northeast end of the Northeast-Southwest runway and the southeast end of the Southeast-Northwest runway. However, the owners of the trees at the southwest end of the Northeast-Southwest runway forming one of the more important obstructions have refused to consider any reasonable proposition for the removal of the trees in this area other than the outright purchase of the entire property, for which they have set a price of \$30,000. This price is considered excessive and it is doubtful if the property could be obtained at a fair price except by condemnation proceedings.

The desirable improvements at the field are estimated at approximately \$75,000. This does not include the restoration of teletype circuit weather data which is not believed essential at this airport, since information relative to terminal forecasts and winds aloft is immediately available to a pilot taking off from this field by calling either the Albany, Newark, or New York radio.

Major General Edwin M. Watson
Page 2
November 26, 1941

While the cost of the improvements deemed desirable at this field, if it is to be operated for the general use of aviation, is relatively small, I would not recommend these improvements being undertaken while the field is maintained as an intermediate landing field, since the operation of such a field for general purposes will establish a far-reaching precedent involving the many other fields of this type maintained by the Civil Aeronautics Administration to provide emergency landing areas along the federal airways.

The only other source of funds which could be used to develop this field would involve its inclusion in the defense airport program. No projects have been developed under this program except where the sites are owned by a local political subdivision of government which is prepared to accept responsibility for the operation and maintenance of the field for general aviation use. Since it would be difficult to expand this field to have runways more than 3500 feet in length, I doubt if either the Army or the Navy would be primarily interested in its future development for defense purposes. However, I feel certain that the Airport Approval Board composed of the Secretaries of War, Navy, and Commerce would approve the inclusion of the field in the defense airport program, provided its use by important visitors were considered of sufficient importance to so warrant. If you will advise me accordingly I will be very glad indeed to present it to the Board. However, I would not recommend its improvement in this program solely in the interests of general aviation. Moreover, its inclusion in the defense program would depend on the willingness of county officials to acquire the site and to operate and maintain the developed property.

Respectfully,

DONALD H. CONSOLE
Administrator of Civil Aeronautics

December 2, 1941.

MEMORANDUM

TO: The President
FROM: Secretary Morgenthau

With respect to the attached letter recommending the appointment of Mrs. Nan Wood Honeyman as Collector of Customs at Portland, Oregon, to succeed Collector Fred Fisk upon the expiration of his term on April 30, 1942:

(1) Mrs. Honeyman has informed us that she would be somewhat embarrassed if the nomination were to go to the Senate while she is still in Washington. She will be here until the end of this week. She also hopes that it will be possible to inform Judge Fisk before the fact that she has been nominated is made public.

(2) Ed Flynn has indicated to us his strong objections to the nomination and has asked for time in which to lay his case before you.

(Signed) H. Morgenthau, Sr.

Enclosure.

REG:pm

File to Mr. Thompson

H. M. E.

December 2, 1941.

Dear Mr. President:

I have the honor to recommend the appointment of Honorable Nan Wood Honeyman of Portland, Oregon, as Collector of Customs for Customs Collection District No. 29, with headquarters at Portland, Oregon, to succeed Judge Fred Fisk whose term of office will expire on April 30, 1942.

Mrs. Honeyman is sixty years of age. She was educated in the Portland schools and was graduated from St. Helens Hall and later attended Finch School in New York. She was elected a Representative to the State Legislature in 1934 and served during the regular and special sessions of 1935. Mrs. Honeyman was elected to the Seventy-fifth Congress representing the Third Congressional District of Oregon and served from January 1936 to January 1938.

I am transmitting herewith a nomination for Mrs. Honeyman's appointment.

Faithfully yours,

(Signed) H. Roosevelt, Jr.

The President,

The White House.

File to Mr. Thompson

THE WHITE HOUSE

_____, 194_

To the

SENATE OF THE UNITED STATES

I nominate **NAN WOOD HONEYMAN** of Portland, Oregon,
to be Collector of Customs for Customs Collection District
No. 29, with headquarters at Portland, Oregon, to succeed
Judge Fred Fisk whose term of office will expire on
April 30, 1942.

Hotel Richemond,
Geneva.

2.XII.41

My dear Mr. Secretary,

A Swiss manufacturer tells me that a number of Swiss industries that have been working for Germany, making chiefly instruments of precision and other things used in war for which a high degree of technical skill is required, are now finding that the Germans can no longer supply them with the necessary raw materials, as they are bound to do by contract. The Germans are insisting on the Swiss drawing for the purpose on their own stocks, which the Swiss are unwilling to do.

In these circumstances, certain Swiss manufacturers would like to suggest to the U.S.A. an arrangement on the same lines as one they formerly had with the U.S.S.R: they would continue manufacturing, using their own raw materials, for U.S.A. account, the U.S.A. financing them and the Swiss stocking the goods until it becomes possible to export them in agreement with the U.S.A. I understand that feelers have been or are shortly to be put out to this effect.

The idea seems to be a sensible one. There is the risk that the Germans may invade Switzerland and seize these manufactures. But (a) whether the Germans, assuming they do invade Switzerland, seize the manufactures or the raw materials is a secondary question, and (b) it is hard to understand why Germany, if she were going to invade Switzerland, has not done so already. It is not impossible that the present leaders of Germany wish to preserve Switzerland as a place to which they might be able to withdraw with some of their spoils on the day when Germany gets too hot for them and there is nowhere else for them to go.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington.

-2-

Anyway, it is nice to find the minds of Swiss
manufacturers turning in the direction above indicated.

