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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, June 13, 1941.
6/12/41

The Secretary of the Treasury, by this public notice, invites tenders for \$200,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated June 18, 1941, and will mature September 17, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, June 16, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on June 18, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

- oOo -

June 13, 1941
9:02 a.m.

HMJr: Hello.

Operator: Mr. Graves.

HMJr: Hello.

Harold Graves: Hello, sir.

HMJr: Harold?

G: Yes sir.

HMJr: I'm sending in to you Tom Stokes' article last night on Florida procurement.

G: Yes.

HMJr: Just for the matter of safety I don't know who - whether we have one man who does our buying down there for Florida or whether he covers several states.

G: Just one.

HMJr: Well, just give it the once over, will you?

G: Yes sir.

HMJr: Right away?

G: Yes sir.

HMJr: And look into all the contracts that they have been letting - you know I'd just give it a check, make sure we don't get caught.

G: Sure, I'll take care of it. He's had some trouble that I happen to know about down there.

- 2 -

HMJr: Well, I got that one report about that one thing and we were all right on that.

G: Yeah, we were.

HMJr: But I don't know whether there are other things- and I don't know whether the man who does our buying was put in there by Pepper or not.

G: I don't either, but I'm inclined to think not. I think he's a - he was there before Pepper became Senator, but I'll.....

HMJr: Anyway, I think I'd have the office give it the once over.

G: I'll do it.

HMJr: I'd do it right away.

G: Yes sir. Would you like me to be in there at 9:30?

HMJr: 9:30?

G: Colonel Donovan is coming in as I understand.

HMJr: I tell you - he wants to tell me something about the President first.

G: Surely, well I'll stand by.

HMJr: You stand by.

G: Fine. Goodbye.

June 13, 1941.

MEMORANDUM FOR THE SECRETARY'S RECORD

Meeting in Secretary Morgenthau's Office
Tuesday, June 10, 1941

Present: Secretary Morgenthau, Secretary Jones,
Mr. Bell, Mr. Foley, Mr. White

After discussion re handling of liquidation of British assets in this country (described in report by Mr. Cochran) Mr. Morgenthau asked Mr. Jones what Mr. Jones would think of a proposal to reduce FHA loans from the present level of 90 percent to the former level of 80 percent of the cost of the home. Mr. Morgenthau stated that the change would have the advantages of (a) causing many prospective home builders to save more before building homes and thereby curtail the demand for other products, (b) reducing the demand for housing products, and (c) make possible a return to the 90 percent at some time in the future when it would be desirable to stimulate increased home building.

Mr. Jones said he thought it was a good idea and that he could do it by regulation instead of by statute. He said he would talk it over with his boys and see what could be done about it.

H. D. White

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 13, 1941

TO Secretary Morgenthau

FROM Mr. Haas

I am attaching hereto four tables that may be helpful in connection with the refunding of the RFC and CCC issues maturing on July 20 and August 1, respectively. These tables have been prepared from the data received in the Treasury survey of bank and insurance company holdings of securities issued or guaranteed by the United States. From the first two tables you will note that ownership data are available for 89 percent and 86 percent, respectively, of the total amount of these issues outstanding. The names of the twenty-five largest holders of each of these issues and the amount of their holdings on May 31 appear in Tables 3 and 4.

Attachments

Table 1

RFC 7/8 Percent Notes Maturing on July 20, 1941

Ownership of the \$211.5 Millions Outstanding by
the Various Classes of Investors, April 30, 1941

(Dollar figures are millions)

Class of investor	: Amount : owned	: Percent of : total
1. Banks		
a. 6 large N.Y.C. commercial banks....	\$ 91.0	43.0
b. 789 other commercial banks.....	88.0	41.7
c. 25 mutual savings banks.....	<u>5.8</u>	<u>2.7</u>
Total 820 banks.....	\$184.8	87.4
2. Insurance companies.....	3.0	1.4
3. Government agencies and trust funds....	<u>.5</u>	<u>.2</u>
Total for which ownership data are available.....	\$188.3	89.0
4. All other investors.....	<u>23.2</u>	<u>11.0</u>
Total amount outstanding.....	<u>\$211.5</u>	<u>100.0</u>

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

June 12, 1941.

Table 2

CCC 5/8 Percent Notes Maturing on August 1, 1941

Ownership of the \$202.6 Millions Outstanding by
the Various Classes of Investors, April 30, 1941

(Dollar figures are millions)

Class of investor	: Amount : owned	: Percent of : total
1. Banks		
a. 7 large N.Y.C. commercial banks....	\$ 39.4	19.4
b. 1,044 other commercial banks.....	101.7	50.2
c. 29 mutual savings banks.....	<u>4.8</u>	<u>2.4</u>
Total 1,080 banks.....	\$145.9	72.0
2. Insurance companies.....	<u>28.4</u>	<u>14.0</u>
Total for which ownership data are available <u>1</u> /.....	\$174.3	86.0
3. All other investors.....	<u>28.3</u>	<u>14.0</u>
Total amount outstanding.....	<u>\$202.6</u>	<u>100.0</u>

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

June 12, 1941.

1/ Government agencies and trust funds do not own
any of this issue.

Table 3

RFC 7/8 Percent Notes Maturing on July 20, 1941

Amount Owned on May 31, 1941 by the Twenty-Five
Largest Holders Reporting to the Treasury

(In millions of dollars)

Guaranty Trust Co., New York.....	75.4
National Bank of Detroit, Michigan.....	6.4
Bank of Manhattan Co., New York.....	6.0
Irving Trust Co., New York.....	5.0
Bankers Trust Co., New York.....	3.5
City National Bank & Trust, Chicago.....	3.1
Brown Brothers Harriman & Co., New York.....	3.1
Union Trust Co. of Pittsburgh.....	3.1
Colorado National Bank, Denver.....	2.8
First National Bank, Boston, Mass.....	2.7
Riggs National Bank, Washington, D. C.....	2.5
Cleveland Trust Co., Cleveland, Ohio.....	2.5
First National Bank, Shreveport, La.....	2.1
Camden Trust Co., Camden, N.J.....	2.0
State Bank of Albany, New York.....	2.0
Union County Trust Co., Elizabeth, N.J.....	1.8
State Planters Bank & Trust, Richmond, Va.....	1.6
Fidelity Union Trust Co., Newark, N.J.....	1.5
Peoples Savings Bank in Providence, R.I.....	1.5
Marine Midland Trust Co., New York.....	1.4
Bank of North Dakota, Bismarck, N.D.....	1.2
First National Bank of Chicago, Chicago, Ill.....	1.1
First National Bank, Kansas City, Mo.....	1.0
Huntington National Bank, Columbus, Ohio.....	1.0
American Trust Co., San Francisco.....	1.0
Total amount owned by 25 largest holders.....	<u>135.3</u>
Total amount outstanding.....	<u>211.5</u>
Percent of total owned by 25 largest holders.....	64.0%

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

June 12, 1941

Table 4

000 5/8 Percent Notes Maturing on August 1, 1941

Amount Owned on May 31, 1941 by the Twenty-Five
Largest Holders Reporting to the Treasury

(In millions of dollars)

Metropolitan Life Insurance Co., New York.....	16.0
First National Bank, New York, N.Y.....	14.4
Commerce Trust Co., Kansas City, Mo.....	8.5
Bank of Manhattan Co., New York.....	8.5
French American Banking Corp., New York, N.Y.....	8.1
J.P.Morgan & Co., Inc., New York.....	6.3
National Bank of Detroit, Detroit, Mich.....	6.1
Bankers Trust Co., New York.....	6.0
Lumbermen's Mutual Casualty Co., Chicago, Ill.....	4.2
Brown Brothers Harriman & Co., New York.....	3.2
Bank of North Dakota, Bismarck, N.D.....	3.1
City National Bank & Trust, Chicago.....	2.7
Manufacturers' Trust Co., New York.....	2.7
First National Bank, Boston, Mass.....	2.3
First National Bank of Chicago, Chicago, Ill.....	2.2
American Trust Co., San Francisco.....	2.0
First National Bank, Shreveport, La.....	2.0
The Detroit Bank, Detroit, Mich.....	1.9
New York Life Ins. Co., Madison Square, New York...	1.8
Anglo-California National Bank, San Francisco.....	1.8
Bank of America N.T. & S.A., San Francisco.....	1.6
United States National Bank, Portland, Ore.....	1.3
First Huntington National Bank, Huntington, W.Va...	1.3
Central Missouri Trust Co., Jefferson City, Mo.....	1.1
Providence Institution for Savings, Providence, R.I.	1.1
Total amount owned by 25 largest holders.....	<u>110.2</u>
Total amount outstanding.....	<u>202.6</u>
Percent of total owned by 25 largest holders.....	54.4%

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

June 12, 1941

C O P Y

28 Nassau Street
New York

June 13, 1941

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

My dear Mr. Secretary:

On behalf of Dillon Read & Co. and myself, I want to express our appreciation for the courtesy and consideration which you so unfailingly showed us during the negotiations in connection with the American Viscose business. You were most considerate of the many problems involved, and our only regret is that we were not able to get all of our associates to comply with your last suggestion. We were deeply embarrassed that this was not done.

With highest personal regards, and again expressing our appreciation, I beg to remain

Yours sincerely,

Charles S. McCain (signed)

SECRETARY'S READING COPY OF TESTIMONY
ON EXTENSION OF STABILIZATION FUND

BANKING AND CURRENCY COMMITTEE OF THE SENATE

June 13, 1941

On April 28, 1941, the President wrote to the President of the Senate and to the Speaker of the House recommending extension to June 30, 1943, of the powers relating to the Stabilization Fund and of the power to alter the gold content of the dollar, which powers, under the present law, will expire on June 30, 1941. A Bill (H.R. 4646) was introduced in the House of Representatives to accomplish this purpose. The House passed the Bill on May 27, 1941. I am appearing before you in support of this Bill.

- 2 -

When I appeared before your Committee on March 2, 1939, to recommend extension of these same powers, I said:

"The emergency in the international economic and monetary field still exists, and, unfortunately, there are no grounds for believing that such emergency will end on June 30, 1939. On the contrary, the recurrence of international crises is as probable now as when the Stabilization Fund was created in 1934."

These forebodings turned out to be only too true. During the last two years the international exchange markets have been more disrupted than they have been in the past twenty years. I am afraid that the period ahead of us will be even more critical.

- 3 -

In reviewing the work of the Stabilization Fund during the last two years, I want to mention in some detail two of the operations which have been undertaken by the Stabilization Fund.

The first arrangement is with China. You will recall that on December 2, 1940, I appeared before a joint session of the Senate Committee on Banking and Currency and the House Committee on Coinage, Weights and Measures, to make a statement about the proposed stabilization arrangement with China.

- 4 -

I had previously stated to this Committee that I would not consent to the use of the Stabilization Fund to assist any foreign country in prosecuting a war without first consulting with the congressional committees. The transaction we contemplated and entered into with China was for currency stabilization purposes. So long as there was any difference of opinion as to whether this type of transaction was of the character that I had promised to discuss with your Committee, I decided to lay all of the facts of the proposed transaction before the joint session of the committees.

I was greatly appreciative of the vote of confidence given to Secretary Hull and myself on that occasion.

Following months of negotiation and study of the Chinese foreign exchange and monetary position, an Agreement was signed on April 25, 1941, making available \$50,000,000 to China for the purpose of stabilizing the dollar-yuan rate of exchange. The Agreement also provided for the establishment by China of a United States dollar - Chinese yuan stabilization fund. Included in the Fund's resources will be the dollars acquired from the United States through our purchase of Chinese yuan and a further sum of at least 20,000,000 United States dollars contributed by Chinese governmental banks.

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The Chinese Government is placing this Fund under the control of a five-man Board, one member of which will be an American appointed by China on the recommendation of the Secretary of the Treasury. This Board will also have charge of the Chinese yuan - British sterling stabilization funds, which include a 5,000,000 sterling credit recently extended to China by the British Government.

These stabilization arrangements with China should be of great aid to China in her monetary problems and also in the struggle with the puppet currencies. In fact, the mere knowledge in the Far East of the contemplated arrangement has been of some assistance to the Chinese monetary position.

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Under the earlier stabilization arrangement of July 14, 1937, with China, we had at one time in the Stabilization Fund \$48,000,000 of yuan. This amount has been reduced to \$19,000,000, fully collateralized by gold.

The second arrangement of importance to be entered into by the Stabilization Fund is the one signed December 27, 1940, with the Argentine Government and the Central Bank of Argentina. Under that arrangement we have agreed to buy \$50,000,000 of Argentine pesos and Argentina will use the dollars to stabilize the dollar-peso rate of exchange.

The arrangement also provides for the exchange of information and of views bearing on the proper functioning of such a program. The monetary authorities of the two countries expect to hold further discussions in the future, which discussions it is hoped will enable both countries to reap the greatest possible benefit from the workings of the stabilization arrangement. The machinery of the Fund was most opportunely at hand to enable us to implement the Good Neighbor policy at a time when Argentina, in common with other Latin American countries, was disturbed about a prospective drain of its foreign exchange resources.

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Before the Treasury actually pays any dollars to Argentina under this arrangement, it will be necessary for Argentina to take certain action to confirm the authority of the Argentine Government to guarantee performance of all obligations undertaken by it and by the Argentine Central Bank.

There has been activity recently in connection with the stabilization arrangement which we entered into in 1937 with Brazil. On October 18, 1940, we bought \$10,000,000 of milreis from Brazil under this agreement.

As Brazil's foreign exchange position improved, Brazil repurchased from us \$5,000,000 of these milreis on December 13, 1940, and the remainder on February 13, 1941. Under another part of the same agreement with Brazil we have sold \$24,000,000 of gold to Brazil for dollars.

In the period which I am now describing, the functioning of the Tripartite accord, the development of which had appeared to hold so much promise, was interrupted by the war. Since the outbreak of the war, the machinery set up by the Tripartite accord has been inactive.

- 11 -

We have not acquired any currency of a belligerent nation since September, 1939, and at the present time we are holding less than \$4,000 worth of British pounds sterling, Belgian belgas, and French francs, acquired before the outbreak of the war. I venture to predict that the experience in international monetary cooperation gained through the Tripartite accord will prove of permanent value. I believe that that machinery, which functioned in a spirit of cooperation and equality, promises more for future international economic organization than any of the aggressive monetary devices which now hold sway.

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During the period from July 1, 1939, to April 30, 1941, the Stabilization Fund purchased approximately \$3,920,000,000 of gold. This gold was bought from twenty-three different countries. In the same period there were sales of approximately \$380,000,000 of gold to foreign countries. Eighteen countries sought and obtained gold from our Stabilization Fund in exchange for dollars. To give an idea of the far-flung extent of these operations, I will just mention Afghanistan, Java and Uruguay as among the countries with which the Stabilization Fund has cooperated in building up their reserves.

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The total number of gold transactions of the Stabilization Fund during this period was large. The circumstances of the purchases and sales were varied. In these transactions the Stabilization Fund has proved an effective piece of machinery. Incidentally, the existence of the Stabilization Fund made it possible to carry out, with the essential speed and secrecy, three large acquisitions of gold from hard-pressed friendly countries.

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As I have previously promised, we have during this period published quarterly reports of the position of the Stabilization Fund. This is in addition to the yearly record of the activities of the Stabilization Fund which the statute requires that the Treasury send to the President and to the Congress. These annual reports, the most recent one of which sent to the Congress was dated March 12, 1941, give summaries of transactions in all of the accounts of the Exchange Stabilization Fund for the period April 26, 1934, to June 30, 1935, and for each fiscal year thereafter up to June 30, 1940.

I have with me for inspection by the Committee the balance sheet of the Stabilization Fund as of March 31, 1941, which ordinarily is not made public until three months after its date.

The Stabilization Fund has proved its value during years of unparalleled crises in international trade and finance. Long ago we made the dollar the strongest currency in the world. Foreign nations and foreign individuals have preferred the dollar to all other currencies. The flow of billions of European capital and the accompanying flow of gold to this country in recent years have made this point clear even to the most unfriendly critics of our monetary policies.

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Now we are going forward into times of even greater peril. We are in the midst of many systems of currency and exchange controls. Some are operated with no friendly intent toward the United States. Our Stabilization Fund is a potent weapon of defense in our international economic relations. This is hardly the time to abandon the machinery of control which we have built up to protect the dollar and the American economy.

Economic warfare, as well as military warfare, is now being waged on all sides of us. There is no certainty that even with peace these aggressive economic instruments will be abandoned by other countries.

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Nobody can say what kind of international economy will emerge from this war. But it would surely be unwise if we chose this time to let private speculators and foreign governments determine the exchange value of the dollar.

In these circumstances, I have no hesitation in making the strongest possible recommendation that Congress extend the Stabilization Fund powers.

The reasons favoring the renewing of the President's power to alter the gold content of the dollar to not less than 50% of its former weight are comparable to those I have just given for extending the Stabilization Fund powers.

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When I was before this Committee on March 2, 1939,

I said:

"The dollar now has indentically the same gold value it had five years ago when the President proclaimed on January 31, 1934, that the gold content of the dollar shall be 15-5/21 grains of gold nine-tenths fine. The fact that we have kept the gold value of the dollar stable through the international monetary disturbances and alarms of the past five years should be adequate assurance that there is neither desire nor intent on the part of this Administration to alter the gold value of the dollar except under circumstances which clearly demand such action."

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Just as there were critics some years back who said that an irresponsible administration would squander the Stabilization Fund in a foolish manner, so there have been persistent critics who said that the President's power to devalue the gold content of the dollar would be used to bring about inflation.

There is no basis for believing that we are going to have inflation in this country because the President possesses this emergency power. I am sure that the President will be as zealous as Congress in taking the steps to prevent inflation.

Obviously the Administration has no present intent whatsoever to devalue the gold content of the dollar. But certainly this is not the time to remove flexible powers from the Executive when the Executives of all other nations possess virtually complete powers over the domestic and external monetary affairs of their countries. In 1939, I said to Congress "This power is a weapon in reserve needed for protection of American interests. In the monetary field, it is as important as a powerful Navy in the field of defense against armed attack." That statement is as true now as in 1939.

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What steps will be necessary in the next two years in the international monetary field depends to a considerable extent upon the wars which are being fought all around the globe. We are not seers and we cannot describe what the future holds in store. I feel very strongly that for Congress to remove this power at the present time because there is no immediate use for it would be an unwise step in the face of an uncertain future.

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June 13, 1941

THE SECRETARY OF THE TREASURY
WASHINGTON

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My dear Mr. President:

Knowing
of your Eleanor's interest
in N. Y. H. and other related
agencies I have discussed
many of the problems
included in this memo-
randum with her.

I have therefore sent her
a complete copy.

Sincerely,

Henry

June 17, 1941

Dear Eleanor:

I am inclosing herewith another complete set of everything that I sent to the President in regard to the subject matter covered at lunch last Wednesday.

I am also inclosing three copies of my Amherst speech.

Affectionately yours,

*Sent Secy's
rubber copy.*

Mrs. Franklin D. Roosevelt,
The White House.

June 18, 1941

Dear Eleanor:

I am inclosing herewith a complete set of everything that I sent to the President in regard to the subject matter covered at lunch Wednesday.

I am also inclosing three copies of my Amherst speech.

Affectionately yours,

Mrs. Franklin D. Roosevelt,
Poughkeepsie, New York.