With kind personal regards,

Very sincerely yours,

Royall Tyler
Royall Tyler

DEC 2 1941

Dear Sir:

This will acknowledge receipt of your letter of November 22nd with reference to the President's Executive Order of November 19, 1941 providing for the requisition of property needed for national defense with the approval of the Office of Production Management, and to which you annexed a copy of the opinion of the General Counsel for the Lend-Lease Administration relative thereto.

This is a matter which concerns the Procurement Division of this Department. I am arranging that the Director of Procurement be fully informed concerning this subject with a view to taking action under the provisions of this Executive Order should occasion require, with the approval of the Office of Production Management.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. E. N. Stettinius, Jr., Administrator
Office of Lend-Lease Administration
515 22d Street, N. W.
Washington, D. C.



OFFICE OF LEND-LEASE ADMINISTRATION 291
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

November 26, 1941.

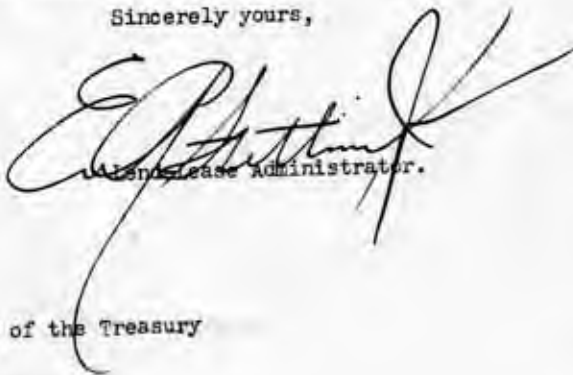
Dear Mr. Secretary:

As you know, the President, on November 19, 1941, issued an Executive Order providing that your agency could requisition property needed for national defense with the approval of the Office of Production Management.

This requisitioning authority should help to expedite lend-lease procurement. We are now in a position to eliminate delays caused by the demands of a few suppliers for exorbitant prices.

It is the opinion of the General Counsel for the Lend-Lease Administration that the bill applies to all the types of property which are being procured with Lend-Lease funds. I am attaching a copy of this opinion for your information and use.

Sincerely yours,



Lend-lease Administrator.

The Honorable

The Secretary of the Treasury

Enclosure

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

November 24, 1941

TO: Mr. E. R. Stettinius, Jr.
FROM: Oscar Cox
SUBJECT: Application of the Requisition Act to the Lend-Lease Procurement

In the procurement of defense articles under the Lend-Lease Act there have already occurred instances where we have been obstructed by the owner of the property holding out for outrageous prices. A recent example is the case where the owner of two machine tools urgently needed by the British has demanded twice their fair value. Each time this happens our procurement of necessary defense articles is either entirely defeated or seriously delayed by lengthy negotiations. Such instances will undoubtedly increase rather than diminish in the future. The power to requisition defense articles under such circumstances is essential to the Lend-Lease program.

On October 16, 1941 the so-called Requisition Act (Public Law No. 274, 77th Cong. 1st Session) was approved by the President and became law.

This raises two questions:

(1) Whether the power to requisition and dispose of property provided in the Requisition Act may be used to carry out the procurement program under the Lend-Lease Act.

(2) Whether the definition of property subject to requisition under the Requisition Act includes the various types of property being procured under the Lend-Lease Act.

That part of the Requisition Act relevant here provides that:

"whenever the President * * * determines that (1) the use of any military or naval equipment, supplies, or munitions, or component parts thereof, or machinery, tools, or materials necessary for the manufacture, servicing, or operation of such equipment, supplies, or munitions is needed for the defense of the United States; (2) such need is immediate and impending and such as will not admit of delay or resort to any other source of supply; and (3) all other means of obtaining the use of such property for the defense of the United States upon fair and reasonable terms have been exhausted, he is authorized to requisition such property for the defense of the United States * * * and to dispose of such property in such manner as he may determine is necessary for the defense of the United States * * *"

I

The Requisition Act May Be Used in Connection with the Procurement and Disposal of Property Under the Lend-Lease Act.

Both the language of the Requisition Act and its legislative history make perfectly clear that the requisitioning power may be used for Lend-Lease purposes.

(a)

The language of the Requisition Act specifically states that the President —

"is authorized to requisition * * * property for the defense of the United States * * * and to dispose of such property in such manner as he may determine is necessary for the defense of the United States".

The words "for the defense of the United States", which constitute the only limitation of the purpose for which property may be requisitioned and disposed of, necessarily include procurement and transfer under the Lend-Lease Act because the use of all Lend-Lease property is restricted to those countries, "whose defense the President deems vital to the defense of the United States". (Lend-Lease Act, Public Law No. 11 — 77th Cong., 1st Session, approved March 11, 1940, Sec. 3(a)(1) and (2)).

(b)

The legislative history of the Requisition Act likewise conclusively proves that the Congress intended that the requisitioning power should be availed of for Lend-Lease purposes.

During the hearings before the Senate Military Affairs Committee it was suggested that the use of the requisitioning power be limited "for the purpose of equipping the armed forces

of the United States", instead of "for the defense of the United States". Senator Hill, a member of the Committee, and Under Secretary of War Patterson, who was testifying in favor of the bill, both carefully pointed out that this change should not be made because it would prohibit the use of the requisitioning power for Lend-Lease purposes. (Hearings before the Committee on Military Affairs, Senate, on S. 1579, (pp. 216-218) 77th Cong. 1st Sess., (part 2, July 16, 1941). And before the House Military Affairs Committee, Under Secretary Patterson again took care to point out that the language "and to dispose of such property in such manner as he may determine is necessary for the defense of the United States" authorized the use of the requisitioning power "to carry out the terms of the Lend-Lease Act". (Hearings before the Committee on Military Affairs, House, on S. 1579 and H. R. 4959, (p. 13) 77th Cong. 1st Sess., (July 31, 1941).