TELEGRAM

Washington, D.C.
June 13, 1941

Mrs. Franklin D. Roosevelt
Poughkeepsie, New York

Mailed you this afternoon important document addressed to
Poughkeepsie.

Henry Morgenthau, Jr.

HMJr/EHFJr/fm

Sent at 6:50 p.m. from the Treasury.

Copy to Mr. Oscar Cox on 6/23 for Mr. Harry Hopkins.

June 24, 1941

Dear

Embassy of your interest and
assistance in preparing this material,
I am sending you a copy herewith, in
strictest confidence.

Yours sincerely,

Dr. Isador Lubin,
The White House.

June 24, 1941

Dear Lauch:

In view of your interest and assistance in preparing this material, I am sending you a copy herewith, in strictest confidence.

Yours sincerely,

Dr. Lauchlin Currie,
The White House.

THE WHITE HOUSE
WASHINGTON

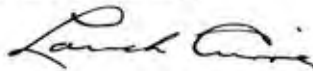
June 25, 1941.

Dear Mr. Secretary:

Thank you so much for the material which I assure you I shall hold in the strictest confidence.

I should like, if I may, to express my genuine admiration for the breadth of vision you displayed in making these recommendations.

Yours sincerely,



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

July 1, 1941

Dear Harold:

I promised to send you a copy of the results of Harry White's trip. I tried to reach you, but I understood you were out of town for two weeks.

I take pleasure in sending you herewith, for your confidential information, a copy of the material which I sent to the President. I would be glad to have your comments after you have read it.

Yours sincerely,

(Ag) *W. M. C. Thompson*

Honorable Harold D. Smith,
Director of the Budget,
Bureau of the Budget,
Washington, D. C.

August 12, 1941

My dear Mr. Coy:

I am inclosing herewith, for your confidential information, a copy of the material which I sent to the President on June 18, 1941, relative to the creation of a Department of Supply.

I would be glad to have your comments after you have read it.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Wayne Coy,
Liaison Officer,
Office for Emergency Management,
State Department,
Washington, D.C.

By Messenger

4:45

August 12, 1941

My dear Sam:

I am inclosing herewith, for your confidential information, a copy of the material which I sent to the President on June 18, 1941, relative to creation of a Department of Supply.

I would be glad to have your comments after you have read it.

Yours sincerely,

(Signed) Henry

Judge Samuel Rosenman,
The White House,
Washington, D.C.

By Messenger 10:45

THE WHITE HOUSE
WASHINGTON

August 13, 1941.

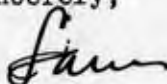
Dear Henry:

I just finished reading the memorandum on the Ministry of Supply and I think it is excellent. Of course, it is a much bigger reorganization than I have been working on and will be invaluable when that kind of reorganization comes to the fore, if it ever does.

Your point three on page five is, I think, something brand new, which is a wonderful idea for taking care of people who may be thrown out of work by the shortage of materials for certain industries.

Hope you have a fine time in Canada. Kindest regards to you all.

Sincerely,



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

LETTER

My dear Mr. President:

I am enclosing a proposal which is designed greatly to increase our defense production by placing in defense work or in training for such work every person now available. These proposals have evolved out of the investigation which you authorized me to make of the expenditures of the non-defense agencies. In the course of that investigation I was deeply impressed by the large-scale waste of our labor resources and by the need for a unified training program. From the point of view of both national morale and defense these two deficiencies seem to me to give cause for alarm.

Should the international situation take a turn for the worse, a good deal of confusion and defeatism might well ensue and the dangers to our democracy would be seriously increased both from within and without. Continued unemployment furnishes the most fertile ground for anti-democratic propaganda. However, we do not have to envisage a worsening of the situation in order to be concerned. Considerations of our own national safety require, I believe that we should very speedily go into an all-out production program and put every available man and woman at useful work or in training for useful work.

- 2 -

A program of that kind would cut much of the ground away from those who are opposing the Administration's policy.

Though the appended proposal is devised to stand by itself, I would like to indicate how it might fit in with my proposal of May 9, 1941, for the creation of a Department of Supply with a head having Cabinet rank.

I think the Department of Supply could be a three-fold job. At the center would be a man in charge of purchase and production; on his right hand, there would be a man in charge of labor training and supply; on his left hand, there would be a man in charge of defense public works projects. This triumvirate would be charged by you with the responsibility for organizing production and labor supply so that every requirement of the armed forces for material and equipment will be anticipated and met.

There is appended a chart giving a rough picture of the possible working set-up of such a department.

I am also enclosing the draft of a bill which would set up a Department of Supply along these lines. The essence of the provisions herein recommended is contained in Section 7, on pages 4 and 5 of the drafted bill.

- 3 -

I have also shown a copy of the recommendations to two members of your staff -- Mr. Lubin and Mr. Currie.

I shall be glad to discuss the proposals with you at your convenience.

Faithfully yours,

Secretary of the Treasury.

The President,
The White House.

Enclosures

HDW:VFC:1cm
6/13/61

RECOMMENDATIONS

A Program for Total Defense Production and Labor Training

Looking at our defense effort, one all-important fact stands out and is the gravest criticism of our program of defense production: the United States is wasting the manpower of approximately 12 million persons.

If we were to employ the same proportion of our adult population (ages 15 - 65) as we did in 1918, there would now be 61 million persons at work or in the Army or Navy. But instead, only 49 million are so engaged. We are wasting the labor of 12 million persons. More than half of these 12 million are classified as unemployed; the remainder are persons who would work if there were enough jobs available.

Our failure to attain maximum defense production has important effects on the morale of the country. People are bound to feel that something is wrong when they are told that there is an emergency but when at the same time millions of them cannot find work. They will be convinced that a national emergency exists when unemployment disappears and every citizen feels that his labor, his time, and his services have meaning and significance in the national effort.

Unemployment -- always a focal point of discontent and danger within a society -- is now a serious obstacle to popular support of the Administration and its efforts to

- 2 -

unify the public against the grave danger confronting our democracy both from within and without.

It is perfectly proper, while applauding the rapid increases in production which have taken place, to find fault with the inadequacies of planning and administration which are preventing these increased from being even larger. It is abundantly clear that the managers of defense production have not set themselves the problem of producing the maximum volume of defense articles. Had they done so, they would necessarily have had to plan to use all the labor resources of the country.

To expand production and to strengthen morale we should immediately plan a defense program comprehensive enough so that every able-bodied person will either be at useful work or in training for work.

The idea of Universal Service which has been put forward as a program for the young persons of this country should be extended so as to embrace the whole potential working population. With an adequate program of defense production, such a system of Universal Service can be voluntary.

Recommendations

1. Creation of a pool of trained workers. A large-scale program of labor training is plainly necessary if we are to make an all-out production effort. Even now with

- 3 -

millions of men being unused there are almost 100 skills in which acute shortages exist.

The present labor training program is handicapped by the inadequacy of the production plans and by division of authority. Centralized control of expenditures furnishes a ready way of eliminating such divided authority.

It is, therefore, recommended that all the agencies concerned with the training of workers -- the N.Y.A., C.C.C., Office of Education, W.P.A., U.S.E.S., and the Labor Training Division of the O.P.M., Apprenticeship Division of the Department of Labor -- be unified under a single head. This head should be given the authority, the funds and the responsibility for providing trained workers of such skill and in such quantity and at such places as to break existing bottlenecks of skilled labor and prevent future bottlenecks.

If this country really swings into an all-out production program, it would be necessary to keep constantly in training -- whether elementary, intensive or up-grading -- between 1 and 3 million persons. Unemployed workers in training should receive compensation at rates approximating those now being paid by W.P.A. and N.Y.A. Inclusion of the unions in the planning and administration will insure their support.

- 4 -

2. Expansion of Defense Production. The present defense production falls far short of an all-out effort. Not only are we now leaving unused approximately 12 million workers, but the managers of defense production are not planning, even within another twelve months, to mop up this pool of unused labor. O.P.M. estimates that 2 months from now, there will be employed in defense industries and in secondary industries 3 million more workers than at present. This is an "optimistic" estimate in the sense that it makes no allowance for hundreds of thousands of workers who will be "disemployed" by the application of priorities.

But even if this goal is achieved, we will, in 1942, fall short of our 1918 performance in the utilization of labor by over 8 million persons. This means that to secure full employment in the near future we must have a substantial increase in the production of both consumer goods and defense material. This, in turn, requires an expansion in the productive capacity of basic industries rather than a mere diversion of their capacity from non-military to military production. In the present circumstances proposals to meet all the needs of the expanded military production by curtailing civilian demand are in effect proposals to perpetuate unemployment.

- 5 -

Additional plants and machinery must be built now in anticipation of demand -- in anticipation of shortages. Unless this is done, we doom ourselves to inadequate production and unused labor resources for a long time to come. It does not make sense to complain of shortages of plants, machines and raw materials and, at the same time, to be worrying about the lack of employment for millions of persons.

3. A large-scale program of "building for defense." A Federal Agency -- logically the Federal Works Agency -- should be given funds and authority sufficient to employ several million persons on necessary defense projects.

The need for these defense projects is urgent. Plans exist in abundance. What is lacking is funds, organization, and will to carry out these projects. We need defense plants, defense highways, bridges, airports, community facilities for defense boom towns, power resources, defense housing, and reconditioning of railroads for defense purposes. Within six months a program of this sort should be capable of employing directly and indirectly several million persons and within a year the number might be doubled.

These should not be W.P.A. jobs. The rate of pay should be standard. The equipment should be the best available, taking account of other more vital defense requirements. The

- 6 -

method of construction -- public or private -- should be such as the experience of the Federal Works Agency dictates.

This defense building program should be planned and executed with two types of elasticity:

(a) skilled workmen on this program should be available for instant shifting to other areas of defense production when the Office of Labor Supply and Training believes this necessary, and,

(b) existing bottlenecks of capacity and raw materials make it necessary that this program should be flexible enough to circumvent these obstacles. Both raw materials and capacity can be increased by intelligent use of our labor and engineering abilities.

The above recommendations may be modified in many ways, but the essential point remains. To get maximum defense production, we have to plan to use all our resources. On the side of labor supply, this means that every able-bodied person should either be at work, or in training for work.

HDW:VFC:mag
6/13/41

DRAFT BILL

A BILL

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

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

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

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

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

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

- 2 -

SEC. 3. There shall be at the seat of government an executive department to be known as the Department of Supply and a Secretary of Supply (hereinafter referred to as the Secretary), who shall be the head thereof, and shall be appointed by the President, by and with the advice and consent of the Senate, and have a tenure of office and salary like those of the heads of the other executive departments. Section 156 of the Revised Statutes, as amended (U.S.C., title 5, sec. 1), is amended to include such Department, and the provisions of Title IV of the Revised Statutes, including all acts amendatory and supplementary thereto, shall be applicable to such Department if not inconsistent with this Act.

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

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

- 3 -

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

SEC. 5. There shall be in the Department of Supply three major Bureaus (with an Under Secretary of Supply at the head of each), and such major Divisions thereof as the Secretary shall by regulations prescribe, which regulations shall be approved by the President. In addition, there shall be in the Department of Supply such lesser subdivisions, sections, and offices, as the Secretary shall by regulations prescribe. All regulations under this section shall be published in the Federal Register.

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

- 4 -

may find necessary), who shall be appointed by the Secretary without regard to the civil service laws and shall each receive a salary of \$9,000 per annum.

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

(a)(1) The manufacture or production of any property by or under the supervision of any agency;

(2) The management, coordination, and stimulation of expansion, of the manufacture or production of any property by private industry, private persons, public bodies, or other persons or entities;

(3) The procurement, warehousing, transportation, and distribution of any property for national defense or other governmental purposes;

(4) The establishment and revision of priorities with respect to:

(i) deliveries of property under any contracts, sub-contracts, orders or suborders;

(ii) the carriage of any property, or classes of property, by any means of transportation;

(iii) the carriage of any message, or class of message, by any manner of communication facility;

(5) The allocation of property for defense, for private account, or for export, in the public interest or to promote the national defense;

(6) The requisitioning, or the taking by eminent domain or otherwise, of any property; and

- 5 -

(7) The control of prices and the protection of consumers.

(b) Vocational training and education, registration, placement, employment, mobility, demand, and priorities in connection with workers and potential workers on projects (governmental and non-governmental) and in industries related to the national defense program.

(c) Public works and housing projects (governmental and non-governmental) related to the national defense program.

(d) Such other activities or functions as the President may deem so closely related to one or more of the foregoing that they should be administered in the Department of Supply.

SEC. 8(a) The President is authorized to transfer by Executive Order any agency or function of the Department of Supply to any other agency in the same manner and subject to the same provisions of this Act or other laws as in the case of a transfer of an agency or function to the Department of Supply under section 7 of this Act.

(b) Each Executive Order under section 7 of this Act shall be printed in the Federal Register, and shall also be printed in the Statutes at Large in the same volume as the public laws.

SEC. 9(a) Any supervisory or other functions exercised by any officer of any agency with respect to any agency or function transferred to the Department of Supply under this Act are transferred to the Secretary.

(b) The Secretary shall administer the laws relating to any agency or function transferred to the Department of Supply under this Act or

- 6 -

brought within the jurisdiction and control of such Department by or pursuant to any other provision of law.

SEC. 10(a) The Secretary shall cause a seal of office to be made for the Department of Supply, of such design as the President shall approve, and judicial notice shall be taken of such seal.

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

SEC. 11(a) The Secretary is authorized, subject to the civil service laws, to appoint such officers and employees as he deems necessary to enable him to exercise the functions now or hereafter conferred or imposed upon him or his Department by or pursuant to law, and the compensation of all such officers and employees shall be fixed in accordance with the Classification Act of 1923, as amended.

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

- 7 -

SEC. 12. The Secretary may enter into contracts (which he is otherwise authorized to enter into by or pursuant to law) without advertising or competitive bidding. No contract which would otherwise be subject to the provisions of the Act of June 30, 1936 (49 Stat. 2036; U.S.C., Supp. V, title 41, secs. 35-45), shall be exempt from the provisions of such Act solely because of being entered into without advertising or competitive bidding pursuant to this section. The cost-plus-a-percentage-of-cost system of contracting shall not be used under this section, but this shall not be construed to prohibit the use of the cost-plus-a-fixed-fee form of contract when such use is deemed necessary by the Secretary. The Secretary shall report every three months to the Congress the contracts entered into by his Department without advertising or competitive bidding pursuant to this section. This section shall be supplementary to, and not in lieu of, all other provisions of law authorizing officers of the United States to enter into contracts without advertising or competitive bidding. The authority conferred by this section shall terminate June 30, 1943.

SEC. 13(a) Each Executive Order under this Act transferring agencies or functions shall contain appropriate provisions for the transfer or other disposition of records, property (including office equipment), personnel, and unexpended balances of appropriations or other funds, affected by such transfer.

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

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

SEC. 14(a) All orders, rules, regulations, permits, or other privileges, made, issued, or granted by or in respect of any agency or function transferred under this Act, and in effect at the time of the transfer, shall continue in effect to the same extent as if such transfer had not occurred, until modified, superseded, or repealed.

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

- 9 -

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

SEC. 15. No transfer under this Act shall have the effect--

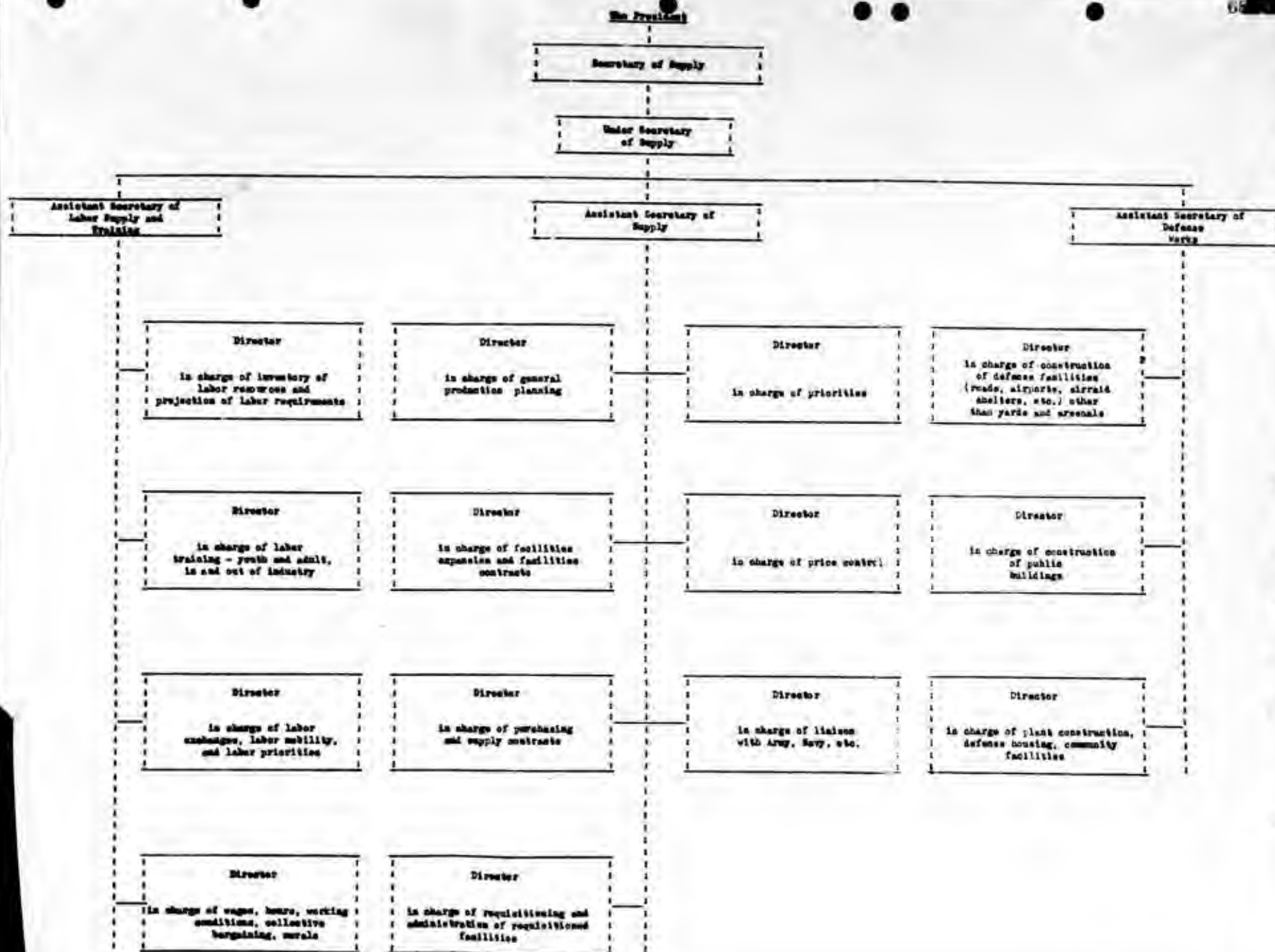
(a) of continuing any agency or function beyond the date when it would have terminated if such transfer had not been made;

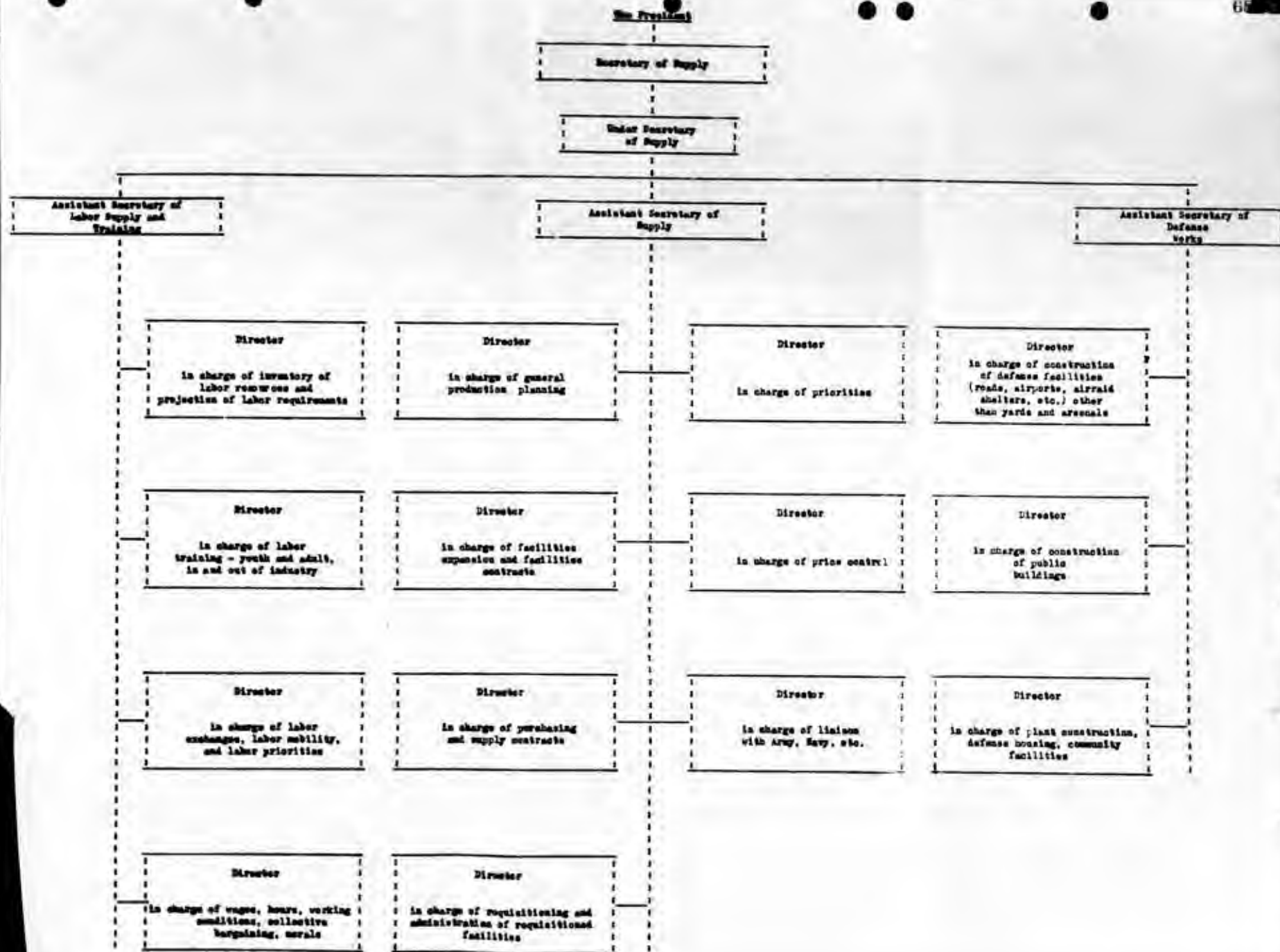
(b) of continuing any function beyond the time when the agency in which it was vested before its transfer to the Department of Supply would have terminated if such transfer had not been made; or

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

SEC. 16. There is hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

CHART







TREASURY DEPARTMENT
WASHINGTON

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

June 13, 1941.

Memorandum for the Secretary:

Reference is made to your inquiry of June 11, 1941, concerning the number of farmers filing income tax returns.

A tabulation of the 1936 individual income tax returns by the Division of Tax Research at the Philadelphia office shows a total of 79,064 individual returns filed reporting income, or loss, from "Agriculture and related industries".

Of the 79,064 returns filed, 57,668 included schedules itemizing income and expenses, the total receipts of which aggregated \$708,252,276; the receipts of the remaining 21,456 which were not accompanied by schedules are estimated at \$180,500,000 making a grand total of farm receipts for 1936 of \$888,752,000.

The total number of farms in the United States as of January 1, 1935, was 6,812,350 (Statistical Abstract - 1940; p. 634). The actual number of farm owners would be something less than this, probably about 6,000,000. The 1930 Census showed farmers (owners and tenants) numbering 6,012,012.

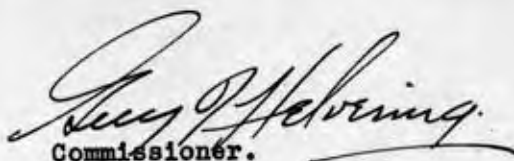
This means that for 1936 one farmer out of each 76 filed an income tax return. For 1940, the number of returns reporting income (or loss) from business activities about doubled over previous years, owing to the gross income basis for filing and the lowered exemptions. On the assumption that those reporting farm incomes (or loss) followed the pattern for all businesses, the number of farmers filing for 1940 would be also about double, resulting in one farm return out of each thirty-eight farmers.

This compares with one out of every four income recipients for the nation as a whole, being based on 15,000,000 individual income tax returns out of 60,000,000 income recipients in the United States.

The total cash income of all farmers for 1936 was \$8,499,293,000. This represents value of crops, livestock, and livestock products actually sold off farms. (Statistical

-2-

Abstract, 1940; p. 668) \$725,000,000 of this amount was received by corporations. This means that for 1936 the farmers filing individual income tax returns accounted for 11.5 per cent of the total cash farm income received by individual farm operators leaving 88.5 per cent or \$6,885,541,000 to be accounted for by the remaining 5,920,936 farmers, or an average of \$1,161. This is in terms of cash income, or receipts. In terms of cash profits from farm operations, the average is about \$248. This average is based on the ratio of profits to receipts existing in the individual income tax returns for 1936 showing farm schedules which were tabulated in Philadelphia.


Commissioner.

June 13, 1941

MEMORANDUM FROM VINCENT F. CALLAHAN:

Barry Wood will sing "Arms for America" on the Lucky Strike Program Saturday night, June 14th, at approximately 9:40 PM EDST (New York time) - 8:40 PM EST (Washington time).

The song will be the final song on the Hit Parade and to make sure of hearing it we suggest that the Secretary tune in at approximately 9:36 or 8:36 depending upon where he is at the time. We are putting in both daylight and standard time so that there will be no mix-up.

June 13, 1941

MEMORANDUM FROM VINCENT F. CALLAHAN

Program for opening show of Treasury Hour on Columbia Broadcasting System network Wednesday night, July 2nd, 9:00 to 10:00 PM EDT, 8:00 to 9:00 PM EST (Washington Time).

Opening song "Any Bonds Today" by Irving Berlin -- sung by Barry Wood, singing star of the Lucky Strike Hit Parade, accompanied by twelve piece choir and twenty-five piece orchestra.

Address - 3 minutes - by Secretary of the Treasury Morgenthau.

Fred Allen, master of ceremonies.

Grace Moore, singing a song of the South. Miss Moore will inaugurate the series of folk songs to be featured in every program. Being an American, she will sing a typical American folk song. There will be special continuity to introduce this song, special effects, etc.

On the programs of the following twelve weeks folk songs of various nations, together with special continuity, will be featured. In cases where the artist is foreign born, artists will be asked to speak a few words about their native countries.

Charles Laughton recites the Gettysburg address.

"Information Please" - Clifton Fadiman, master of ceremonies. Participants - Secretary of the Treasury Morgenthau, John Kieran, Oscar Levant, and F. P. Adams.

Judy Garland

Mickey Rooney

Al Goodman and his band

Twelve voice choir.

Closing - "Any Bonds Today", sung by Barry Wood.

June 13, 1941

MEMORANDUM FROM VINCENT F. CALLAHAN:

Second Treasury Show, Wednesday, July 9th
(Tentative*)

Major Edward Bowes, master of ceremonies

Bob Hope

Bing Crosby

Dorothy Lamour

Charles Kullman, tenor

Dorothy Maynor, colored soprano

Speaker

Closing song "Any Bonds Today"

*All of these persons have been contacted. We are awaiting a definite OK from each of them. We should have final word within ten days about each of these artists.

June 13, 1941

MEMORANDUM FROM VINCENT F. CALLAHAN

^{Wester}
~~Wester~~ Josten has been contacted by Mr. Paul C. Munroe. Mr. Munroe reports: "Have talked to Mr. Josten and explained the whole program, its purposes and expectancies. Mr. Josten has agreed to compose a march and has indicated he would like to have Carl Sandburg compose the lyrics."

Mr. Munroe reports this morning that he has talked with Mr. Sandburg's manager who told him he is confident that Mr. Sandburg will be glad to write the lyrics. Mr. Sandburg is somewhere in Michigan and Mr. Munroe hopes to contact him directly before the day is over.

To follow through on both Mr. Josten and Mr. Sandburg, Mr. Munroe and I personally will call on both of these gentlemen early next week.

In the event Mr. Sandburg is not available, we will contact (1) Stephen Benet and (2) John Latouche.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE June 13, 1941

TO Secretary Morgenthau
FROM Mr. Wiley

FBI reports:

June 12. Between January 1 and April 30, 1941, Amtorg disbursed approximately \$13,000,000 in this country of which

\$1,984,000 was for shipping

1,093,000 " " tools, machinery, and equipment

1,483,000 " " petroleum and petroleum products

1,376,000 " " grain, foods, and spices

1,340,000 " " leather, hides, and tanning materials

1,314,000 " " rags

1,093,000 " " iron, steel, other metals, and carbon.



OFFICE OF
THE SECRETARY OF THE TREASURY

76

PHOTOSTAT TO:

BELL

WHITE

COCHRAN

FOLEY

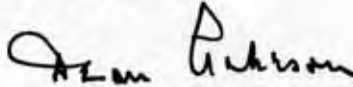
77 ✓
ASSISTANT SECRETARY OF STATE
WASHINGTON

June 13, 1941.

Dear Henry:

I am enclosing a copy of the memorandum approved by Secretary Hull which I showed you this morning, and which outlines the steps that we have proposed for continental European freezing.

Sincerely yours,



The Honorable

Henry Morgenthau,

Secretary of the Treasury,

Washington, D. C.

DEPARTMENT OF STATE

ASSISTANT SECRETARY

A - A

June 10, 1941.

Mr. Secretary:

The attached memorandum has been worked out as a result of conferences between Messrs. Berle, Dunn, Feis, Atherton, and myself. I have gone over it with Mr. Welles.

Do you approve of the suggestion?
If so, do you wish me to make an attempt to take up with the Treasury the matter of putting the recommendations into effect?

Dean Acheson
Dean Acheson.

A-A:DA:BE

211

PROPOSED PROGRAM FOR IMMEDIATE ACTION
WITH RESPECT TO FOREIGN FUNDS CONTROL

I. Registration of foreign-owned property and reporting of transactions therein.

The issuance of an executive order by virtue of the authority vested in the President by section 5(b) of the Act of October 6, 1917, as amended, providing for the filing of reports under oath on such forms, at such times, and by such persons as may be required by regulations with respect to all property of any nature whatsoever of which any foreign state or national thereof is the owner or in which any such state or national has or had any interest of any nature whatsoever, direct or indirect, and with respect to any acquisition, transfer, disposition or any other dealing in such property. The same order should authorize regulations requiring the furnishing under oath of additional and supplemental information including the production of any books of account, contracts, letters, or any other papers, with respect to the matters concerning which reports are required to be filed.

Under authority of this order, an immediate census of all property in the United States in which any foreign state or national thereof has an interest could be required.

II. Freezing

-4-

available with respect to any transactions in which they suspect that Germany, Italy or the invaded countries or the nationals thereof have an indirect interest.

V. Interdepartmental liaison.

There would be created an informal committee consisting of representatives of the Secretary of State, the Secretary of the Treasury and the Attorney General to determine policies for the administration of the order. To provide for effective liaison and the prompt determination of policies with respect to foreign funds control, several officers from the State Department and the Department of Justice should be permitted to have offices in and to work closely with appropriate officers of the Treasury Department and to attend meetings of foreign funds control committees passing upon important applications.

-2-

II. Freezing of all continental European countries.

The issuance of an executive order extending Executive Order No. 8389, as amended, so as to include the remaining states of continental Europe and nationals thereof not previously designated in Executive Order No. 8389, as amended; namely, Germany, Italy, San Marino, Finland, Sweden, Spain, Andorra, Portugal, Liechtenstein, Switzerland and the U.S.S.R. and nationals thereof and also the remaining invaded or occupied countries, namely Austria, Czechoslovakia, Poland, Danzig and Albania, and nationals thereof.

III. General licenses for European neutral countries.

Simultaneously with the issuance of the Executive order to be issued under II, above, it would be announced that general licenses would be issued with respect to Finland, Sweden, Portugal, Spain, Switzerland and the U.S.S.R., and nationals of such countries, authorizing all transactions involving property in which such countries or nationals thereof have an interest, except transfers directly or indirectly to, on behalf of, or for the account of Germany or Italy or any national thereof or of any European invaded or occupied country or any national thereof. Periodic reports of all transactions effected under

such

-3-

such general licenses should be submitted, including all transfers of property to generally licensed countries and nationals thereof from any source. With respect to the excepted transactions, applications for specific licenses would be required before such transactions could be consummated.

It is contemplated that as a condition to the granting of general licenses the governments of such countries would be required to give assurances that neither such governments nor their nationals would undertake transactions involving property of such countries or their nationals in the United States when such transactions would result in transfers of such property directly or indirectly to, for the account of, or on behalf of Italy, Germany, invaded or occupied European countries, or any of their nationals. The general licenses to be issued would be terminable without notice and it would be indicated to generally-licensed countries that failure to comply with the assurances would result in such termination.

IV. Cooperation of leading foreign exchange banks.

The leading foreign exchange banks of this country would be informally approached and the suggestion made that for their own protection, as well as for the protection of this country, they should refuse to make their facilities available

EH

GRAY

Berlin

Dated June 13, 1941

Rec'd 10:30 p.m.

Secretary of State,
Washington.

2351, June 13, 4 p.m.

This morning's press reports a speech made by Reich Economics Minister Funk in Vienna on Thursday. He stated that American steamships' total foreign trade in terms of value was almost as great as in 1939. Imports from southeastern Europe had increased from 900,000,000 to 1.3 billion marks, imports from the Soviet Union were over ten times as great as in 1939 and trade with Italy was twice as great as in 1939. (Imports from the Soviet Union during the first half of 1939 amounted to only 11.2 million marks and during the second half of the year for which no figures are available they probably did not exceed this amount in view of disturbed conditions during several months of this period. Hence imports from the Soviet Union probably amounted to from 200 to 250,000,000 marks in 1940).

The remainder of Funk's speech was chiefly a repetition of statements that have already been made in other speeches.

EH -2- 2351, June 13, 4 p.m. from Berlin.

speeches. He alleged that Germany did not desire complete autarchy, that the European "regional economy" would be willing to carry on trade with the other regional ecilpses. But in no event would world trade after the war be again carried on by the methods which led to its downfall. Germany's economic methods he maintained do not make impossible economic cooperation with regions employing other methods. The international gold standard will not be employed because it would rob Germany of its freedom but gold will still have its place as a commodity. Funk remarked that after the war Germany would in any event have sufficient gold to carry on national trade.

England is faced with the armaments potential of all Europe whose last reserves are not as yet employed. The war of production Funk alleged has already been won by the Axis powers.

In conclusion Funk again warned businessmen against stock market speculation and repeated that dividends above 6% would be subject to severe and in the higher cast, prohibitive taxation. Inform Treasury and Commerce.

MORRIS

WNC

MP

GRAY

Berlin

Dated June 13, 1941

Rec'd. 1:13 p. m.

Secretary of State,
Washington

2345, June 13, noon. (SECTION ONE).

In his speech at Vienna yesterday to the Southeast Europe Society Funk declared that the European regional economy is well on the road to organic functioning and that, although based on the clearing system and central planning, it is not to involve excessive controls, exaggerated autarchy or a degree of regional specialization in production which would impoverish the partners. Likewise, he stated that in its relations with other trade areas this economic unit will not insist on rigid methods of trade and payments but will freely use gold of which he said Germany would have adequate quantities after the war. He implied that such trade relations between the German controlled Europe and any other organized regional economy may be carried out in a form similar to prewar trade between Germany and Great Britain under the so-called payment agreement or one way clearing. He also insisted that the postwar import needs of Europe will exceed all expectation.

MORRIS

KLP

PARAPHRASE OF THE SECTION TWO OF TELEGRAM NO. 2345,
JUNE 13, 1941, NOON, FROM THE AMERICAN EMBASSY, BERLIN.

The statement of Funk constitutes a renewed effort with premises that are more specific than heretofore to hold out to the outside world and particularly to the U.S. the prospect of favorable trade relations with a victorious Germany and its satellite countries. Funk, in referring to gold and semi-liberal methods of payment, seeks to give the impression that Germany is taking a direction away from the policy and the theory of using bilateral barter agreements instead of gold. Funk's whole statement is a new element in the German propaganda program which has the object of allaying the belief which is prevalent abroad that a victorious Germany would mobilize Europe's resources to undermine the Western Hemisphere's economic structure.

You are requested to inform the Departments of Commerce and Treasury.

(END OF MESSAGE)

MORRIS

EA:MSG

TO THE SECRETARY
TECHNICAL ASSISTANT
OFFICE OF THE

00 1 10 14 1941

RECEIVED
DEPARTMENT

June 13, 1941.

CONFIDENTIAL

Dear Mr. Knake:

Permit me to acknowledge, on behalf of the Secretary, the receipt of your letter of June 12, 1941, enclosing your compilation for the week ended June 4 showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Faithfully yours,

H. Merle Cochran,
Technical Assistant to the Secretary.

L. W. Knake, Esquire,
Vice President,
Federal Reserve Bank of New York,
New York, New York.

HMC:dm:6.13.41

C
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Y

FEDERAL RESERVE BANK OF NEW YORK

June 12, 1941.

CONFIDENTIALDear Mr. Secretary: Attention: Mr. E. Merle Cochran

I am enclosing our compilation for the week ended June 4, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoks

L. W. Knoks,
Vice President.

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

Enclosure

Copy:alm 6-13-41

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended June 4, 1941.