In the debate on the floor, Senator Chandler, the sponsor of the bill in the Senate, unequivocally stated that the broad language providing for the disposal of property was included in the bill for the specific purpose of permitting property to be requisitioned and disposed of for Lend-Lease purposes. (Cong. Rec. D.I., July 21, 1941, Volume 87, No. 133, pp. 295, 297). In the House debates, Mr. Faddis, one of the proponents of the bill,

made a similar statement. (Cong. Rec. D.I., August 5, 1941, Vol. 87, 143, p. 6939).

II

The Definition of Property Subject to Requisition Under the Requisition Act includes all the Types of Property Procured Under Lend-Lease to Date.

Property subject to requisition under the Requisition Act is defined:

"* * * any military or naval equipment, supplies, or munitions, or component parts thereof, or machinery, tools, or materials necessary for the manufacture, servicing, or operation of such equipment, supplies, or munitions * * *"

Defense articles subject to procurement and disposal under the Lend-Lease Act are defined:

- "(1) Any weapon, munition, aircraft, vessel, or boat;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any agricultural, industrial or other commodity or article for defense."

Of course many types of Lend-Lease defense articles consist of such military weapons as guns, tanks and planes, or their component parts, or materials or tools necessary for their manufacture.

These constitute such typical examples of the terms military equipment or supplies in their most restricted sense that no discussion is necessary beyond mere reference to the bare words of the Requisition Act to indicate that they can be requisitioned.

There are, however, such other major types of Lend-Lease property as food for civilians and materials which are not directly used only by armies and navies of countries whose defense is vital to ours. But there, too, the purposes and legislative history of the Requisition Act require an interpretation of its scope sufficiently broad to include such types of property.

(a) The purpose of the definition of property in the Requisition Act, as stated throughout the hearings and debates, was to grant the President in one law a broad general power of requisition for defense. The Congress was seeking to avoid the error of the last War when some twenty separate acts were passed each providing for the requisitioning of various types of property. As stated by both the Senate and House Committees on Military Affairs, the intent was to include "any property which may be necessary in the preparation of our military and naval defense" and to omit only property "having no connection with military or naval defense". (S. Rep't No. 565, p. 2, July 18, 1941; H. Rep't No. 1120, pp. 2-3, August 4, 1941 — 77th Cong. 1st Sess.)

An important part of our military and naval defense is the sending of aid to Lend-Lease countries whose continued resistance to Axis aggression is vital to our defense. The Congress declared this policy in the Lend-Lease Act and reaffirmed it here by taking care to provide that the Requisition Act could be availed of in carrying out the Lend-Lease Act. It is thus clear that any property which is essential to the defense of these countries is part of the preparation of our military and naval defense within the purpose of the Requisition Act.

(b) The legislative history establishes beyond question that the Congress intended the definition of property in the Requisition Act to include all such types of property as have been procured to date under Lend-Lease.

The Congress advisedly adopted a definition of property almost identical to that used in two previous acts:

(1) The Act of July 2, 1940 (Section 6 of Public No. 703, 76th Cong. 3rd Sess.) which authorized the President, in the interest of national defense, to prohibit or curtail the exportation of

"any military equipment or munitions, or component parts thereof, or machinery, tools, or material, or supplies necessary for the manufacture, servicing, or operation thereof,"

(11) The Act of October 10, 1940 (Public No. 829, 76th Cong. 3rd Sess.) which authorized the President in the interest of

national defense to requisition

"any military or naval equipment or munitions, or component parts thereof, or machinery, tools, or materials, or supplies necessary for the manufacture, servicing, or operation thereof,"

whose exportation had been denied under the Act of July 2, 1940.

The definition of property in both these previous acts is, if anything, less extensive than that in the Requisition Act. In the former the word "naval" is omitted and in each the word "supplies" is omitted from the beginning of the definition. Therefore, any property included within the definition of these acts must necessarily be within that of the Requisition Act.

In their administration these acts have been interpreted to include all the types of property which have been procured to date under the Lend-Lease Act, and this interpretation was made before the passage of the Requisition Act. (An example of the many types of property whose exportation is considered subject to control under the Act of July 2, 1940 appears in Export Control, Schedule Z, promulgated by the Administrator of Export Control on July 22, 1941, Fed. Reg., July 22, 1941.

It is certain that the Congress had in mind the types of property which had been included in the administration of these previous acts when it adopted an even broader definition of property in the Requisition Act. The administrative interpretation of these

acts was public knowledge. For a period of approximately a year prior to the passage of the Requisition Act lists of property whose exportation was subject to control under the Act of July 2, 1940 had been repeatedly promulgated in proclamations of the President and orders of the Administrator of Export Control — all of which were published in the Federal Register. There was also repeated and frequent requisitioning under the Act of October 10, 1940 of property whose exportation had been prohibited under the Act of July 2, 1940.

In the debates on the floor of the House, Representative Short, an opponent of the bill, called attention to Under Secretary of War Patterson's statement to the House Committee that the Requisition Act was patterned on the Acts of July 2 and of October 10, 1940, and thereupon proceeded to quote from Export Control Schedule Z, published on July 22, 1941 in the Federal Register listing the types of property whose exportation was subject to curtailment or prohibition under the Act of July 2, 1940. Questioned as to whether the Requisition Act definition of property would include all the property in the list which he had read, Mr. Short referred to the identity of language between the two acts and answered, "There can be absolutely no doubt about it". (87 Cong. Rec. D.I., pp. 6932-6934, August 5, 1941). Another member of the House, Mr. Smith, pointed out that this list promulgated

under the Act of July 2, 1941 was "made to include everything possible under it", so that the Administrator of Export Control could determine whether the exportation of such articles would be detrimental to the interests of national defense (87 Cong. Rec. D.I., 6934, August 5, 1941); but he did not urge that the definition of property in the bill under consideration was any less extensive than that of the Act of July 2, 1940. Any such intention would have been contrary to the statements of the sponsors of the bill and the interpretations by the Committee on Military Affairs which reported the bill.