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE						
	DEBITS				CREDITS				DEBITS			CREDITS			
	Total Debits	Gov't Expendi- tures (a)	Other Debits	Total Credits	Proceeds of Sales of			Net Incr. (+) or Deer. (-) in Balance	Total Debits	Gov't Expendi- tures (d)	Other Debits	Total Credits	Proceeds of Gold		Net Incr. (+) or Deer. (-) in Balance
					Gold	Securities Official (b)	Other Credits (c)						Sales	Credits	
First year of war (8/23/39-8/26/40)*	1,793.2	605.8	1,187.6	1,898.2	1,356.1	52.0	420.1	+ 35.0	855.3 (e)	416.8 (e)	449.7	1,095.3 (e)	900.2	195.1 (e)	-229.0
1940															
Aug. 29 - Oct. 2	516.8	344.5	72.5	508.9	271.8	6.0	31.4	- 7.9	8.6	4.4	4.8	1.3	-	1.3	- 7.3
Oct. 3 - 30	196.7	167.8	28.9	198.5	160.5	6.0	32.0	+ 1.8	0.5	0.3	0.2	0.5	-	0.5	-
Oct. 31 - Nov. 27	241.0	201.1	39.9	259.5	210.0	18.0	31.5	+ 18.5	0.6	0.1	0.7	0.7	-	0.7	- 0.1
Nov. 28 - Dec. 31	234.6	206.8	27.8	199.0	111.4	26.0	60.6	- 36.6	2.1	-	2.1	0.6	-	0.6	- 1.5
War period through Dec. 1941	2,782.3	1,485.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.8	1,098.4	900.2	198.3	+230.1
Jan. 2 - 29	197.4	162.7	34.7	259.9	176.2	52.0	31.7	+ 62.5	1.7	-	1.7	0.5	-	0.5	- 1.8
Jan. 30 - Feb. 26	184.6	137.8	36.8	101.4	26.6	26.0	48.6	- 53.2	0.2	-	0.2	0.2	-	0.2	-
Feb. 27 - Apr. 2	229.7	157.6	32.1	237.9	103.7	72.0	62.2	+ 8.2	0.7	-	0.7	1.6	-	1.6	+ 0.9
Apr. 3 - Apr. 30	126.0	101.9	24.1	218.9	125.6	15.0	75.3	+92.9	0.9	-	0.9	0.9	-	0.9	-
May 1 - May 28	122.6	90.6	32.0	91.0	6.3	32.0	52.7	-31.6	0.4	-	0.4	0.8	-	0.8	+ 0.4
May 29 - July 2															
July 3 - July 30															
July 31 - Aug. 27															
Second year of war (8/29/40-8/27/41)															
Aug. 28 - Oct. 1															
Oct. 2 - Oct. 29															
Oct. 30 - Dec. 3															
Dec. 4 - 31															
WEEK ENDED:															
May 14	26.7	20.2	6.5	27.8	6.3	16.0	5.5	+ 1.1	0.1	-	0.1	0.1	-	0.1	-
21	29.3	21.6	7.7	11.5	-	6.0	5.5	-17.8	0.1	-	0.1	0.2	-	0.2	+0.1
28	27.0	19.6	7.4	34.6	-	4.0	30.6	+ 7.6	-	-	-	0.3	-	0.3	+0.3
June 4	35.3	30.0	5.3	33.9	-	4.0	25.9 (1)	- 1.4	0.2	-	0.2	0.2	-	0.2	-

Average Weekly Expenditures Since Outbreak of War
France (through June 19) \$19.8 million

Transfers from British Purchasing Commission to
Bank of Canada for French Account

(See footnotes on reverse side)

England (through June 19)

27.6 million

Week ended June 4, 1941 \$ -

million

England (since June 19)

50.0 million

Cumulation from July 5

\$ 162.7

million

* For monthly breakdown see tabulations prior to April 23, 1941.

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$30 million paid out on June 25, 1940 and returned the following day.
- (f) Includes \$25 million transferred from British American Tobacco Company's account at a N. Y. bank; it will be recalled that this company previously received this amount from the Brown & Williamson Tobacco Co., its American subsidiary, in connection with the R.F.C. loan.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended June 4, 1941.

Strictly
Confidential

PERIOD	BANK OF CANADA									COMMONWEALTH BANK OF AUSTRALIA								
	DEBITS					CREDITS				DEBITS					CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	Other Credits	Net Incr. (+) or Depr. (-) in Balance		Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Depr. (-) in Balance		
First year of war (8/29/39-8/28/40)*	523.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	- 4.9		
1940																		
Aug. 29 - Oct. 2	44.5	-	44.3	43.9	16.4	-	27.3	0.2	- 0.4	8.7	2.5	6.2	8.0	5.7	1.3	- 0.7		
Oct. 3 - 30	26.7	-	26.7	28.6	14.0	-	14.3	0.3	+ 1.9	10.1	7.5	8.6	7.9	6.5	1.4	- 2.2		
Oct. 31 - Nov. 27	35.2	-	35.2	69.6	49.2	-	16.7	3.7	+ 34.4	8.1	0.6	2.8	3.6	2.1	1.5	+ 0.5		
Nov. 28 - Dec. 31	48.0	-	48.0	60.6	42.5	-	13.7	4.4	+ 18.6	4.8	-	4.8	6.8	4.8	2.0	- 2.0		
War period through Dec. 1941	477.8	16.6	460.6	707.4	534.8	20.9	110.7	41.0	-230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5		
1941																		
Jan. 2 - 29	33.7	-	33.7	33.9	16.9	-	15.0	2.0	+ 0.2	4.8	-	4.8	6.8	5.1	1.7	+ 2.0		
Jan. 30 - Feb. 26	31.1	-	31.1	24.3	14.3	-	6.8	3.2	- 6.8	5.0	1.7	3.3	3.2	0.6	2.6	- 1.8		
Feb. 27 - Apr. 2	60.9	-	60.9	46.0	23.1	-	19.1	3.6	- 14.9	5.8	0.8	5.0	13.7	12.6	1.2	- 7.9		
Apr. 3 - Apr. 30	14.9	-	14.9	15.9	12.5	-	10.5	12.9	+ 1.0	2.8	-	2.8	5.9	4.6	1.3	+ 3.1		
May 1 - May 28	39.2	-	39.2	25.6	15.8	-	0.5	9.3	- 13.7	5.4	-	5.4	4.9	4.1	0.8	- 0.5		
May 29 - July 2																		
July 3 - July 31																		
July 31 - Aug. 27																		
Second year of war (8/29/40-8/27/41)																		
Aug. 28 - Oct. 1																		
Oct. 2 - Oct. 29																		
Oct. 30 - Dec. 3																		
Dec. 4 - 31																		
WEEK ENDED:																		
May 14	8.3	-	8.3	4.4	3.7	-	-	0.7	- 3.9	0.2	-	0.2	0.1	-	0.1	- 0.1		
21	9.4	-	9.4	4.6	4.5	-	-	0.1	- 4.9	1.7	-	1.7	4.3	3.9	0.4	+ 2.6		
28	12.5	-	12.5	4.4	4.1	-	-	0.3	- 8.1	1.8	-	1.8	0.4	0.2	0.2	- 1.4		
June 4	11.3	-	11.3	9.9	3.6	-	-	6.3(a)	- 1.4	2.1	-	2.1	0.2	-	0.2	- 1.9		

Weekly Average of Total Debits Since Outbreak of War

Through June 4 \$ 7.5 million

* For monthly breakdown see tabulations prior to April 23, 1941.

(a) Includes \$6 million transferred from a Canadian bank's account in the market.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

June 13, 1941

MEMORANDUM TO THE SECRETARY:

Weekly Report - Lease-Lend Purchases
(6/6 - 6/13/41)

Purchases to 6/6/41.....	\$ 7,007,011.06
Purchases 6/6 to 6/13/41.....	7,060,317.25
Total to 6/13/41.....	\$ 14,067,328.31

<u>Requisitions Pending</u>	<u>Estimated Cost</u>
Cleared by O.P.M.....	\$ 180,345,794.05
Awaiting clearance by O.P.M.....	33,678,717.00
Total Pending Requisitions.....	\$ 214,024,511.05

Decisions by the Office of Production Management to allocate monthly steel, scrap, pig iron, copper and zinc orders instead of blanket contracts extending over three or four months will result in numerous contracts to the value of approximately \$82,000,000. Our weekly reports will therefore reflect only actual contracts drawn monthly after allocations by the Office of Production Management.

Clifton E. Mack
 Director of Procurement

Attachments-4

JUNE 13, 1941

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-185	Reynolds Metal Co.	China	Aluminum Strips Aluminum Rods	10,000 lbs 20,000 lbs	66,150.00
DA-TPS-43	Gardner-Denver Co.	U. K.	Air Compressors and spare parts	6	30,810.00
DA-TPS-76	International Harvester Export Co.	U. K.	Harvester Threshers	24	27,459.80
DA-TPS-77	International Harvester Export Co.	U. K.	Agricultural Implements and spare parts		56,459.05
DA-TPS-128	J. I. Case Company	U. K.	Spare parts for J.I. Case Co. Farm Equipment		11,097.05
DA-TPS-141	American Smelting & Refin- ing Co.	U. K.	Zinc	1,044,000 lbs	77,047.20
DA-TPS-151	U. S. Steel Export Co.	U. K.	Zinc	526,000 lbs	40,186.40
DA-TPS-148	American Zinc Co. of Illinois	U.K.	Zinc	1,134,000 lbs	82,838.70
DA-TPS-149	International Minerals and Metals Corp.	U. K.	Zinc	1,822,000 lbs	134,468.60
DA-TPS-152	United Zinc Smelting Corp.	U. K.	Zinc	362,000 lbs	26,896.60
DA-TPS-154	Republic Steel Corp.	U. K.	Wire	200 G.T.	16,598.40
DA-TPS-153	Wickwire Spencer Steel Co.	U. K.	Wire	100 G.T.	12,051.20
DA-TPS-156	U. S. Steel Export Co.	U. K.	Wire	600 G.T.	47,824.00

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<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-155	Jones & Laughlin Steel Corp.	U. K.	Wire	500 G.T.	40,320.00
DA-TPS-139	Schiavone-Bonomo Corp.	U. K.	Scrap	17,000 G.T.	312,885.00
DA-TPS-132	Charles Dreefus Company	U. K.	Scrap	17,000 G.T.	312,885.00
DA-TPS-134	Commercial Steel & Chemical Corp	U. K.	Scrap	17,000 G.T.	312,885.00
DA-TPS-133	Harcon Corp.	U. K.	Scrap	18,020 G.T.	333,720.00
DA-TPS-136	Dreefus Iron & Steel Corp.	U. K.	Scrap	7,500 G.T.	137,687.50
DA-TPS-106	Caterpillar Tractor Co.	U. K.	Tractors	30	247,638.00
DA-TPS-74	Caterpillar Tractor Co.	U. K.	Graders	12	28,790.40
DA-TPS-158	R. G. Le Tourneau, Inc.	U. K.	Rooters	10	14,257.50
DA-TPS-100	Deere & Company	U. K.	Spare Parts		1,995.99
DA-TPS-69	Simplicity Mfg. Co.	U. K.	Tractors, etc.		79,629.70
DA-TPS-91	Stauffer Chemical Co.	U. K.	Sulphur	1000 L.T.	32,256.00
DA-TPS-169	The Linde Air Products Co.	U. K.	Cylinders	300	1,875.00
DA-TPS-150	American Metal Co. Ltd.	U. K.	Zinc	766,000 lbs	58,522.40
DA-TPS-186	Youngstown Sheet & Tube Co.	U. K.	Wire	100 G.T.	6,944.00
DA-TPS-145	Raytheon Production Corp.	U. K.	Radio Tubes		6,240.00
DA-TPS-144	National Union Radio Corp.	U. K.	Radio Tubes		10,695.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-177	Chemical Construction Corp.	U. K.	Vanadium Contact Mass	3920 Litres	6,860.00
DA-TPS-70	Briggs & Stratton Corp.	U. K.	Rope Starter Motors	200	10,288.00
DA-TPS-79	R. Herschel Mfg. Co.	U. K.	Smooth Guard Plates		1,223.23
DA-TPS-131	Gravely Motor Plow & Cultivator Co	U. K.	Tractors & attachments		19,375.87
DA-TPS-94	Henry R. Jahn & Son	U. K.	Tractors & attachments		8,865.98
DA-TPS-89	Allis-Chalmers Mfg. Co.	U. K.	Harvesters	3	1,038.75
DA-TPS-165	Merger Engineering Wks. Inc.	U. K.	Cranes	250	1,423,775.40
DA-TPS-184	La Plant-Choate Mfg. Co. Inc.	U. K.	Trailbuilder		1,974.00
DA-TPS-194	Climax Molybdenum Co.	U. K.	Molybdenum	2,195,200 lbs	1,481,760.00
DA-TPS-164	Williamette Hyster Co.	U. K.	Cranemobiles	250	1,093,750.00
DA-TPS-140	Roumanian Government	U. K.	Galvanized Barbed Wire	6,008,687 lbs	213,308.39
DA-TPS-174	The Cleveland Tractor Co.	U. K.	Tractors	15	28,460.70
DA-TPS-178	Taylor Wharton Iron & Steel Co.	U. K.	Cylinders	720	10,800.00
DA-TPS-173	La Plant-Choate Mfg. Co. Inc.	U. K.	Angledozer	20	19,303.80
DA-TPS-171	Taylor Wharton Iron & Steel Co.	U. K.	Cylinders	8,000	106,400.00
DA-TPS-161	R. G. Le Tourneau, Inc.	U. K.	Carryall Scrapers	8	31,920.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-162	Caterpillar Tractor Co.	U. K.	Tractors	4	32,104.61

Total Purchases 6/6 to 6/13/41.....\$ 7,060,317.25

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE | JUN 13 1941

TO Secretary Morgenthau

FROM Mr. Foley

In accordance with the request contained in Mr. Thompson's memorandum of December 26, 1939, there is attached a summary report of studies or projects carried on in the Office of the General Counsel for the month of May, 1941.

S. J. 76

SUMMARY REPORT ON STUDIES OR PROJECTS IN
THE OFFICE OF THE GENERAL COUNSEL -
MAY 1941

The following matters received attention in the Office of the Chief Counsel for the Bureau of Internal Revenue:

1. Increase in tax on certain income under Tax Convention with Canada. The Tax Convention between Canada and the United States limiting the rate of tax on certain income to 5% contained a provision that either country could increase such rate but, if it did so, the other country was released from the terms of the convention. Canada has now notified the United States that it has increased its applicable rate of tax to 15%. A Treasury decision was therefore drafted and has been issued notifying withholding agents that the rate of tax applicable to Canadians is now the same as the rate applicable to aliens generally.
2. Exclusion from decedent's gross estate of rents, etc., accruing within year of decedent's death. A Treasury decision was prepared and has been issued outlining the effect of Maass v. Higgins, Abendroth v. Commissioner, and Estate of Blacque v. Commissioner, Supreme Court March 3, 1941, excluding from the gross estate of a decedent rents, dividends and interest accruing within the

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year following the decedent's death where the estate is valued under the option authorized by section 811 (j) of the Internal Revenue Code. The purpose of this section of the law is to allow the estate tax to be based on the value of property as at one year after date of death where such value is less than the value as at the date of death.

3. Veto of two relief bills. Under date of May 19, 1941, the President, following the suggestion of the Treasury Department, vetoed two relief bills. Had the bills been approved, their effect would have been the waiving of the statutory period of limitations for filing claims for refund of taxes (S. 514 - For the relief of R. Stern, and S. 788 - For the relief of Noland Blass).

The above matters were handled under the supervision of G. E. Adams, Head, Legislation and Regulations Division.

The following work was done under the supervision of Assistant General Counsel Cairns:

4. Irregularities of alien's entry as affecting subsequent naturalization. The opinion on this question, drafted by Mr. DuBois of the Opinions Unit, and dated

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May 5, 1941, concludes that irregularities in entry do not render void an alien's naturalization. Fraudulent statements in connection with entry could be the ground for cancelation of the certificate of naturalization, if disclosure of the truth would have been a bar to legal entry.

5. Procedure for settling contractor's reclaim for liquidated damages on account of delay. This opinion, written by Messrs. Meeker, Gilmore, and Feidler, bears date of May 12, 1941, and concludes that, where completion of a project by a Government contractor is delayed beyond the time set for performance in the contract, the administrative officers concerned should make a final disposition of the reclaim, by payment or refusal, if they believe the case raises no doubtful questions of law. If they believe that it does, they should transmit the contractor's claim to the General Accounting Office for direct settlement, or refer it to the Court of Claims. In any case where disbursing officers or the head of the department concerned wish to be reassured that no doubtful question of law is at issue, they may certify an inquiry to the Comptroller General.

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6. Jurisdiction of Coast Guard to patrol harbors in United States ports. The opinion on this question, addressed to Rear Admiral Waesche, was prepared by Messrs. Mullin, Meeker, and Feidler, and was given under date of May 20, 1941. The opinion examines the statutory and other authority of Coast Guard personnel to search for acts of sabotage, and to take appropriate measures upon discovery or suspicion of sabotage on ships and docks in inland waters of the United States. It concludes in favor of the existence of authority for such law enforcement, either directly or by virtue of collateral powers.

7. Availability by settlement warrants of funds appropriated to the Tennessee Valley Authority. The opinion in this case, dated May 5, 1941, was prepared by Mr. Zarky of Tietjens' shop and reviewed in the Opinions Unit. The conclusion is expressed that in the case of funds appropriated by Congress to the Tennessee Valley Authority, the procedure of issuance of settlement warrants signed by the Secretary may be used to withdraw moneys from the Treasury, since the accounts of the Authority are not audited in the General Accounting Office.

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8. Overtime compensation. The bill to authorize regular tours of duty for customs officers and employees at nights and on Sundays and holidays without extra compensation, and generally to clarify the provisions of the customs overtime laws, referred to in the March, 1941 report, has been introduced in the House and referred to the Committee on Ways and Means (H.R. 4768).

Mr. Fred Ivey of the Customs legal staff and another representative of Customs have participated in conferences with Mr. Staley of the Department of Justice, and Mr. Drysdale, attorney for the plaintiffs in the case of Howard C. Myers v. United States, and companion cases, with reference to proposed stipulations as to the amounts of recovery so that judgments may be entered and a petition to the Supreme Court for a writ of certiorari may be filed. Tentative drafts of such stipulations were prepared at the conferences and have been approved by this Department.

The following work was handled under the supervision of Assistant General Counsel Bernard:

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CONTINUATION OF PROJECTS

9. Bill to relieve the hospitals from double taxation under Harrison Narcotic Act (for description see original report, Item 9). This bill and letters of transmittal therefor were transmitted to Congress on May 1, 1941, and referred to the Senate Finance Committee, and to the House Ways and Means Committee.
10. Fidelity bond bill (formerly identified as "Bond Survey") (for description see original report, Item 10). In accordance with recommendations which have been made by other departments and agencies, this bill which was prepared by Mr. Spingarn, has been redrafted. This proposed legislation as revised has finally cleared with the Bureau of the Budget and will be submitted to Congress within the next week or so. A very hot congressional battle on this bill is anticipated because of the great amount of business the surety companies would stand to lose by enactment of the legislation. The ten-year (1930 to 1939, inclusive) country-wide experience record of the surety companies writing Federal fidelity bonds shows they receive premiums of nearly \$10,000,000 and incur net losses of less than \$2,000,000.

- 6 -

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- 7 -

10. Federal Depositary System (for description see original report, Item 6). Several minor changes were made in this bill to comply with the suggestions of Under Secretary Bell, and it has been forwarded for initialing. The Legislative Section cooperated with Mr. O'Connell's office in perfecting these changes.