Under Secretary Patterson testified to the Senate Military Affairs Committee that "the words * * * used there (i.e. in the bill) * * * are in substance the same as * * * the Act of October 10, 1940, under which the President may requisition these same kinds of articles if he has denied an export license for their shipment abroad". (Hearings before the Committee on Military Affairs, Senate, on S. 1579, 77th Cong. 1st Sess., June 23, 1941, p. 94, emphasis added). This statement did not go unnoticed by the Senate Committee. Senator Reynolds, its Chairman, called attention to it and then proceeded to read to the Committee the Act of October 10, 1940 (Hearings before the Committee on Military Affairs, Senate, on S. 1579, 77th Cong. 1st Sess., June 23, 1941, p. 109-110). And the Senate Committee

Report pointed out that the Requisition Act definition of property was "similar to that adopted by the Congress" in the earlier act of July 2, 1940 (S. Rep't No. 565, p. 2, July 18, 1940 — 77th Cong. 1st Sess.)

Likewise before the House Committee on Military Affairs, Under Secretary Patterson stated the bill was patterned after the Act of October 10, 1940. And Mr. May, Chairman of the Committee, called attention to the fact that one section of that Act "is in the identical language of one of the sections of this proposed act". (Hearings before the Committee on Military Affairs, House, on S. 1579 and H. R. 4959, 77th Cong., 1st Sess., July 21, 1941, pages 6-7). Reference was made to both these acts in the House Committee Report. (House Rep't No. 1120, p. 5, August 4, 1941).

CONCLUSION

In my opinion, all the types of property which have been procured to date under the Lend-Lease Act may be requisitioned under the Requisition Act and disposed of to any lend-lease country.

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

303

TELEPHONE: REPUBLIC 7880



BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

December 2, 1941

SECRET

Dear Dr. White:

The figures at the close of business on November 28th are as follows:

Total Gold (Including Belgian)	427
Official dollar balance	<u>98</u>
Total Gold and Dollars	525
Less: Belgian Gold	105
Scattered Gold	46
Reserve against immediate liabilities	<u>10</u>
AVAILABLE GOLD AND DOLLARS	364

I do not know, but I should guess that some part of the special receipts of South African gold must account for the moderately substantial rise in the gold holdings.

Yours sincerely,

T. K. Bewley
T. K. Bewley

Dr. H. D. White
Director of Monetary Research
United States Treasury
Washington, D. C.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of Sir Henry Self,
who encloses weekly Statement No. 28,
covering aircraft flight delivery as at
December 1, 1941

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

December 2, 1941

DECEMBER 1, 1941

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 28

1. LIBERATOR II off Contract F-677

(a) Destined for United Kingdom

42 AT DESTINATION
 1 at Gander
 11 at Montreal
 1 en route Montreal
 2 at Detroit
 1 en route Detroit
 1 at Wright Field
 4 at Albuquerque, N.M.
 15 at Long Beach
 3 at San Diego
 81

(b) Destined for Middle East

2 en route Destination
 3 at Bolling Field
 1 at Detroit
 1 en route Detroit
 9 in California
 16

2. HUDSON V (LONG RANGE)

off Contract A-1749

211 AT DESTINATION
 (173 in U.K.; 38 at Debert)
 2 at Montreal
 1 at Detroit en route Debert
 6 under repair
 220 *

3. HUDSON III (LONG RANGE)

off Contract A-68

208 AT DESTINATION (U.K.)
 8 at Montreal
 1 at LaGuardia Field, N.Y.
 19 for U.S.A.A.C.
 Familiarisation Program
 1 at Long Beach
 237 **

4. HUDSON III off Lease-Lend
Contract AG-5

3 AT DESTINATION (Debert)
 20 Diverted to U.S. Navy
 12 en route Detroit
 10 at Sacramento, Cal.
 3 at Long Beach
 48

5. CATALINAS off Contracts A-2587
F-210, A-37, AUG-58, CAN-78

111 AT DESTINATION
 (84 in U.K.,
 9 in Singapore,
 18 in Australia)
 9 at Dartmouth
 4 in Bermuda
 23 at Elizabeth City, N.C.
 6 at Pensacola, Fla.
 (diverted to U.S. Navy)

153

* Excluding five which crashed—
two in the United States and
three after leaving.

** Excluding ten which crashed—
three in the United States,
three in Canada, and four
route U.K.

LOCATIONS	LIB.II To U.K.	LIB.II To M.E.	HUD.V	HUD.III	L - L HUD.III	CATAL.	TOTAL
AT DESTINATION	42		211	208	3	111	575
En route Destination		2					2
Gander	1						1
Montreal	11		2	8			21
En route Montreal	1						1
Bolling Field		3					3
Detroit	2	1					3
Detroit en route Debert			1				1
En route Detroit	1	1			12		14
California		9					9
Dartmouth							9
Bermuda						4	4
Elizabeth City, N.C.						23	23
Long Beach	15			1	3		19
San Diego	3						3
Sacramento					10		10
U.S.A.A.C. Familiarisation Program				19		6	19
Diverted to U.S. Navy					20		26
Wright Field	1						1
LaGuardia Field, N.Y.				1			1
Albuquerque, N.M.	4						4
Under repair			6				6
	81	16	220	237	48	153	755

PARAPHRASE OF TELEGRAM RECEIVED

306

FROM: American Embassy, London, England.

DATE: December 2, 1941, 10 p.m.

NO.: 5817.

THE FOLLOWING IS FROM AMBASSADOR WINANT FOR
SECRETARY MORGENTHAU.

Your message concerning contact with the Select Committee on national expenditure, which was forwarded on the 24th of November from Washington, has been discussed with me by Mr. Lauren W. Casaday. In my opinion a direct approach to the Committee in order to get the information you desire would be a political mistake. However, the information in question and the other material you requested can be procured and are being prepared for you.

Published reports of the Committee have already been forwarded to Washington under cover of various reports and despatches. However, you will receive a complete set by the earliest pouch.

In response to the Department's telegram No. 5189, dated November 13, 1941, regarding the excess profits tax the Embassy is also taking steps to elicit further opinions.

There is no one among my co-workers here with whom I enjoy working more than Mr. Casaday. I hope the reports submitted by Casaday have been satisfactory.

I appreciate your kind letter of the 18th of November and the copy of the address you gave at Worcester.

WINANT

C
O
P
Y

DEPARTMENT OF STATE
WASHINGTON

For Miss Chauncey

307

December 2, 1941

In reply refer to
FD 311.413/234

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and with reference to previous correspondence regarding an inquiry from Mr. W. H. A. Bell, London, England, as to the possibility of transferring United States bonds to the United States by witnessed destruction, cancelation, or registration and re-issue in the United States, and with reference to a relevant discussion between officers of the Department and Messrs. Heffelfinger, Bartelt, Cunningham, Barnes, Broughton and Kilby on August 20, 1941, encloses a copy of telegram No. 5279, dated November 6, 1941, from the American Embassy, London, England.

Enclosure:

From Embassy, London,
No. 5279, November 6, 1941.

RAS

PLAIN

London

Dated November 6, 1941

Rec'd 11:00 a.m.

Secretary of State,

Washington.

5279, sixth.

FOR TREASURY

Embassy's 2159, May 28.

Embassy's 2662, June 27. Department's 2530, July 11,
Embassy's 3554, August 11 and Department's 3280, August 21.

Mr. Bell is anxious to learn of decision on the subject referred to in the above. He is reluctant to pay for any further telegrams without getting the desired information and ignores bill presented for last telegram charged to him. Hence I take this means of calling attention to his inquiry.

WINANT

DJD

Copy:bj:l2-2-41

C
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309

TELEGRAM SENT

FH

DEPARTMENT OF STATE
WASHINGTON

December 1, 1941

3 pm

In reply refer to
FD

December 2, 1941

AMERICAN CONSUL,

HONG KONG, (CHINA.)

The Secretary of State presents his compliments to
the Honorable the Secretary of the Treasury and encloses
herewith copies of telegram no. 437, dated December 1, 1941,
to the American Consulate General at Hong Kong for Mr. A.
passenger, have secured reservation for September for
Manuel Fox from the Secretary of the Treasury.
December 10, 1941 at Hong Kong. Please confirm that he
will make this plane.

WILL
(PL)

FD:FL:ME

Enclosures:

To American Consulate
General, Hong Kong,
no. 437, dated
December 1, 1941.

Copy:bj:12-3-41

Copy:bj:12-3-41

TELEGRAM SENT

PD

GRAY

December 1, 1941

3 p.m.

AMERICAN CONSUL,

HONG KONG, (CHINA.)

437.

FOR FOX FROM THE SECRETARY OF THE TREASURY.

QUOTE By arranging for the elimination of another passenger, have secured reservation for Taylor for December 10, 1941 at Hong Kong. Please confirm that he will make this plane.

HULL
(FL)

FD:FL:ME

Copy:bj:12-3-41

C
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311

DEPARTMENT OF STATE

Washington

In reply refer to
FD

December 2, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses herewith copies of telegram no. 510 from the American Consulate General at Hong Kong, dated November 26, 1941, concerning a confidential statement from the Chairman of the Stabilization Board of China.

Enclosures:

From American Consulate
General, Hong Kong,
no. 510, dated
November 26, 1941.

eh:copy
12-3-41

C O P Y

WM

GRAY

312

Hong Kong via N. R.

Dated November 26, 1941

Rec'd 4:24 p.m.

Secretary of State,

Washington.

510, November 26, 10 a.m.

Department's 984, to Shanghai.

Following confidential statement just received from Chen, Chairman Stabilization Board of China: "Since first September, the board's exchange allocations in respect of tobacco leaf imports have been distributed as follows: Yee Tsoong Tobacco Company (British-American tobacco company) : September: United States dollars 650,000, October: United States dollars 550,000, November: United States dollars 500,000.

Nanyang Brothers: September: United States dollars 10,000, October: United States dollars 40,000, November: United States dollars 50,000.

Foreign importers (superior?) Chinese cigarette factories: Universal Leaf Tobacco Company, Carolina Leaf Tobacco Company, Dibrell Brothers, Pemberton and Penn Federal Incorporated, China-American Tobacco Company, A. C. Monk and Company, W. B. Miller Tobacco Company, collectively: September: United States dollars 90,000, October: United States dollars 150,000, November: United States dollars 150,000"

Sent to the Department repeated to Shanghai and Chungking for the Ambassador and for Fox.

SOUTHARD

HTM

Copy:bj:12-3-41

C
O
P
Y

313

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD

December 2, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses herewith copies of telegram no. 555, dated December 1, 1941, from the American Embassy at Chungking, China, transmitting a message for the Secretary of the Treasury from Mr. A. Manuel Fox.

Enclosures:

From American Embassy,
Chungking, China,
dated December 1, 1941,
no. 555.

Copy:bj:12-3-41

C
O
P
Y

314

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China.