11. Law Committee of Defense Communications Board (for description see November report, Item 23). Mr. Spingarn is continuing his work as the Treasury Representative on the Law Committee of the Defense Communications Board. A memorandum to the Coordinating Committee of the Board on the legality of establishing traffic priorities in radio-telegraph, telegraph, and cable communications for Governmental and other national defense traffic (1) in time of war or (2) in time of national emergency short of war, which was prepared by Lt. Commander Willenbacher and Mr. Spingarn, was discussed and adopted by the Committee, subject to certain changes to be made by Messrs. Willenbacher and Spingarn.

12. Survey of tax-exempt Federal securities, other than obligations (for description, see February report,

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Item 7). We have almost completed our work on this subject.

13. Administrative Procedure bills (for description see April report, Item 8). Mr. Koken is continuing his work on the preparation of the Department's detailed report on the three pending Administrative Procedure Bills, S. 675, S. 674, and S. 918, which report will be transmitted to the Senate Judiciary Subcommittee handling the bills within a few days.

14. Proposed legislation to regulate production of opium poppies (for description see May report, Item 9). In conjunction with the Narcotic Division, Mr. Morton is continuing his work on the preparation of legislation to authorize and regulate the production and distribution of opium poppies in this country.

The following matters were worked on under the direction of Assistant General Counsel Bernstein:

15. Foreign funds control. For several months we have been studying the need for issuing a series of definitions and rules of interpretation for use in all rulings, licenses, instructions, etc., in connection with the administration

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of freezing control. The past year's experience in the field had disclosed the need for official definitions of such concepts as "blocked account", "blocked country", "domestic bank", and the like. On May 24 we issued an amendment to General Ruling No. 4 which prescribed eighteen such definitions and rules of interpretation. This ruling will permit the streamlining of the thousands of licenses issued weekly, simplifying their interpretation and, at the same time, contributing to a greater degree of legal accuracy. The operating division of the Foreign Funds Control is now studying standard texts of licenses in order to revise them in the light of the new ruling. Mr. Bernstein and Mr. Luxford worked on these matters.

As a further step along the lines indicated in the preceding paragraph, we are in the process of revising a number of the outstanding general licenses in order to incorporate a body of interpretations into the express terms of the licenses and to adjust the licenses to the needs and problems of today. The process of revision requires constant consultation with the operations division both here and in New York, as well as with a committee of bank

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representatives in New York. Mr. Bernstein and Mr. Luxford worked on this matter.

The question of issuing a general license to facilitate the purchase with blocked dollars of Defense Savings Bonds by refugees, was studied and some of the technical aspects were discussed with Public Debt. The problem was raised with Mr. D. W. Bell, who suggested that pending further developments, we continue to deal with the matter on a specific license basis. Mr. Bernstein and Mr. Luxford worked on this matter.

In connection with a report that a certain New York bank of foreign ownership was planning to remove its assets to South America, this office, in addition to assisting in the study of the matter, drafted the documents necessary for freezing the bank on an ad hoc basis. Further study was also given to the drafting of a general ad hoc section which might be integrated into any Order for a general extension of freezing control. The scope of the term "national" for use in a new Order was also reexamined in the light of the present conditions. Messrs. Bernstein, Luxford, and DuBois worked on this matter.

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The problem of attachment cases involving blocked accounts is requiring special study. At the present time there are about thirty of such cases pending, and action thereon is being delayed until a comprehensive course of action is decided upon. The problem has a series of implications, including those of default judgments against nationals having no notice of the litigation; protection of American creditors; the possibility of collusion to free accounts from our control, etc. Messrs. Bernstein, Luxford, and Anderson worked on this matter.

This office assisted in the drafting of a "clearing agreement" arrangement between the Philippine Islands and French Indo-China through the use of blocked Philippine peso accounts. Discussions are still under way with respect to permitting French Indo-China to conduct its foreign trade with countries other than the United States through dollar clearing balances. Messrs. Bernstein and Luxford worked on this matter.

This office participated in the formulation of a procedure and drafting of a license to permit the payment of

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a French Government bond dollar issue maturing June 1, 1941. The matter is requiring particular attention because the amounts involved are considerable; the market regards our action as indicative of what to expect in future cases, and the possibility of payments benefiting the invader must be minimized. Messrs. Bernstein and Luxford worked on this matter.

16. Economic Defense Committee. After many conferences with Dean Acheson and Francis Shea, we prepared an Executive Order and a memorandum to the President signed by Secretary Hull, Secretary Morgenthau, and Attorney General Jackson providing for the setting up of an economic defense committee. The matter was submitted to the President but no action has as yet been taken thereon. Messrs. Bernstein, Luxford, and DuBois worked on this matter.

17. Pioneer Import Case. This case has been discussed with the Assistant United States Attorney and with the Customs investigators with a view to presenting the case to a grand jury. Mr. Bernstein also spoke to officials of the Belgian Embassy and the Dutch Legation with a view

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to enlisting their cooperation on this matter. We are also asking the State Department for certain information from their officials in the invaded areas. Messrs. Bernstein and DuBois worked on this matter.

18. Daniel de Gorter, et al., Assignees of Banque Nationale de Belgique v. Banque de France. This case involves a suit by the Belgian National Bank v. The Bank of France for \$260,000,000 of Belgian gold which the French are in the process of turning over to the Germans. John Foster Dulles came in to discuss the various phases of this case with Mr. Bernstein. Messrs. Bernstein and Anderson worked on this matter.

19. Harold Anderson v. N.V. Transandine Handelmaatschappij, et al. Allen W. Dulles and Mr. Molekamp of the Dutch Legation discussed with Mr. Bernstein the brief which they were filing in this case which involved the validity of the Dutch Decree of May 24. The decision of Justice Shientag in this case is very helpful from our point of view and is along the lines which we have been arguing during the past year. Messrs. Bernstein, Friedman, and Anderson worked on this matter.

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20. Werfel v. Zivnostenska Banka. This Department has reviewed a memorandum prepared by the Department of Justice for the United States, as amicus curiae, for presentation on the appeal of Werfel v. Zivnostenska Banka. The case involves a claim based on the deposit of money in a Czechoslovakian bank prior to the German occupation of Czechoslovakia and the failure of the bank to repay. The lower court held for the defendant and the plaintiff has appealed. Mr. Bernstein has also discussed the memorandum with representatives of the Department of Justice on several occasions. Messrs. Bernstein, Friedman, and Anderson worked on this matter.
21. Luxembourg Decree. We made public through the channels of the Federal Reserve Banks a note received from the State Department, including a decree of the Luxembourg Government which is comparable to a decree issued by the Belgian Government and also related to the management of Luxembourg corporations and the right to dispose of their funds outside of Luxembourg. Mr. Bernstein worked on this matter.
22. Rueckwanderer marks. As a result of the Treasury inquiry, the Department of Justice is taking active steps in

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this case with a view to presenting it to a grand jury. Mr. Klaus has been working directly with McNulty of Justice on the case. Messrs. Bernstein and Friedman worked on this matter.

23. Lend-lease problems. We participated in discussions in the Treasury relating to the problem of taking out the British on \$300 to \$400 million of their outstanding commitments and on the problem presented in the Keynes proposal for taking out the British on \$650,000,000 of their outstanding contracts. Mr. Bernstein worked on this matter.

24. Stabilization and dollar devaluation powers. We prepared a statement for the Secretary for use at the hearings in the House Coinage Committee re the extension of powers, went over the testimony given at the hearings, worked on speech and other material used by Congressman Cochran in the debate on the House floor and attended the debates on the bill. Mr. Bernstein worked on this matter.

25. Chinese Stabilization Agreement. Mr. Bernstein prepared a memorandum which was furnished to Mr. Fox covering the further steps to be taken in connection with

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carrying out the Stabilization Agreement, including the setting up of the various accounts with the Federal Reserve Bank of New York. The problems listed in the memorandum were discussed with and approved by the Treasury group working on the Chinese Stabilization arrangement. Mr. Friedman also worked on this matter.

26. Transactions under section 25(b) of Federal Reserve Act. The following transactions were authorized pursuant to the provisions of the Act of April 7, 1941, amending section 25(b) of the Federal Reserve Act, as amended: (a) Transfer of approximately \$15,000,000 from accounts at various banks in the names of the Central Banks of Latvia, Lithuania, and Estonia to accounts at the Federal Reserve Bank of New York in the names of the governments of such countries, and transfer of \$175,000 to accounts in the names of the Legations of such countries for expenses of the diplomatic missions and consular offices in the Western Hemisphere; (b) payments, transfers and withdrawals from the account in the name of the Central Bank of Norway.

In addition to preparing the appropriate licenses required to effect these transactions, we also prepared,

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in each case, drafts of the documents required to be executed by the State Department and the accredited representatives of the countries involved. Messrs. Bernstein and DuBois worked on these matters.

27. Inter-American Bank hearings. Mr. Bernstein attended hearings before the Subcommittee of the Senate Foreign Relations Committee relating to the convention of the Inter-American Bank.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 13, 1941

For Miss Chaucey

TO Secretary Morgenthau

FROM Mr. Cochran

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Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£54,000
Purchased from commercial concerns	£27,000

Open market sterling held steady at 4.03-1/2. The only reported transaction consisted of the purchase of £1,000 from a commercial concern.

Continuing its recovery, the Cuban peso moved to 1-1/16¢ today, as compared with 1-1/2¢ yesterday.

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	12% discount
Swiss franc	.2321-1/2
Swedish krona	.2385
Reichsmark	.4005
Lira	.0526-1/4
Argentine peso (free)	.2370
Brazilian milreis (free)	.0505
Mexican peso	.2070

In Shanghai, the yuan held steady at the rate of 5-3/8¢ which has prevailed since June 10. Sterling was also unchanged at 3.92.

There were no gold transactions consummated by us today.

The State Department forwarded a cable to us which stated that Sharps & Wilkins, London, shipped \$350,000 in gold from England to the Bankers Trust Co., New York, for sale to the New York Assay Office.

A price of 23-3/8¢ was again fixed in London for both spot and forward silver, equivalent to 42.44¢.

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 34-3/4¢.

We made one purchase of silver amounting to 175,000 ounces under the Silver Purchase Act. This consisted of new production from Argentina, and was bought for forward delivery.

BRITISH EMBASSY,
WASHINGTON, D.C.

PERSONAL AND
SECRET.

June 13th, 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,

Stalfox

The Honourable .

Henry Morgenthau, Jr.,

Secretary of the Treasury,

Washington, D.C.

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Copy of telegram from London dated June 11th, 1941.

Night of 10th/11th. 93 bombers attacked enemy ships at Brest. Smoke screen over warships effective; identification difficult. 122 tons high explosives including 19 A.P.'s of 2,000 pounds and 12 of 1,000 pounds dropped. All aircraft returned safely. Large fires seen in docks. 8 aircraft Coastal Command bombed U-boat pens, St. Nazaire. "Pintail", escorting east coast convoy was mined and sunk off Humber p.m./10, 22 survivors. On 10th, attack on shipping off Stavanger by Blenheims, resulted possible hit on 1,000 ton merchant ship.

2. Syria. Up to morning of June 10th our troops had taken 450 prisoners comprising French Tunisians and a few Italians. Free French on right encountered some opposition just south of Kise but morning of June 10th were able to push on. No progress at Mardjayoun. On left, bridge over River Litani repaired and our column resumed advance by coast road June 10th being five miles north of river by 0900 hours. Reference engagement 9th, French destroyers had previously bombarded our advancing troops north of Tyre. On 9th Royal Air Force fighters covering naval units destroyed 4 French aircraft, 3 Hurricanes missing. Gladiators drove off 4 French bombers attacking our troops South Damascus. Night of 9th/10th 20 aircraft probably from Dodecaness bombed Haifa. Tanker set on fire, power station and oil works damaged not seriously. Two certain one possible aircraft shot down by anti-aircraft.

3. Egypt. Libya. Labour situation at Alexandria which was bad after air raid now improving. Night of 8th/9th Royal Air Force bombed Benghazi and other targets in Libya with 10 aircraft, attacked Rhodes harbour and aerodromes where explosions and persistent fires occurred among dispersed aircraft. On same night Swordfish attacked Tripoli harbour starting fires near quay and in merchant ship. June 9th enemy aircraft bombed hospital at Tobruk. Our own and enemy patrols have been active both there and South of Haifa. One enemy armoured car captured in area Sidi Suleiman. Enemy aircraft bombed Rabia damaging one aircraft on ground and attacked Matruh where no damage or casualties were caused.

4. Abyssinia. To 0700 June 9th. Northern column advancing on Gisma was delayed by road block at Socorro. This will take 36 hours to clear. On line of advance of southern column work proceeding on pontoon bridge over River Omo and on clearance of road block 12 miles west of crossing. Heavy rain impeding work.

5. Iraq/

5. Iraq. June 9th. Our flying column passed through Haditha (at pipe line junction) and head was reported to be in touch with some rebels two miles southeast Abu Kemal. Mobile column sent to Kirkuk has arrived. More troops have reached Mosul by air without incident.

6. Enemy activity United Kingdom, remains slight but night of 10th/11th brief attack on Pembroke area. No important damage reported.

BRITISH EMBASSY,
WASHINGTON, D. C.

Personal and Secret

June 13th, 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.

Telegram from London dated June 12th, 1941.

1. At 11.20/11th capture of Asmah had been successfully completed. Operation proceeded according to plan, surprise complete. Landing made by Indian troops. Indian naval sloop Clive Indus and H.M. Ship Chakdina took part. Two generals one naval captain prisoners.
2. 11th three aircraft attacked merchant vessel at Zeebrugge. Four hits on mole observed. Five aircraft claimed destroyed 5,000 ton tanker between Dunkirk and Ostend last seen on fire decks awash.
3. Last night three Swordfish attacked docks Dunkirk. All bombs target area. Enemy war ships Brest still in same position.
4. Night of 10th/11th two Blenheims claimed one hit 1,900 ton merchant vessel near Hugesund.
5. Night of 11/12th, 245 bombers despatched for Dusseldorf, Duisburg, Boulogne docks, Rotterdam docks, Cologne and shipping off Dutch and French coasts. 8 aircraft missing. 103 tons of high explosive bombs including the 4,000 pound and 42 1,000 pound and 4,380 incendiaries dropped over Dusseldorf. Number of fires started including oil fire west of the town. Duisburg 48 tons of high explosives 7,180 incendiaries dropped. Many fires started in inland port, one very large warehouse hit, set on fire. Boulogne docks 36 tons of high explosive bombs 1,780 incendiaries. Large fire warehouse south of dock.
6. Successful bombing attack made Benghazi harbour night of 9th/10th.
7. Syria. Morning of 11th. Free French assisted by Colonel Colletts cavalry were developing attack on Zimp. No further advance on Mardjayoun. Force on coast road approaching Nahr Sa Zahran, 7 miles south of Aidon.
8. Iraq. Our troops on way Basra to Baghdad have passed Samarra.
9. Libya. P.m. 10th. Heavy shelling took place salient area Tobruk. Enemy AFV's active south of Halifa. Night of 9th/10th enemy aircraft bombed petrol dump Matruh and exploded 60 mines in our mine field east of the town.
10. Albania. To 7 hours June 10th. We are clearing road Oso to Abeti but delay caused by torrential rain. Italian commander has asked us to assist General Fralermas and remnants of 2d Italian divisions from attack by patriots. Patriot forces have occupied Lakebchi, important town 170 miles west of Adria Thabe.
11. Night of 11th/12th about 100 enemy aircraft operated. Bombs dropped midlands, southern, eastern counties. One serious incident Dover. Parachute mines caused such damage to houses in Bristol, casualties probably heavy.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, June 13, 1941

TENTATIVE LESSONS BULLETIN
No. 119
G-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

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BRITISH NOTES ON GERMAN ARTILLERY AND ARMORED VEHICLESSOURCE

This bulletin is based upon information released by a high British official source on March 23, 1941.

CONTENTS

1. 75-mm. ANTITANK GUN
2. 105-mm. ASSAULT GUN
3. 25-mm. MOBILE ANTITANK EQUIPMENT
4. 15-mm. ANTI-AIRCRAFT-ANTITANK HEAVY MACHINE GUN
5. NEW TYPES OF TANKS
6. T-SHAPED RAFTS

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CONFIDENTIALBRITISH NOTES ON GERMAN ARTILLERY AND ARMORED VEHICLES1. 75-mm. ANTITANK GUN

It is reported that a 75-mm. antitank gun with muzzle velocity of 2620 feet per second is in production at the Skoda and C.K.D. works. The penetration claimed is 80 mm. of armor at 2000 yards, and although the angle of impact is not stated, it is presumed to be 90 degrees. It is considered that this performance is possible and that at about 600 yards range and a 30 degree angle of impact, the penetration might be as much as 100 mm.

Particulars received early in 1940 gave muzzle velocities varying between 3300 and 5000 feet per second, but these figures apparently referred to trials for maximum service performance. The muzzle velocity now quoted is what could be expected of a normal service weapon.

The equipment may weigh as much as $1\frac{1}{2}$ to 2 tons if the carriage is of the normal field gun type. If all-round traverse is provided, the weight is at least 2 tons, and probably more. A proper antitank gun of this caliber will have distinct advantages in maneuverability, concealment, and general handiness as compared with an anti-aircraft gun, but the success of the latter against tanks in the Battle of France probably influenced the production of the new gun. It is not yet known when the 75-mm. gun will be ready for issue to units.

2. 105-mm. ASSAULT GUN

The existence of 105-mm. assault guns is reported from a usually reliable source, and we must certainly expect these guns to appear in certain formations, especially the heavy armored division.

No details are known. The gun itself may well be an adaptation of the 105-mm. light field gun-howitzer, 1918, with a considerably greater range than either the 75-mm. or the 150-mm. infantry gun. It may be suitable for firing either armor piercing or high explosive ammunition. The mounting may be the 18-ton tank chassis, Type III, with armor protection on at least three sides for the gun crew.

3. 25-mm. MOBILE ANTITANK EQUIPMENT

Recent reports suggest that large numbers of 9-ton tanks, Type III, recently made available by reorganization, are being used to provide light mobile antitank equipment.

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The armor protection is said to be 25 mm., which would give immunity at fighting ranges against anything less than an antitank gun. The gun, mounted in a half-turret, is believed to be the French 25-mm. Hotchkiss antitank gun.

The characteristics of this gun are as follows:

Muzzle velocity: 3000 feet per second
 Weight of armor-piercing shot: 11.3 ounces
 Penetration: 50 mm. at normal at 400 yards
 32 mm. at 22 degrees at 400 yards

It is probable that the Germans have secured more than 3000 of these guns from the French army.

The Type-II tank weighs nine tons. Dimensions and performance are as follows:

Length: 14'8"
 Width: 6'0"
 Height: 5'6"
 Maximum road speed: 28 MPH
 Cross country speed: 18 MPH
 Trench crossed: 4'11"
 Water forded: 2'6"

At least 2000 of these tanks should be in existence, but it does not follow that they have all been converted to this particular purpose.

4. 15-mm. ANTI-AIRCRAFT-ANTITANK HEAVY MACHINE GUN

It is now known that the German Army is employing the Czech 15-mm. dual purpose heavy machine gun, whose design is similar to that of the British Besa.

Antitank performance figures are as follows:

Muzzle Velocity:	2950 feet per second
Weight of armor-piercing bullet:	1142 grains
Rate of fire:	400 revolutions per minute
Effective rate of fire:	180-220 revolutions per minute
Feed by belt in 40-round strips	
Penetration:	30 mm. at 100 yards at normal
	21 mm. at 100 yards at 40 degrees
	15 mm. at 100 yards at 40 degrees
	27 mm. at 200 yards at normal
	19.7 mm. at 200 yards at 20 degrees
	13.8 mm. at 200 yards at 40 degrees
	25 mm. at 400 yards at normal
	16.5 mm. at 400 yards at 20 degrees

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A recent report from a good source suggests that two new marks of tank are in existence, namely:

a. A 21-ton tank armed with a 47-mm. gun. This may be a development of the 18-ton, Type-III tank, with a Czech 47-mm. gun replacing the 37-mm. gun with which it was formerly armed. Penetration claimed for the 47-mm. M.38 antitank gun is 60 mm. face-hardened plate at 800 yards at normal. Alternatively, but less likely, it may be an improved French Somua tank, which weighed 18 tons and carried a 47-mm. gun in its original form.

b. A Type-IVa tank whose details are not known. This may be a Type-IV tank converted to an armored command vehicle. A large number of these are now in formations. They are built along lines similar to those of the earlier Type-I and Type-II commanders' tanks, although they are more roomy and better protected.

6. T-SHAPED RAFTS

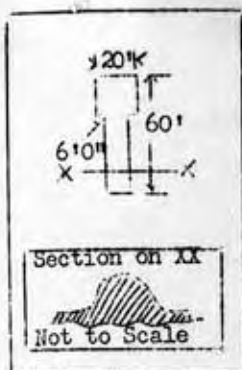
A number of reports have been received indicating that flat-bottom boats or rafts of a special design are being constructed for use during an invasion. Sketches of these rafts are shown on the following page.

At first Raft A was believed to be a tank landing craft, the head of the T being a tank float and the tail of the T a landing gangway. The shape of the section, however, seemed to rule out this possibility and gave rise to the opinion that perhaps this was a covered way over the longer axis of the raft to give some protection in the event of the raft's being used as a ship-to-shore floating gangway.

Raft B seems to be a larger edition of Raft A, but without the covered way.

It will be seen from estimated dimensions that Raft C is very large. They are reportedly for use in landing operations after establishment of a bridgehead. The base of the T is to run ashore, and the head of the T is to be anchored in deep water for the purpose of enabling troops and material, including field artillery and light tanks, to disembark. These rafts are said to be unable to stand the North Sea. It is doubtful - except in the case of Types A and B, which might be carried by ship - whether a passage could be made except in a very calm sea either by towing or by powerful outboard motors. Type C would presumably be brought over in sections and assembled on arrival.

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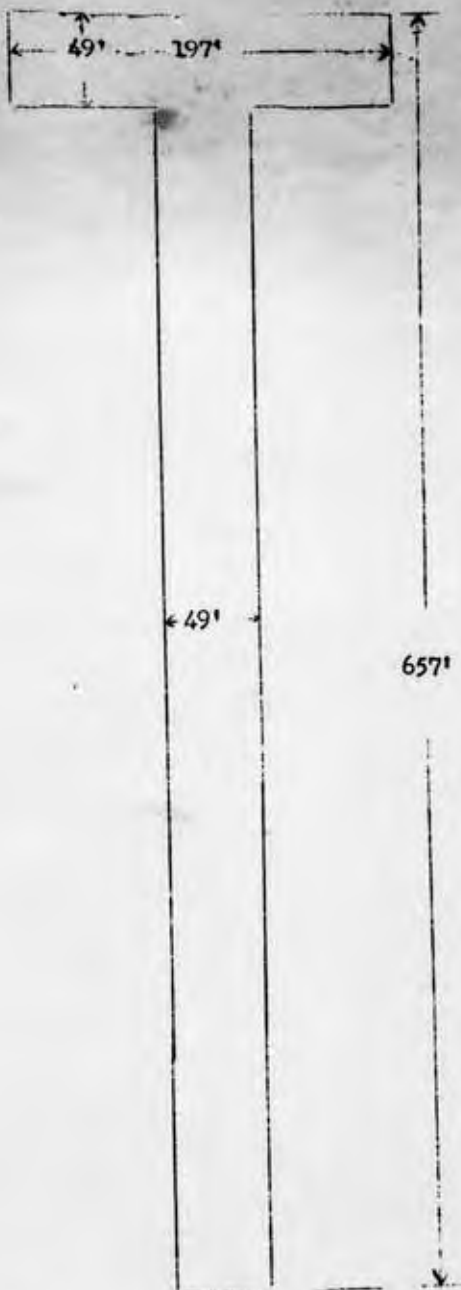
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SKETCH A



SKETCH B

SCALE
1 inch = 80 feet



SKETCH C

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No details are available as to the under-water shape of these rafts, but on the assumption that the main body of the raft is of uniform draft while the under side of the tail slopes uniformly upwards to water level to facilitate grounding on a sloping beach, it is clear that considerable buoyance will be available for load carrying purposes even if the maximum draft is small. This might be of the order of 50 tons for a draft of three feet in the case of the 60-foot raft.

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G-2/2657-220; No. 416

M.I.D., I.D.

12:00 M., June 13, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Very limited activity last night over Eastern England.

British. A strong offensive effort involving an estimated 200-300 planes was made last night. Primary effort was made over the Ruhr-Rhine industrial area. Raids were also made along the Dutch-Belgian-French coast, including an attack on Brest.

II. Mediterranean and African Theaters.

Ground: Libya. Artillery action at Tobruk.

Ethiopia. No important developments.

Air: Axis. Raids on Tobruk, Malta and Gibraltar.

R.A.F. Raids on Benghazi, Rhodes and over the Western Desert.

III. Syria.

Ground: No noticeable progress by the invaders.

Air: German. Haifa was again attacked.

R.A.F. Raids on Beirut.

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Paraphrase of Code Cablegram
Received at the War Department
at 11:25, June 13, 1941.

London, filed 16:30, June 13, 1941.

1. British Air Activity over the Continent.

a. Night of June 12-13. On this night the following disposition of bombers of the Royal Air Force was made:

Attacking Schwerte, 34; Soest, 91; Osnabruck, 51; ✓
Baden, 1; Hamm, 32; Rotterdam, 3; Eils, 19.

b. Day of June 12. Royal Air Force bombers with fighter escorts operated against shipping at Grevelines. One ship was destroyed. An unmentioned number of Bomfort (reconnaissance-bombers) attacked the airport at Morderney. The docks at Dunkirk were bombed by a Swordfish (torpedo-reconnaissance).

c. Night of June 11-12. 8700 incendiaries and 69 tons of high explosive bombs were dropped on Duisberg. 4900 incendiaries and 100 tons of high explosive bombs were dropped on Dusseldorf. ✓

2. German Air Activity over Britain.

a. Night of June 12-13.

German planes operated on a small scale, principal targets being in the vicinity of Lands End, Cape Wrath, the Orkneys, Lincolnshire and Yorkshire.

b. Night of June 11-12.

It is now reported that the Germans employed 75

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long-range bombers, 20 fighters and 10 mine-laying planes during their operations on this night.

2. Day of June 11. Employed in operations on this day were 20 reconnaissance planes, 20 long-range bombers and 10 fighters.

3. Aircraft Losses - British Theater.

a. During the extensive operations on the night of June 12-13, two of the British planes crashed in England and six are unreported.

b. During the British attack on Crevelines, one Messerschmitt Me-109 was destroyed. During the German activity on the night of June 12-13, one Messerschmitt Me-110 was shot down.

4. British Air Activity - Other Theaters.

a. Egyptian Theater. During the day of June 11, planes of the Royal Air Force successfully carried out their bomber reconnaissance activity throughout the Middle East.

LEE

Distribution:

Secretary of War
State Department
✓ Secretary of Treasury
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Assistant Chief of Staff, G-3
Air Corps

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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 14, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

Mr. Jay Crane telephoned me from New York yesterday afternoon. He referred to our conversation of June 10, and told me that the Standard Oil Company had now received word that the German representative who contemplated coming to Cuba for negotiations with the Standard in regard to the sale of its properties in Hungary, is still in Brasil. It appears that some difficulty has been experienced in effecting the necessary arrangements to travel from Brasil to Cuba. It is hoped, however, that the representative may reach Cuba toward the end of June. In the event this is impossible, Mr. Crane feared that the question might arise as to whether one of the Standard officials should go to Brasil. I made no mention to Mr. Crane of the action which we have taken since my last conversation with him.



June 14, 1941

Files

Mr. Cochran

At the meeting of Foreign Funds Control held at 4 p.m. on June 3, there were brought up several points which Mr. Stopford of the British Embassy had discussed with me from time to time. The minutes of the meeting give the official record.

In accordance with the decision taken in the meeting, I discussed with Mr. Livesey of the Department of State the policy of the British Government in seizing at Bermuda dollar bonds and standstill claims which had been purchased from Americans for shipment to Germany. Mr. Livesey brought up at this time the memorandum of June 6 from his office to the Treasury, enclosing a memorandum with respect to the activities of W. V. Gihara & Co. in repatriation of German securities. Mr. Livesey was of the opinion that we should not request the British to make any change in their policy on the point above mentioned. We had not indicated to anyone that the transactions under reference were contrary to American law. Various individuals engaged in this type of transaction have been in touch with the Department of State and other branches of the Government seeking specific approval of their operations, but have not obtained it.

After the above conversation with Mr. Livesey, I discussed at some length with Mr. Stopford, whom he called on me at 3:30 p.m., June 9, the items which he had considered in suspense. I referred first to the entry of pictures, particularly of French origin, which are being shipped to United States via Portugal, Switzerland and otherwise. I told him that we thought the French picture problem seemed to be in hand. We did not have any definite authority at that time to apply restrictions to German and other pictures similar to those imposed upon French pictures. We did desire, however, that the British give us such information as they might receive with respect to all importations of pictures coming from Europe. Our Customs people would look into such shipments meticulously and thoroughly if there was any ground whatever for suspicion.

With respect to the control of the import and export of American bank notes, I told Mr. Stopford that we had observed that this trade had dwindled to small proportions, probably due in part to the successful interception of such shipments by the British at the various control points. It appeared that air mail shipments from South America was now being routed through a British control station. We agreed that there was still a chance for leakage through Pacific Coast ports, but thought the main channels of transmission via Bermuda and South America were importantly blocked. We were not disposed to recommend at this time the licensing of all exports and imports of American currency. I told Stopford that I had, however, brought to the attention of my colleagues the reports which he had received to the effect that travelers and seamen on ships coming from Portugal and Spain

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to the United States are being used to smuggle currencies into this country. We would take steps to see that our Customs people look out for this business as carefully as possible.

On the question of credits by United States banks favoring Axis trade, I told Stepford that this question had not yet been settled. There was an interchange of correspondence and ideas between the Departments of State and Treasury which might result in some concrete action in the near future. I told him that the Treasury had not seen fit to take the initiative in telling American banks what types of business they should not indulge in, unless such operations were definitely covered by our existing regulations. Consequently, we had solicited State Department advice in the premises.

With respect to the question of patent royalties, I told Mr. Stepford that this was a matter on which legislation was now being studied, and that something definite might be known in the near future. I recommended that he keep in touch with Mr. Feltz or Mr. Bernstein on this point.



RM: dm: 6.16.41

CODE OF FEDERAL REGULATIONS

Title 31 - Money and Finance: Treasury

Chapter I - Monetary Offices, Department of the Treasury

Part 130

TREASURY DEPARTMENT,
Office of the Secretary,
June 14, 1941.

REGULATIONS* UNDER EXECUTIVE ORDER NO. 8389, AS AMENDED.

Relating to Transactions in Foreign Exchange
and Foreign-Owned Property, the Reporting
of all Foreign-Owned Property and Related
Matters. (*)

The Regulations of April 10, 1940, as amended (Sections 130.1 to 130.6), are amended to read as follows:

Section 130.1. Authority for regulations. These regulations are prescribed and issued under authority of Section 5(b) of the Act of October 6, 1917 (40 Stat. 415), as amended, and Executive Order No. 8389 of April 10, 1940, as amended by Executive Order No. of June 14, 1941. (*)

Section 130.2. Definitions.

(a) The term "Order" shall refer to Executive Order No. 8389 of April 10, 1940, as amended.

(b) The term "regulations" shall refer to these regulations.

(c) The terms "property" and "property interest" or "property interests" shall include, but not by way of limitation, money, checks, drafts, bullion, bank deposits, savings accounts, any debts, indebtedness or obligations, financial securities commonly dealt in by bankers, brokers, and investment houses, notes, debentures, stocks, bonds, coupons, bankers' acceptances, mortgages, pledges, liens or other right in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, any other evidences of title, ownership or indebtedness, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, vendors' sales agreements, land contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trademarks, copyrights, contracts or licenses affecting or involving patents, trademarks or copyrights, insurance policies, safe deposit boxes and their contents, annuities, pooling agreements, contracts of any nature whatsoever, et cetera.

(d) Safe deposit boxes shall be deemed to be in the "custody" not only of all persons having access thereto but also of the lessors of such boxes whether or not such lessors have access to such boxes. The foregoing shall not in any way be regarded as a limitation upon the meaning of the term "custody".

* Sections 130.1 to 130.7: - Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order , June 14, 1941.

(e) For the meaning of other terms reference should be made to the definitions contained in the Order. In interpreting rulings, licenses, instructions, etc., issued pursuant to the Order and regulations, particular attention is directed to the provisions of General Ruling No. 4, as from time to time hereafter amended. (*)

Section 130.3. Licenses. Applications for licenses to engage in any transaction referred to in sections 1 or 2 of the Order shall be filed in triplicate with the Federal Reserve Bank of the district or the Governor or High Commissioner of the territory or possession of the United States in which the applicant resides or has his principal place of business or principal office or agency, or if the applicant has no legal residence or principal place of business or principal office or agency in a Federal Reserve district or a territory or possession of the United States then with the Federal Reserve Bank of New York or the Federal Reserve Bank of San Francisco. Application forms may be obtained from any Federal Reserve Bank, the Governor or High Commissioner of a territory or possession of the United States, or the Secretary of the Treasury, Washington, D.C. The original of each application shall be executed under oath before an officer authorized to administer oaths, or if executed outside of the United States, before a diplomatic or consular officer of the United States. The applicant shall furnish such further information as shall be requested of him by the Secretary of the Treasury or the Federal Reserve Bank or other agency at which the application is filed. Licenses will be issued by the Secretary of the Treasury, acting directly or through any officers or agencies that he may designate, and by the Federal Reserve Banks, acting in accordance with such regulations, rulings, and instructions as the Secretary of the Treasury may from time to time prescribe, in such cases or classes of cases as the Secretary of the Treasury may determine. The Federal Reserve Bank or other agency at which an application is filed will advise the applicant of the decision respecting the application. Licenses for exports, withdrawals or imports, after having been cancelled by the collector of customs or the postmaster through whom the exportation, withdrawal or importation was made, may be returned by such collector of customs or postmaster to the licensee. Approval forms for applications of licenses will be prescribed by the Secretary of the Treasury. Licensees may be required to file reports upon the consummation of the transactions. The decision of the Secretary of the Treasury with respect to an application for license shall be final. (*)

Section 130.4. Reports of Property Interests of All Foreign Countries and Nationals Thereof.

(a) On or before July 14, 1941, reports shall be filed on Form TFR-300, duly executed under oath, containing the information called for in such Form, with respect to all property subject to the jurisdiction of the United States on the opening of business on June 1, 1940, and with respect to all property subject to the jurisdiction of the United States on the opening of business on June 14, 1941, in which on the respective dates any foreign country or any national thereof had any interest of any nature whatsoever, direct or indirect, regardless of whether a report on Form TFR-100 with respect to any such property shall have previously been filed. Such reports shall be filed by:

- (1) Every person in the United States, directly or indirectly holding, or having title to, or custody, control or possession of

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such property on either or both of the aforementioned respective dates.

(2) Every agent or representative in the United States for any foreign country or any national thereof having any information with respect to such property.

Provided, That no report on Form TFR-300 need be filed where the total value of all property interests of any foreign country or national to be reported is less than \$1,000.

Without any limitation whatsoever of the foregoing, reports on Form TFR-300, filed as required above, shall be filed by every partnership, trustee, association, corporation, or other organization organized under the laws of the United States or any state, territory, or district of the United States or having its principal place of business in the United States, with respect to any shares of its stock or any of its debentures, notes, bonds, coupons or other obligations or securities or any equity therein, in which any foreign country or any national thereof had on either or both of the aforementioned respective dates, any interest of any nature whatsoever, direct or indirect.

(b) Reports shall be executed and filed in quadruplicate with the Federal Reserve Bank of the district or the Governor or High Commissioner of the territory or possession of the United States in which the party filing the report resides or has his principal place of business or principal office or agency, or if such party has no legal residence or principal place of business or principal office or agency in a Federal Reserve district or a territory or possession of the United States, then with the Federal Reserve Bank of New York or the Federal Reserve Bank of San Francisco. A report shall be deemed to have been filed when it is received by the proper Federal Reserve Bank or other agency or when it is properly addressed and mailed and bears a postmark dated prior to midnight of the date upon which the report is due. Each Federal Reserve Bank or other agency shall promptly forward three copies of every report filed with it to the Secretary of the Treasury.

(c) (1) All spaces in the report must be properly filled in. Reports found not to be in proper form, or lacking in essential details, shall not be deemed to have been filed in compliance with the Order.

(2) Where space in the report form does not permit full answers to questions, the information required may be set forth in supplementary papers incorporated by reference in the report and submitted therewith. Supplementary documents and papers must be referred to in the principal statement in chronological or other appropriate order and be described in such manner that they can be identified.

(d) A separate report under oath must be filed by each person required to file a report except that persons holding property jointly may file a joint report.

(e) The Secretary of the Treasury may, in his discretion, grant such extensions of time or exceptions as he deems advisable for the making of any or all of the reports required by these regulations.

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(f) Report Form ITM-300 may be obtained from any Federal Reserve Bank, the Governor or High Commissioner of a territory or possession of the United States, or the Secretary of the Treasury, Washington, D. C. (*)

Section 130.5. Penalties. Section 5(b) of the Act of October 6, 1917, as amended, provides in part:

"* * * Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both."(*)

Section 130.6. These regulations and any rulings, licenses, or instructions issued hereunder shall not be deemed to authorize any transaction prohibited by reason of any other law, proclamation, order or regulation. (*)

Section 130.7. Amendment, Modification, or Revocation. These regulations and any rulings, licenses, instructions, or forms issued hereunder may be amended, modified, or revoked at any time. (*)

Henry M. Nathan
Secretary of the Treasury.

APPROVED: June 14, 1941.

Franklin D. Roosevelt

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CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

CHIEF CLERK, TREASURY DEPARTMENT

Regraded Unclassified

EXECUTIVE ORDER

REGULATING TRANSACTIONS IN FOREIGN EXCHANGE
AND FOREIGN-OWNED PROPERTY, PROVIDING FOR
THE REPORTING OF ALL FOREIGN-OWNED PROPERTY,
AND RELATED MATTERS.