DATE: December 1, 1941, 3 p.m.

NO. : 555.

This is message TF-0

THIS IS STRICTLY CONFIDENTIAL FOR THE SECRETARY OF THE
TREASURY FROM FOX.

This refers to telegram no. 984 sent by the State Department to Shanghai in which there was transmitted a request of the Department of Agriculture for information concerning the exchange allotments for tobacco of the Board. Following a discussion of the matter with Ambassador Gauss I requested the Chairman of the Board to furnish a statement to Southard (see no. 510 from Hong Kong). As of possible interest the following information is given.

In August the Board assigned exchange for tobacco among banking representatives in the United Kingdom and United States. On the seventh of September, when I returned from Manila, I gave my consent to the plan which had already been formulated provided that they declare in a public statement that they would refrain from dealing in the black market. The allotment of the British-American Tobacco Company was based on the recommendation made by Mackay, representative of the importers of American leaf tobacco. The allotment to independent importers has been increased.

and the exchange granted to BAT has been decreased. The Board has been urged by Mackay to increase its monthly allotment for BAT to one million dollars although we are considering the curtailment of BAT'S allotment in our program for December and we hope that the independent's allotment can be maintained. In Chinese Government circles in Chungking there is strong feeling against the granting of ANY exchange for imports of tobacco in Shanghai. Department of Agriculture should be informed (?)

GAUSS

Copy:bj:12-3-41

COPY

FEDERAL RESERVE BANK
OF NEW YORK

316

OFFICE CORRESPONDENCE

CONFIDENTIAL

DATE December 2, 1941

TO Mr. Knoke

SUBJECT: Dealings in U. S. Dollars in

FROM W. H. Rozell

Shanghai "Black" Market.

Although activity in the Shanghai "black" market appears to have subsided in recent weeks, clandestine dealings in U. S. dollars may still constitute a potentially serious loophole, not only in the Chinese exchange and import controls, but in our freezing regulations as well. The demand for U. S. dollars in the "black" market emanates, of course, from those who because of the freezing regulations otherwise have no access to dollars which they wish to acquire. This group in the past has included not only Chinese nationals who were attempting to import goods for which the Chinese Stabilization Board would not supply exchange cover, but also pro-Axis interests, who have thus been able to acquire dollars, which are acceptable in any foreign country.

Until recently, the demand in the "black" market in Shanghai apparently has been satisfied, at least in part, by (1) the supply of American bank notes available in Shanghai; (2) drafts drawn on free dollar accounts in the United States; (3) the dollar proceeds of exports to the United States which the exporter has disposed of through link transactions with importers and others, instead of turning them over to the Chinese control; and (4) triangular operations involving third currencies, such as the Thailand tical, with which the buyer could purchase dollars in Bangkok. Of these sources of supply, the first two are probably the easiest to control by measures taken from our end. In addition to the offerings of bank notes by hoarders who are attracted by the high rates, the "black" market, according to various reports, has presumably been fed by sales of notes and dollar drafts by American military and diplomatic representatives in China, who are taking advantage of the wide margin

between the "black" market and official rates and thus compensating themselves at least in part for the sharp rise in prices in Shanghai. As the Chinese Stabilization Board - Mr. Fox, in particular - has urged repeatedly, this source of supply could be stopped by measures taken by the various Government Departments. Of course, the recent recall of our marines will automatically close one important source of supply. Steps aiming at shutting off the supply of sterling apparently have been taken by the British authorities.

This, however, would still leave untapped the supply of currency in private hoards or already in Axis hands. The amount of American bank notes hoarded in Shanghai has been variously estimated at anywhere from \$10 million to \$34 million, with one estimate placing the amount held there by Germany alone at \$7 million. The only really effective approach to the problem of dealing with American currency now held outside the United States is to take steps not only to cut off the supply but also to curtail the demand by restricting the uses to which the currency can be put. As to restricting the supply, the export of American currency to China is already prohibited - at least theoretically - by the Executive Order of June 14, 1941, as amended. However, because of the high premium on American bank notes in Shanghai, it is very likely that considerable amounts are being shipped there directly or indirectly in violation of our regulations. As long as the demand persists, the restriction against its export can only be enforced by a rigid inspection of all outgoing mail and of all those leaving the country - a step which would entail considerable administrative work and which would probably give rise to much public resentment. There would be less need for such strict enforcement of the export ban, however, if the import of American bank notes were prohibited. By restricting, by means of an embargo upon its import, the usefulness of our currency to foreigners, the demand would automatically be curtailed. However, such an embargo, to be effective, must

not be limited to Shanghai, but must apply to all foreign countries. For as long as currency can be imported to the United States from other areas, notes acquired by pro-Axis interests can be readily disposed of in other markets. Germany herself adopted an embargo on the import of German bank notes back in 1935, and the British prohibited the further import of sterling notes in August, 1940. That an over-all embargo would go far in curtailing the demand for U. S. currency in Shanghai, as well as in other centers, is evidenced by various reports from Shanghai that fears of just such a move have been one of the principal factors in keeping the premium on American currency from going even higher. In order to avoid hardships to non-Axis hoarders of American currency, arrangements could be made at the imposition of the embargo to allow certain foreigners to realize on their holdings for a brief period. In the case of Latin American holders, arrangements could presumably be made with the various monetary authorities to permit, for a specified period, their own nationals to dispose of their American bank notes. This period should vary with each country and should represent the shortest possible time necessary to ship the American bank notes to the United States. As for China, and for that matter for all other blocked countries, a similar arrangement could be made with the provision that the proceeds be credited to a blocked dollar account, subject to our freezing control. After the period of grace, the further importation would be prohibited entirely. One safeguard against smuggling would be to stamp all bank notes in the United States at that time in order to distinguish them from those which may later illegally enter the country. However, our experience in calling in gold certificates and the large size currency has shown that bank notes in the public's hands are extremely slow in returning from circulation. It is possible, therefore, that the administrative problems involved in stamping the outstanding currency within a short space of time might be greater than would be warranted by the amount of currency which might be smuggled into the country. Even if the currency were

stamped, it would, of course, still be necessary to guard against the illegal import into this country of stamped bank notes, unless an effective export ban were imposed.