By virtue of and pursuant to the authority vested in me by Section 5(b) of the Act of October 6, 1917 (40 Stat. 415), as amended, by virtue of all other authority vested in me, and by virtue of the existence of a period of unlimited national emergency, and finding that this Order is in the public interest and is necessary in the interest of national defense and security, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do prescribe the following:

Executive Order No. 8389 of April 10, 1940, as amended, is amended to read as follows:

Section 1. All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury by means of regulations, rulings, instructions, licenses, or otherwise, if (i) such transactions are by, or on behalf of, or pursuant to the direction of any foreign country designated in this Order, or any national thereof, or (ii) such transactions involve property in which any foreign country designated in this

Order, or any national thereof, has at any time on or since the effective date of this Order had any interest of any nature whatsoever, direct or indirect;

A. All transfers of credit between any banking institutions within the United States; and all transfers of credit between any banking institution within the United States and any banking institution outside the United States (including any principal, agent, home office, branch, or correspondent outside the United States, of a banking institution within the United States);

B. All payments by or to any banking institution within the United States;

C. All transactions in foreign exchange by any person within the United States;

D. The export or withdrawal from the United States, or the earmarking of gold or silver coin or bullion or currency by any person within the United States;

E. All transfers, withdrawals or exportations of, or dealings in, any evidences of indebtedness or evidences of ownership of property by any person within the United States; and

F. Any transaction for the purpose or which has the effect of evading or avoiding the foregoing prohibitions.

Section 2.

A. All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury by means of regulations, rulings, instructions, licenses, or otherwise:

(1) The acquisition, disposition or transfer of, or other dealing in, or with respect to, any security or evidence thereof on which there is stamped or imprinted, or to which there is affixed or otherwise attached, a tax stamp or other stamp of a foreign country designated in this Order or a notarial or similar seal which by its contents indicates that it was stamped, imprinted, affixed or attached within such foreign country, or where the attendant circumstances disclose or indicate that such stamp or seal may, at any time, have been stamped, imprinted, affixed or attached thereto; and

(2) The acquisition by, or transfer to, any person within the United States of any interest in any security or evidence thereof if the attendant circumstances disclose or indicate that the security or evidence thereof is not physically situated within the United States.

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B. The Secretary of the Treasury may investigate, regulate, or prohibit under such regulations, rulings, or instructions as he may prescribe, by means of licenses or otherwise, the sending, mailing, importing or otherwise bringing, directly or indirectly, into the United States, from any foreign country, of any securities or evidences thereof or the receiving or holding in the United States of any securities or evidences thereof so brought into the United States.

Section 3. The term "foreign country designated in this Order" means a foreign country included in the following schedule, and the term "effective date of this Order" means with respect to any such foreign country, or any national thereof, the date specified in the following schedule:

- (a) April 8, 1940—
Norway and
Denmark;
- (b) May 10, 1940—
The Netherlands,
Belgium and
Luxembourg;
- (c) June 17, 1940—
France (including Monaco);
- (d) July 10, 1940—
Latvia, Estonia and
Lithuania;
- (e) October 9, 1940—
Romania;

- (f) March 4, 1941—
Bulgaria;
- (g) March 13, 1941—
Hungary;
- (h) March 24, 1941—
Yugoslavia;
- (i) April 28, 1941—
Greece; and
- (j) June 14, 1941—
Albania,
Andorra,
Austria,
Czechoslovakia,
Danzig,
Finland,
Germany,
Italy,
Liechtenstein,
Poland,
Portugal,
San Marino,
Spain,
Sweden,
Switzerland, and
Union of Soviet Socialist Republics.

The "effective date of this Order" with respect to any foreign country not designated in this Order shall be deemed to be June 14, 1941.

Section 4.

A. The Secretary of the Treasury and/or the Attorney General may require, by means of regulations, rulings, instructions, or otherwise, any person to keep a full record of, and to furnish under oath, in the form of reports or otherwise, from time to time and at any time or times, complete information relative to, any transaction referred to in section 5(b) of the Act of October 6, 1917 (40 Stat. 415), as amended, or relative to any

property in which any foreign country or any national thereof has any interest of any nature whatsoever, direct or indirect, including the production of any books of account, contracts, letters, or other papers, in connection therewith, in the custody or control of such person, either before or after such transaction is completed; and the Secretary of the Treasury and/or the Attorney General may, through any agency, investigate any such transaction or act, or any violation of the provisions of this Order.

B. Every person engaging in any of the transactions referred to in sections 1 and 2 of this Order shall keep a full record of each such transaction engaged in by him, regardless of whether such transaction is effected pursuant to license or otherwise, and such record shall be available for examination for at least one year after the date of such transaction.

Section 5.

A. As used in the first paragraph of section 1 of this Order "transactions [which] involve property in which any foreign country designated in this Order, or any national thereof, has * * * any interest of any nature whatsoever, direct or indirect," shall include, but not by way of limitation (1) any payment or transfer to any such

foreign country or national thereof, (ii) any export or withdrawal from the United States to such foreign country, and (iii) any transfer of credit, or payment of an obligation, expressed in terms of the currency of such foreign country.

B. The term "United States" means the United States and any place subject to the jurisdiction thereof; the term "continental United States" means the states of the United States, the District of Columbia, and the Territory of Alaska.

C. The term "person" means an individual, partnership, association, corporation, or other organization.

D. The term "foreign country" shall include, but not by way of limitation,

(i) The state and the government thereof on the effective date of this Order as well as any political subdivision, agency, or instrumentality thereof or any territory, dependency, colony, protectorate, mandate, dominion, possession or place subject to the jurisdiction thereof,

(ii) Any other government (including any political subdivision, agency, or instrumentality thereof) to the extent and only to the extent that such government exercises or claims to exercise de jure or de facto sovereignty over the area which on such effective date constituted

such foreign country, and

(iii) Any person to the extent that such person is, or has been, or to the extent that there is reasonable cause to believe that such person is, or has been, since such effective date, acting or purporting to act directly or indirectly for the benefit or on behalf of any of the foregoing.

E. The term "national" shall include,

(i) Any person who has been domiciled in, or a subject, citizen or resident of a foreign country at any time on or since the effective date of this Order,

(ii) Any partnership, association, corporation or other organization, organized under the laws of, or which on or since the effective date of this Order had or has had its principal place of business in such foreign country, or which on or since such effective date was or has been controlled by, or a substantial part of the stock, shares, bonds, debentures, notes, drafts, or other securities or obligations of which, was or has been owned or controlled by, directly or indirectly, such foreign country and/or one or more nationals thereof as herein defined,

(iii) Any person to the extent that such person is, or has been, since such effective date, acting or purporting to act directly or indirectly for the benefit or on behalf of any national of such foreign country, and

(iv) Any other person who there is reasonable cause to believe is a "national" as herein defined.

In any case in which by virtue of the foregoing definition a person is a national of more than one foreign country, such person shall be deemed to be a national of each such foreign country. In any case in which the combined interests of two or more foreign countries designated in this Order and/or nationals thereof are sufficient in the aggregate to constitute, within the meaning of the foregoing, control or 25 per centum or more of the stock, shares, bonds, debentures, notes, drafts, or other securities or obligations of a partnership, association, corporation or other organization, but such control or a substantial part of such stock, shares, bonds, debentures, notes, drafts, or other securities or obligations is not held by any one such foreign country and/or national thereof, such partnership, association, corporation or other organization shall be deemed to be a national of each of such foreign countries. The Secretary of the Treasury shall have full power to determine that any person is or shall be deemed to be a "national"

within the meaning of this definition, and the foreign country of which such person is or shall be deemed to be a national. Without limitation of the foregoing, the term "national" shall also include any other person who is determined by the Secretary of the Treasury to be, or to have been, since such effective date, acting or purporting to act directly or indirectly for the benefit or under the direction of a foreign country designated in this Order or national thereof, as herein defined.

F. The term "banking institution" as used in this Order shall include any person engaged primarily or incidentally in the business of banking, of granting or transferring credits, or of purchasing or selling foreign exchange or procuring purchasers and sellers thereof, as principal or agent, or any person holding credits for others as a direct or incidental part of his business, or brokers; and, each principal, agent, home office, branch or correspondent of any person so engaged shall be regarded as a separate "banking institution".

G. The term "this Order", as used herein, shall mean Executive Order No. 8389 of April 10, 1940, as amended.

Section 6. Executive Order No. 8389 of April 10, 1940, as amended, shall no longer be deemed to be an amendment to or a part of Executive Order No. 6560 of

January 15, 1934. Executive Order No. 5560 of January 15, 1934, and the Regulations of November 12, 1934, are hereby modified in so far as they are inconsistent with the provisions of this Order, and except as so modified, continue in full force and effect. Nothing herein shall be deemed to revoke any license, ruling, or instruction now in effect and issued pursuant to Executive Order No. 5560 of January 15, 1934, as amended, or pursuant to this Order; provided, however, that all such licenses, rulings, or instructions shall be subject to the provisions hereof. Any amendment, modification or revocation by or pursuant to the provisions of this Order of any orders, regulations, rulings, instructions or licenses shall not effect any act done, or any suit or proceeding had or commenced in any civil or criminal case prior to such amendment, modification or revocation, and all penalties, forfeitures and liabilities under any such orders, regulations, rulings, instructions or licenses shall continue and may be enforced as if such amendment, modification or revocation had not been made.

Section 7. Without limitation as to any other powers or authority of the Secretary of the Treasury or the Attorney General under any other provision of this Order, the Secretary of the Treasury is authorized and empowered to prescribe from time to time regulations, rulings, and instructions to carry out the purposes of this Order and to provide therein or otherwise the

conditions under which licenses may be granted by or through such officers or agencies as the Secretary of the Treasury may designate, and the decision of the Secretary with respect to the granting, denial or other disposition of an application or license shall be final.

Section 8. Section 5(b) of the Act of October 6, 1917, as amended, provides in part:

*** Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both."

Section 9. This Order and any regulations, rulings, licenses or instructions issued hereunder may be amended, modified or revoked at any time.

Franklin D. Roosevelt

THE WHITE HOUSE,

June 14, 1941.

A. Countries Ranked up to June 14,
1941

	Direct	Portfolio	Millions of dollars	Total	Mark	Total
Norway				60		170
Denmark				30		30
Netherlands				519		1,000
Belgium				250		760
Luxembourg				17		40
France				475		1,000
Ireland				-		20
Sweden				1		10
Lithuania				-		6
Hungary				5		20
Poland				1		2
Czechoslovakia				16		30
Yugoslavia				2		10
Croatia				21		70
Total				1,000		1,000
B. Countries Ranked on June 14, 1941						
Germany	20	15	20	55	6	100
Italy	22	22	20	64	24	70
Austria	-	6	3	9	-	3
Czechoslovakia	2	2	1	5	-	5
Denmark	-	-	-	-	-	-
Poland	-	1	1	2	-	2
Albania	-	-	-	-	-	-
Countries exempted by General Licenses						
Switzerland	55	20	34	70	70	1,000
Sweden	30	10	3	43	40	1,000
Spain	1	1	3	5	5	10
Portugal	-	-	1	1	1	1
U.S.S.R.	-	-	-	-	-	-
Finland	-	-	-	-	-	-
Total				2,000		2,000

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June 14, 1941

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Mr. Cochran

Mr. Liversay of the Department of State talked with me by telephone at 2:30 p.m. yesterday. He stated that he had received a memorandum from Mr. Albertson concerning negotiations through which the Irish Free State Government hoped to pay the Maritime Commission for two American ships which it is agreed should be made available to the Irish. The sum involved is approximately \$600,000. The Irish Government states that it has no dollars. The Maritime Commission is not willing to accept payment in sterling. Consequently, Mr. Liversay was asking whether there was anything the Treasury Department could do to facilitate the transaction, or whether it could ascertain if the Irish have any funds on deposit in New York. I told Mr. Liversay that the Stabilization Fund would not be interested in purchasing \$600,000 worth of sterling, holding it, and making dollars available to the Maritime Commission. I told him that I would, however, get in touch with the Federal Reserve Bank at New York and see what Irish funds are in that market. I telephoned the Federal at once and spoke with Mr. Liddy in Mr. Cameron's office. Mr. Cameron telephoned me back around 5:15 yesterday evening to the effect that he had found that the Bank of Dublin had some money in New York, and that he would give me a more detailed report this morning. I relayed this message to Mr. Liversay at 5:20 yesterday evening.

At 11 o'clock this morning Mr. Cameron telephoned me. He referred to an article which appeared in the New York World Telegram of last night, purporting to come from Mr. Milton Brenner, Washington Staff correspondent of the U.S.A. Service, on this question of the President selling or chartering two steamships to the Irish Free State Government to carry foodstuffs to Eire. I had not seen the article in question. Mr. Cameron said that it included a story from Mr. Denis Devlin, Secretary of the Irish Legation in Washington, on the Irish food and shipping situation. The point was made that Ireland had provided England in the past and is still providing England with bacon, butter, etc., and that important balances of funds have been built up in England as a result of this trade.

Mr. Cameron told me that as a result of his inquiries, it had been determined that two Irish banks have \$5,000,000 on deposit with the National City. The latter was reluctant to indicate the names of these depositories, and I told Cameron not to press for this information for the moment. Irish deposits with the Chase Bank amount to \$191,000, and those with the Guaranty Trust to \$65,000. There are no such deposits with the Irving Trust. There are no funds held in New York, with the Federal Reserve Bank or elsewhere, in the name of the Irish Free State Government. It is believed that most of the funds are deposited by the Bank of Ireland and the Bank of Dublin.

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In answer to my question as to whether the Federal might possibly dispose of the equivalent of \$600,000 of sterling which the Irish might pay for the ships, Cameron thought that such an arrangement could only be worked out with the full approval of the British Control, and that this would necessarily involve the latter giving up dollars. Mr. Cameron and I were not aware as to whether the Irish would desire to approach the British Control on this subject.

At 11:15 I telephoned the above information to Mr. Liversy in the Department of State.



HMC:lmj-6/14/41

(Amherst)

151 ✓

file 6/14/41
date of speech

MEMORANDUM

Secretary Morgenthau is expected to speak at the Amherst Commencement-luncheon on Saturday, June 14. This is to be an informal speech but, as the luncheon is the leading event of the Commencement, it needs to be written with care.

President King of Amherst wrote on March 4 that the Secretary was free to speak on any subject he wished, although the audience would be looking for something on "some aspect of the national or international situation." The speech will require 1,000 or 1,200 words.

3/18/41

UNITED STATES ATLANTIC FLEET

U.S.S. AUGUSTA, Flagship

June 10, 1941

*File June 14*MEMORANDUM

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

My dear Mr. Secretary:

I have read the attached draft of your
speech with much interest.

In the part relating to "calculated risk",
I have entered suggested modifications in pencil,
as you requested.

I wish to "make my compliments" on the
tenor of the speech - its suitability to "the
time, the place and" - the men.

With all good wishes -

Sincerely yours,

E. J. King

Draft of Secretary Morgenthau's Speech
at Amherst College Commencement Luncheon

June 14, 1941

I know that many distinguished alumni of Amherst are here in this room, but to me the most important members of this audience are the seniors who are about to graduate. With your permission, President King, I should like just to greet the alumni, and tell them how glad I am to be among them; but I want to address my words to the seniors. They, after all, are the men we honor today.

It is the habit on these occasions to offer condolences to the students who are about to be launched into the world of action. If I do not condole with you seniors today, it is not because I do not understand your problems. No man in public life can call himself mature if he lets himself be impatient with college men at this time. No one with the slightest human understanding can be unaware of the load of

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doubt and discouragement which all young men and women, in America and in all other countries, have carried for the past few years.

The world of today is not a pretty sight; the prospect of the years ahead is not a pleasant one. If you feel that your elders have betrayed you, I, for one, do not blame you for being bitter. If you feel that the youth of 1941 has had a raw deal, I can understand why. The world tragedy of today has its roots, to some extent, in the mistakes and the failings of an older generation, mistakes in which you had no voice and no share.

The present Foreign Minister of China, Dr. Quo Tai-chi, looked out of his window on the day the present war in Europe began. "The sky," he said, "is black with the wings of chickens coming home to roost." It is your fate and mine to live under

- 3 -

that dark sky for a time, and I do not blame you for wanting a place in the sun instead.

I do not even blame the editorial writer who poured his heart out in my favorite college newspaper the other day. As you may have guessed, he was writing in the Amherst Student; some of you may remember what he said:

"Corruption in high places does not disturb us, but honesty astonishes us when it appears. Nothing wells up in our throat when 'God Save the King' is played, and we do not find it easy to associate Winston Churchill with Prince Arthur. Nobility in anything is suspect among us. This is not an intellectual skepticism, but an attitude with which we have become infused."

I am glad that he called this an "attitude." If it were anything more than an "attitude" I should really be disturbed. Perhaps we have read so much about disillusionment that some of us have become disillusioned ourselves. We have read so much about the weaknesses of France and other countries

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that have gone down, that some of us have become weak and irresolute ourselves. We have seen so much selfishness and greed in high places that we are too apt to take them for granted. We have seen truth and honor and fair-play degraded so widely that some young Americans, like your editorial writer, no longer feel these standards are worth preserving.

Something important is missing from the reasoning of those who, perhaps rightly, call themselves "the lost generation." I think I discovered what was missing on an inspection cruise the other day with the United States Atlantic Fleet-- a cruise, by the way, which was one of the most thrilling and heartening experiences of my life. I learned that the Fleet always acts upon what the Admiral King, the Commander-in-Chief, calls "^{the} calculated risk." That is to say, the officers who command ~~a~~ fighting ships at sea always weigh the alternatives of any course they take, ^{but} and take for granted that there is

- 5 -

~~granted that there is risk in every decision.~~ *It is "realism"*
in simple terms and in practical form.

It seems to me that college men, like all Americans in this year of great decisions, must weigh two great alternatives. Each of them involves ~~the~~ risk. If we act now to stamp out this terror and this tyranny that is on the march abroad, we run the risk of losing our comfort, our safety, perhaps our lives before the job is done. We may be bombed, we may be killed in the process, and we shall certainly be poorer. This is one side of the risk.

But, at that, it is better to die on our feet than to live on our knees. If we do not act, we run another and far greater risk: of losing our precious freedoms, of surrendering the intellectual and spiritual heritage from which Amherst College and all of our American way of life have grown. We must choose. We cannot have it both ways. One thing we cannot do at this moment in the fate of the Western world is to preserve our

- 6 -

freedom without being ready to fight in its defense. Other countries tried to do just that. They waited, one by one, until they had lost their security and their liberty too.

I am not especially fond of the phrase "calculated risk," but I have used it because it is one of those "realistic" expressions which the college senior of 1941 may prefer, since he pretends to discount idealism. Actually, I know that in his heart he has ideals to which he is devoted; but "realism"--whatever it may mean--has become fashionable. The writer of the editorial which I quoted a few moments ago would, no doubt, call himself a "realist." He was being "realistic," I suppose, when he wrote:

"We are going into this war with no strong feeling that there are any ideals involved; we see no visions of Christian knighthood in the clouds...This war, to us, has neither an idealist right nor an idealist wrong, it

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- 7 -

is simply more confusion... We are a flock of moral amoebas, a race of young animals to whom pessimism has become a natural and constant condition of mind."

Whoever wrote that cry of despair--and I wish that I could write with his eloquence and his power--was not a realist at all. He was writing in terms of sheer romanticism. For it is romantic in the last degree to throw up your hands in surrender just because this world is not what it ought to be. It is romantic to imagine that the twenty years since the last war were long enough to build a better world-society. Why, we in the United States never tried to build it. We fought for eighteen months to win a victory by arms, but then we promptly washed our hands of all the responsibilities that we, as a leader among democratic nations, should have assumed.