Returning to the Shanghai "black" market, an embargo on the further import of our bank notes would not, of course, affect link transactions between exporters and importers of banned goods. Chungking's powers to deal with this type of illicit dealing have, however, already been considerably strengthened by the recent revision of General License No. 58, which, as you know, now requires that imports into China from the United States can be effected only if financed with dollars acquired from the Chinese control and exports to the United States, only if the proceeds are sold to the control. The issuance of the new general license (No. 75), providing that all dollars in payment of remittances to China be made available to the authorities, should restrict further the supply of exchange reaching the "black" market. This tightening of our control, and indirectly that of the Chinese authorities, will probably also go far in curbing the financing of banned imports through the medium of third currencies, such as the Thailand tical.

In summary, the recent tightening of the general licenses to China should be supplemented by (1) steps to prevent American representatives in China from disposing of dollars in the "black" market, if such has not already been done, and (2) an embargo on the import of American currency from abroad. This would not only drastically curtail what is left of Shanghai "black" market dealings, but would close a serious loophole in our freezing regulations.

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DEPARTMENT OF STATE
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Buenos Aires
TO: Secretary of State
DATED: December 2, 4 p.m.
NO.: 1358

Alonzo Irigoyen will arrive in Washington by plane December 7. He will discuss the following:

1. The over-all purchasing program of the Federal Loan Agency.
2. Priorities.
3. Possible credits under lend-lease, including the method of financing such defense material purchases as may be negotiated by Argentine Army and Navy missions now en route to Washington. He will be familiar with the appropriations made for this purpose by the Argentine Congress.
4. Possibility of keeping the sixty million dollar Export-Import Bank credit open and, so far as Treasury loan is concerned, he would like to discuss with the Treasury the possibility of some new arrangement for which the Argentine Government has ample authority to negotiate.
5. He would like to explore the possibilities of some long-range form of monetary arrangement with South American countries, based on the dollar, to meet post-war situation which he understands our Treasury Department is considering.

EO:JSE:DT 12-8-41
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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN CONSUL, CURACAO
TO : Secretary of State, Washington
DATED: December 2, 1941, 12 p.m.
NO. : -----

CONFIDENTIAL ----- NOT FOR PUBLICATION

The Curacao Government has imposed severe restrictions on dollar imports on account of the lack of dollar exchange.

There are twenty classes into which merchandise is divided covering all groups of import restrictions being most burdensome on luxury articles and least stringent on essential foodstuffs. This measure does not limit trade with sterling countries, the Dutch East Indies, or Nether lands Guiana, there being no lack of sterling exchange, but imports from the United States will probably be adversely affected.

HUDDLESTON

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12-8-41

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PARAPHRASE OF TELEGRAM RECEIVED

322

FROM: AMEMBASSY, MEXICO, D.F.
TO : Secretary of State, Washington.
DATED: December 2, 1941
NO. : 683

With reference to the Embassy's despatch no. 1491 (14091 ?) dated October 24, 1941, the Embassy is now informed by the American Petroleum Export Corporation, Los Angeles, California, Banco Nacional de Mexico, that it has received instructions from the Shanghai branch of the Chase Bank to pay to Bunge, North American Grain, New York, \$31,000 and to the Bank of Manhattan, New York, \$15,000 on account of the Netherlands Trading Society. It will go forward today through the Pan American Trust Company, New York, corresponding instructions to effect these payments according to the statements of the Banco Nacional de Mexico, which adds that it has received no instructions with respect to the approximately 1,300,000 pesos remainder. It is also stated by the Banco Nacional de Mexico that the oil deal was canceled according to information which it has received and that these funds have been released to the North American syndicate by the American Petroleum Export Corporation.

MCGURK

Copy:bj:12-5-41

PARAPHRASE OF TELEGRAM SENT

TO: American Legation, Bangkok, Thailand
DATE: December 2, 1941, midnight
NO.: 161

This telegram is in reference to the Legation's telegram of November 27, 1941, no. 537.

It is suggested that you note telegram no. 140, sent by the Department on the 6th of November, 1941, concerning making dollars available immediately in receipt of notice from you by telegraph that rubber has been shipped.

The attention of the Department is being currently and sympathetically given to the question of credit assistance to Thailand.

HULL

For Miss Chauncey

TREASURY DEPARTMENT

324

INTER OFFICE COMMUNICATION

DATE December 2, 1941.

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£72,000
Purchased from commercial concerns	£15,000

Open market sterling remained at 4.03-1/2, and there were no reported transactions.

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	11-1/2% discount
Argentine peso (free)	.2385
Brazilian milreis (free)	.0515
Colombian peso	.5775
Mexican peso	.2070
Uruguayan peso (free)	.5275
Venezuelan bolivar	.2590
Cuban peso	1/8% discount


There were no purchases or sales of gold effected by us with foreign countries today.

No new gold engagements were reported.

In London, a price of 23-1/2 d was again fixed for both spot and forward silver, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢. It has been reported that, since November 28, 1,225,000 ounces have been sold in the market at 35-3/8¢.

We made no purchases of silver today.



325

BRITISH EMBASSY,
WASHINGTON, D. C.

PERSONAL
AND SECRET

December 2, 1941.

Dear Mr. Secretary,

I enclose herein for your personal and secret information copies of the latest reports received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.

Copy No. 14

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 13

30 November, 1941

LIBYA. 30 Nov. Intense fighting continued on main front EL DUDA, SIDI REZEGH, BIREL HAMID with enemy endeavouring to sever TOBRUK Corridor with attacks from North East and South West.

During morning our armoured forces repulsed attack from West by 24 tanks and later attacked ARIETE Division to East destroying 16 out of 40 Italian tanks, ARIETE Division withdrew Northward towards GAMBUT pursued by 2 of our columns.

Enemy in frontier area continue to resist stoutly.

BRITISH WEST SECRET

(U.S. SECRET)

322

OPER. No. 12

Information received up to 7 a.m. 1st December, 1941.

(I) NAVAL

On the 29th a 5,000 ton British Merchant Vessel in an outward bound country blew up after being torpedoed by U-boat 150 miles North East of the AZORES. There were no survivors.

(II) MILITARY

LIBYA. During the fighting on 29th November the enemy succeeded in capturing EL DUBA towards evening but was driven out by a counter attack during the night. The Italian Ariste Division is believed to have suffered heavy casualties on 29th.

In the Frontier area, the situation is being cleared up.

RUSSIA. Central Sector: The German thrust from the KLIN

Area on MOSCOW has gained ground both in Easterly and South-Easterly directions. Further German progress has also been made West of MOSCOW in the area NOVO PERHOVSKOE. A new German attack from the area TULA - USLOVAYA has made considerable progress North-Eastwards in the direction of KASCHIRA and RYZAN. The thrust Eastwards towards RIZHISK has reached SKOPIN. South-East of GREL another German advance has also been made. General - The battle for MOSCOW still continues and the Germans appear to be attempting to carry out an encircling movement in case their direct attack fails. Their Eastward advance from the TULA area already seriously threatens the MOSCOW - RIZHISK - VERONESHKH Rd Line. The Russian success at BOSTOV will at least temporarily delay the German passage over the River DON and subsequent advance into the CARRASIS.

(III) AIR OPERATIONS

30th/1st. 245 Aircraft, including 26 heavy were dispatched. Hamburg 180, Baden 50, Ostend 3, See-landing 8, Land-Sea 4. 19 bombers are missing and two others crashed, but the crews are safe. Coastal command aircraft successfully bombed a 5,000 ton merchant vessel off the Prussian Islands, which was last seen sinking fast. A 4,000 ton vessel was attacked and a large explosion was seen mid-ship, another ship of 6,000 tons was probably hit.

LIBYA. 29th November. 5 medium bomber squadrons and some Hurricanes bombers attacked concentrations of M.T. and other military objectives near EL ADEM and SIDI REZEGH, several fires were started among the vehicles and a work-shop was destroyed. Fighters shot down two enemy fighters, probably destroyed one and damaged one. Some large enemy air formations were reported.

29th/30th November. 35 Wellingtons attacked the harbour and shipping at BENGHAZI and 5 others bombed DERNA landing ground.

30th. A Maryland Squadron bombed M.T. near EL ADEM and started a large fire among dumps. One offensive fighter patrol of two Tomahawk Squadrons intercepted 30 Ju. 87's with fighter cover, over EL GOBI, they destroyed 9 enemy aircraft, damaged 14 others and forced the dive-bombers to jettison their bombs. 4 Tomahawks were lost but the pilots are safe. A reconnaissance Me. 110 was also shot down near BARDIA.

Central Mediterranean. 30th - Elenheims attacked a 4,000 ton Merchant Vessel off NAVARINO, the ship was set on fire and the crew were seen abandoning her, another 2,000 ton ship was damaged.

(IV) G.A.F.

Nothing of importance to report.

LIBYA. 29th November. Enemy aircraft again attacked SIDI BARRANI railhead, no details available.

(V) AIRCRAFT CASUALTIES in operations over and from the British Isles. British, 19 missing.

(VI) LATE NEWS

The Coastal Command operations in paragraph 3 were by R.C.A.F. aircraft.

RESTRICTED

329

G-2/2657-220; No. 558 M.I.D., W.D. 11:00 A.M., December 2, 1941

SITUATION REPORT

I. Eastern Theater.

Ground: The Russians are continuing their attempts to break out of Leningrad.

The German advances to the east, north and south of Moscow are still making progress.

In the Donets Basin the situation remains extremely obscure. No confirming information available. Apparently the Germans are withdrawing to the west toward Toganrog.

Air: German sources claim that the Luftwaffe has scored bomb hits on an aircraft factory near Rybinsk, on the Volga River, attacked Russian transport movements on the ice of Lake Ladoga, and continued destruction of rail communications east of Tichvin. Last night German bombers attacked Leningrad, as well as Soviet airfields behind the northern sector of the front.

II. Western Theater.

Air: R.A.F. raiders bombed the docks at Kristiansund, in German-occupied Norway, last night.

German planes last night raided ports on the British southwest coast. Yesterday German bombers sank a 2000-ton freighter and damaged 2 other ships off the coast of Britain.

III. Middle Eastern Theater.

Ground: Heavy fighting continues in the Rezegh area. The German 15th and 21st Armored Divisions have joined in this area and Rezegh and Bir el Hamed are held by the Axis. The situation remains extremely confused.

Italian counter measures have developed against the Long Range Desert Group patrols operating south of the Jebel el Akhdar.

The situation on the frontier remains quiet. No news from the force at Gialo.

Air: An Italian communique stated that a British cruiser was said to have been sunk in the Mediterranean by Italian torpedo-carrying aircraft.

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