We forgot then, and we are apt to forget now, that the

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great forward movements of mankind are never successful in one year or one generation. The great struggles that gave us our law, our freedom, our democratic institutions, our Amherst Colleges, were successful only after many generations of striving. They were the work of one generation of youth after another. If the young men of past centuries had thrown up their hands in despair, we should not be here today. If they had run away to some ivory tower or if they had been content to be "moral amoebas," you and I would not be free to speak our minds, free to worship in our own way, free from want and free from fear.

The world we contemplate today is no more terrible, comparatively, than the physical and political wilderness that faced a little group of young men in the century before Amherst was founded. Let me tell you, for example, about

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- 9 -

Alexander Hamilton, who comes first to my mind because he was the first Secretary of the Treasury, and because for eight years I have lived with his portrait on the wall of my office in Washington. Alexander Hamilton was only eighteen, a boy in King's College, New York, when he wrote undying pamphlets that helped to win American liberty. At twenty he was a lieutenant-colonel in Washington's army; and before he was thirty he had become a mighty force in the creation of our Federal Union. Madison was only five years out of Princeton when he served in the Continental Congress. Jefferson was only thirty-three when he drafted the Declaration of Independence, and Monroe was only twenty-nine when he helped draw up the Federal Constitution.

If any men had excuses for despair, it was that generation of young men 150 years ago. First they had to

- 10 -

win their freedom; but when that was won they had virtually nothing but their freedom and their faith on which to build. Their new country was weak and poor and exposed to attack; its economics were in chaos, its thirteen states were on the verge of going to war with one another. Yet they did not lose faith. They did not shrink from the job, or say, "What's the use?", or blame their elders for bringing them to such a pass.

I sometimes wonder what those young men of faith and genius might have accomplished if our great country of today had been theirs to lead. I wonder what heights they might have reached if their America had had our farms and factories, our mines and shipyards and natural resources, if their America had had a national income of a hundred billion dollars a year, if they had had 130,000,000 fellow-Americans, already united

- 11 -

under free institutions which had been tested for 150 years.

Would they have said "this world is too unfair to youth, too terrible for us"? Would they have complained of their inheritance? Would they have seen the rise of a pagan tyranny abroad and called it "the wave of the future"?

If any man in this room turns pale as he sees the forces of evil in this world, let him remember always the greatness of America. If any man thinks that the preservation of human freedom is too big a job for free men, let him remember what America has accomplished already, and let him remember also the riches and power and splendor of this country and its people. We Americans can do any job that we set our hearts, our minds and muscles to do.

The men we remember in our American past are not the Buchanans and the Warren Hardings, the weak or frightened

- 12 -

leaders who would not lead. We remember the men who had faith, the men who were not discouraged. The men we shall remember as we look back on the present are not the men who surrendered to evil, the Quislings or the Lavals abroad, or the men in this country who would sign a compact with the devil himself if they thought they could do business with him. We shall remember the men who dared greatly, like the young flyers of the Royal Air Force, of whom it was said, "Never in the field of human endeavor has so much been owed by so many to so few."

Nations, like human beings, need periodic revivals of faith and courage if they are to survive. They may pass through their valleys of disillusion, but they also climb to the heights of action and achievement. We in America are climbing now. We are winning once more the faith without

- 13 -

which the human race would slip back into the jungle. We are coming to see the truth of what Archibald MacLeish wrote the other day, that

"In the wars of the spirit there is no defense but to attack. For in the wars of democracy, of the human spirit, it is faith which will decide the issue."

The terrible events of the past year have opened our eyes again to the basic realities. They have made us see once more the great truths of human freedom toward which man has groped his way throughout the ages.

Because I feel that we are on that high and splendid road, I should like to congratulate the senior class of Amherst on its good fortune. Great challenges in human history have produced great responses, even before the earliest days of ancient Greece and Rome. We now are confronted with the greatest challenge that has come to free

- 14 -

men and women in our time. It has already produced an immortal response from the ordinary men and women, and especially the young men and women, of England.

The task is far greater than winning a war or destroying evil. It means building a new world when the war is over, a world in which the Four Freedoms can grow and spread gradually over the earth. It will be America's task, your task, to clear the ruins, to feed the starving, and to assume the duties as well as the privileges of leadership. If the generation of 1941 rises to that task, the common man of the future will have something better to live for, to work for, and to hand on to his children.

Draft of Secretary Morgenthau's Speech
at Amherst College Commencement Luncheon

167

June 14, 1941

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side of the risk. *Explain a little further, outline briefly reasons for choosing the other alternative; what are the causes of doubt or mistrust. Show that you are aware of them as they are. Then your "But" clear the decks of all misgivings so that you can hit the next paragraph and your real message.*

But, at that, it is better to die on our feet than to live *all weigh*

on our knees. If we do not act, we run another and far greater risk: of losing our precious freedoms, of surrendering the intellectual and spiritual heritage from which Amherst College and all of our American way of life have grown. We must choose. We cannot have it both ways. One thing we cannot do at this moment in the fate of the Western world is to preserve our

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But we forgot then, and we are apt to forget now, that the

- 8 -

great forward movements of mankind are never successful in one year or one generation. The great struggles that gave us our law, our freedom, our democratic institutions, our Amherst Colleges, were successful only after many generations of striving. They were the work of one generation of youth after another. If the young men of past centuries had thrown up their hands in despair, we should not be here today. If they had run away to some ivory tower or if they had been content to be "moral amoebas," you and I would not be free to speak our minds, free to ^{think} ~~worship~~ in our own way, free from want and free from fear.

college students are not much interested in freedom of worship, so that the term would appear hackneyed

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my office in Washington. Alexander Hamilton was only eighteen,

— still in existence but under the name of Columbia University, a boy in King's College, New York, when he wrote undying

pamphlets that helped to win American liberty. At twenty

he was a lieutenant-colonel in Washington's army; and before

he was thirty he had become a mighty force in the creation

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win their freedom; but when that was won they had virtually nothing but their freedom and their faith on which to build. Their new country was weak and poor and exposed to attack; its economics were in chaos, its thirteen states were on the verge of going to war with one another. Yet they did not lose faith. They did not shrink from the job, or say, "What's the use?", or blame their elders for bringing them to such a pass.

From the standpoint of delivery, you end your paragraph more strongly with a simple phrase like the above. I sometimes wonder what those young men of faith and

genius might have accomplished if our great country of today had been theirs to lead. I wonder what heights they might have reached if their America had had our farms and factories, our mines and shipyards and natural resources, if their America had had a national income of a hundred billion dollars a year, if they had had 130,000,000 fellow-Americans, already united

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- 13 -

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"In the wars of the spirit there is no defense but to attack. For in the wars of democracy, of the human spirit, it is faith which will decide the issue."

This quote would make a strong finish for the speech if you could work it in that way.

The terrible events of the past year have opened our eyes again to the basic realities. They have made us see once more the great truths of human freedom toward which man has groped his way throughout the ages.

Because I feel that we are on that high and splendid road, I should like to congratulate the senior class of Amherst on its good fortune. Great challenges in human history have produced great responses, ~~even before the earliest days of ancient Greece and Rome.~~ We now are confronted with the greatest challenge that has come to free

- 14 -

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This speech is bound to be a tremendous success. None of those ~~for whom it~~ at whom it is directed — the students — will be left unscathed, and the effect will undoubtedly be serious.

Love

Henry III

Draft of Secretary Morgenthau's Speech
at Amherst College Commencement Luncheon

June 14, 1941

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~~here in this room~~, but to me the most important members of
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- 2 -

understanding can be unaware of the load of doubt and discouragement which all young men and women, in America and in all other countries, have carried for the past few years.

The world of today is not a pretty sight; the prospect of the years ahead is not a pleasant one. If you feel that your elders have betrayed you, I, for one, do not blame you for being bitter. If you feel that the youth of 1941 has had a raw deal, I can understand why. The world tragedy of today has its roots, to some extent, in the mistakes and the failings of an older generation, mistakes in which you had no voice and no share.

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- 3 -

coming home to roost." It is your fate and mine to live under that dark sky for a time, and I do not ^{admire?} blame you for wanting a place in the sun instead.

We of an older generation might understand youth's interests and problems better if we read college newspapers more regularly. And so, before coming up here, I did some research by reading a good many papers published at many different colleges and universities. As I went through them I was struck by the note of disillusionment and cynicism that seemed to pervade them all. I think, therefore, that I can understand the editorial writer who poured his heart out in my favorite college newspaper the other day. As you may have guessed, he was writing in the Amherst Student; some of you may remember what he said:

"Corruption in high places does not disturb us, but honesty astonishes us when it appears. Nothing wells up in our throat when 'God Save the King' is played, and we do

not find it easy to associate Winston Churchill with Prince Arthur. Nobility in anything is suspect among us. This is not an intellectual skepticism, but an attitude with which we have become infused."

I am glad that he called this an "attitude." If it were anything more than an "attitude" I should really be disturbed. Perhaps we have read so much about disillusionment that some of us have become disillusioned ourselves. We have read so much about the weaknesses of France and other countries that have gone down, that some of us have become weak and irresolute ourselves. We have seen so much selfishness and greed in high places that we are too apt to take them for granted. We have seen truth and honor and fair play degraded so widely that some young Americans, like your editorial writer, seem almost to have lost their own faith that these standards can be preserved.

Yet, something important is missing from the reasoning

of those who, perhaps rightly, call themselves "the lost generation." I think I discovered what was missing on an inspection cruise the other day with the ~~United States~~ Atlantic Fleet -- a cruise, by the way, which was one of the most thrilling and heartening experiences of my life. I learned that the Fleet always acts upon what Admiral King, the Commander-in-Chief, calls "a calculated risk." That is to say, the ^{Captain} ~~officer~~ ^{is in} who ^{carefully} command of a fighting ship at sea always weighs the alternatives of any course ^{he may} ~~they~~ take, and takes for granted that there is risk in every decision.

It seems to me that college students, like all Americans in this year of great decisions, must weigh two great alternatives. Each of them involves a risk. If we act now to stamp out this terror and this tyranny that is on the march abroad, we run the risk of losing our comfort, our safety, perhaps our lives before the job is done. We may be bombed, we may be killed

in the process, and we shall certainly be poorer. That is one side of the risk.

But if we do not act, we run another and far greater risk: of losing our precious freedoms, of surrendering the intellectual and spiritual heritage from which Amherst College and all of our American way of life have grown. We must choose. We cannot have it both ways. One thing we cannot do at this moment in the history of the Western world is to preserve our freedom without being ready to fight in its defense. Other countries tried to do just that. They waited, one by one, until they had lost their security and their liberty too.

It is for us to decide, and to decide now, whether we would rather die on our feet than live on our knees.

I am not especially fond of the phrase "calculated risk," but I have used it because it is one of those "realistic"

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expressions which the college senior of 1941 may prefer, since he pretends to discount idealism. Actually, I know that in his heart he has ideals to which he is devoted; but "realism" -- whatever it may mean -- has become fashionable. The writer of the editorial which I quoted a few moments ago would, no doubt, call himself a "realist." It was in this spirit, and in all sincerity, I am sure, that he wrote:

"We are going into this war with no strong feeling that there are any ideals involved; we see no visions of Christian knighthood in the clouds . . . This war, to us, has neither an idealist right nor an idealist wrong, it is simply more confusion . . . We are a flock of moral amoebas, a race of young animals to whom pessimism has become a natural and constant condition of mind."

Whoever wrote that cry of despair -- and I wish that I could write with his eloquence and his power -- was not a realist at all. He was writing in terms of sheer romanticism. For it

is romantic in the last degree to throw up your hands in surrender just because this world is not what it ought to be. It is romantic to imagine that the twenty years since the last war were long enough to build a better world society. Why, we in the United States never tried to build it. We fought for eighteen months to win a victory by arms, but then we promptly washed our hands of all the responsibilities that we, as a leader among democratic nations, should have assumed. And this evasion of our responsibilities was all the more tragic because we, having no selfish ends to serve, could have brought to the council-table a truly disinterested point of view.

We forgot then, and we are apt to forget now, that the great forward movements of mankind are never successful in one year or one generation. The great struggles that gave us our law, our freedom, our democratic institutions, our Amherst Colleges, were

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successful only after many generations of striving. They were the work of one generation of youth after another. If the young men of past centuries had thrown up their hands in despair, we should not be here today. If they had run away to some ivory tower or if they had been content to be "moral amoebas," you and I would not be free to speak our minds, free to worship in our own way, free from want and free from fear.

The world we contemplate today is no more terrible, comparatively, than the physical and political wilderness that faced a little group of young men in the century before Amherst was founded. Let me tell you, for example, about Alexander Hamilton, who comes first to my mind because he was the first Secretary of the Treasury, and because for eight years I have lived with his portrait on the wall of my office in Washington. Alexander Hamilton was only eighteen, a boy in King's College, New York,

when he wrote undying pamphlets that helped to win American liberty. At twenty he was a lieutenant-colonel in Washington's army; and before he was thirty he had become a mighty force in the creation of our Federal Union. Madison was only five years out of Princeton when he served in the Continental Congress. Jefferson was only thirty-three when he drafted the Declaration of Independence, and Monroe was only twenty-nine when he helped draw up the Federal Constitution.

If any men had excuses for despair, it was that generation of young men 150 years ago. First they had to win their freedom; but when that was won, they had virtually nothing but their freedom and their faith on which to build. Their new country was weak and poor and exposed to attack; its economics were in chaos, its thirteen states were on the verge of going to war with one another. Yet they did not lose faith. They did not shrink from the job. They did not say, "What's the use?", or blame their

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elders for bringing them to such a pass.

I sometimes wonder what those young men of faith and genius might have accomplished if our great country of today had been theirs to lead. I wonder what heights they might have reached if their America had had our farms and factories, our mines and shipyards and natural resources. if their America had had a national income of a hundred billion dollars a year, if they had had 130,000,000 fellow-Americans, already united under free institutions which had been tested for 150 years.

Would they have said "this world is too unfair to youth, too terrible for us"? Would they have complained of their inheritance? Would they have seen the rise of a pagan tyranny abroad and called it "the wave of the future"?

If any man in this room turns pale as he sees the forces of evil in this world, let him remember always the greatness of America. If any man thinks that the preservation of human freedom

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is too big a job for free men, let him remember what America has accomplished already, and let him remember also the riches and power and splendor of this country and its people. We Americans can do any job that we set our hearts, our minds and muscles to do.

The men we remember in our American past are not the Buchanans and the Warren Hardings, the weak or frightened leaders who would not lead. We remember the men who had faith, the men who were not discouraged. The men we shall remember as we look back on the present are not the men who surrendered to evil, the Quislings or the Lavals abroad, or the men in this country who would sign a compact with the devil himself if they thought they could do business with him. We shall remember the men who dared greatly, like the young flyers of the Royal Air Force, of whom it was said, "Never in the field of human endeavor has so much been owed by so many to so few."

Nations, like human beings, need periodic revivals of faith and courage if they are to survive. They may pass through their valleys of disillusion, but they also climb to the heights of action and achievement. We in America are climbing now. We are winning once more the faith without which the human race would slip back into the jungle. We are coming to see the truth of what Archibald MacLeish wrote the other day, that

"In the wars of the spirit there is no defense but to attack. For in the wars of democracy, of the human spirit, it is faith which will decide the issue."

The terrible events of the past year have opened our eyes again to the basic realities. They have made us see once more the great truths of human freedom toward which man has groped his way throughout the ages.

(Because I feel that we are on that high and splendid road, I should like to congratulate the senior class of Amherst on its

good fortune. Great challenges in human history have produced great responses, even before the earliest days of ancient Greece and Rome. We now are confronted with the greatest challenge that has come to free men and women in our time. It has already produced an immortal response from the ordinary men and women, and especially the young men and women of England.

I said before that I wondered what those young Americans of 150 years ago might have accomplished if our great country of today had been theirs to lead. I think I know the answer. I know that the courage and determination which is the spirit of America has not run out with the generation of Jefferson, Madison, and Hamilton. That spirit is right here in this room -- as it is in every graduating assembly in every American college, and it is everywhere in America today where young men and young women are ready to face the responsibilities of citizenship.

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The task is far greater than winning a war or destroying evil. It means building a new world when the war is over, a world in which the Four Freedoms can grow and spread gradually over the earth. It will be America's task, your task, to clear the ruins, to feed the starving, and to assume the duties as well as the privileges of leadership. If the generation of 1941 rises to that task, as I know it will, the common man of the future will have something better to live for, to work for, and to hand on to his children.

Draft of Secretary Morgenthau's Speech
at Amherst College Commencement Luncheon

June 14, 1941

I know that many distinguished alumni of Amherst are gathered here, but to me, and I am sure to you also, the most important members of this audience are the seniors who are about to graduate. With your permission, President King, I should like just to greet the alumni, and tell them how glad I am to be among them; but I want to address my words to the seniors. They, after all, are the men whom you, as alumni, would wish to honor today.

It is the habit on these occasions to offer condolences to the students who are about to be launched into the world of action. If I do not condole with you seniors, it is not because I do not appreciate your problems. No man in public life can call himself mature if he lets himself be impatient with college men at this time. No one with the slightest human understanding

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can be unaware of the load of doubt and discouragement which all young men and women, in America and in all other countries, have carried for the past few years.

The world of today is not a pretty sight; the prospect of the years ahead is not a pleasant one. If you feel that your elders have betrayed you, I, for one, do not blame you for being bitter. If you feel that the youth of 1941 has had a raw deal, I can understand why. The world tragedy of today has its roots, to some extent, in the mistakes and the failings of an older generation, mistakes in which you had no voice and no share.

The present Foreign Minister of China, Dr. Quo Tai-chi, looked out of his window on the day the present war in Europe began. "The sky," he said, "is black with the wings of chickens coming home to roost." It is your fate and mine to live under that dark sky for a time.

We of an older generation might understand youth's interests and problems better if we read college newspapers more regularly. And so, before coming up here, I did some research by reading a good many papers published at many different colleges and universities. As I went through them I was struck by the note of disillusionment and cynicism that seemed to pervade so many of them. I think, therefore, that I can understand the editorial writer who poured his heart out in my favorite college newspaper the other day. As you may have guessed, he was writing in the Amherst Student. How representative he is of college opinion I cannot tell; but at least his article impressed me as the best
expression of a widespread point of view. Some of you may remember what it said:

"Corruption in high places does not disturb us, but honesty astonishes us when it appears. Nothing wells up in our throat when 'God Save the King' is played, and we do not find it easy to associate Winston Churchill with

Prince Arthur. Nobility in anything is suspect among us. This is not an intellectual skepticism, but an attitude with which we have become infused."

I am glad that he called this an "attitude." If it were anything more than an "attitude" I should really be disturbed. Perhaps we have read so much about disillusionment that some of us have become disillusioned ourselves. We have read so much about the weaknesses of France and other countries that have gone down, that some of us have become weak and irresolute ourselves. We have seen so much selfishness and greed in high places that we are too apt to take them for granted. We have seen truth and honor and fair play degraded so widely that some young Americans, like your editorial writer, seem almost to have lost their own faith that these standards can be preserved.

Yet, something important is missing from the reasoning of those who, perhaps rightly, call themselves "the lost generation." I think I discovered what was missing on an inspection

cruise the other day with the United States Atlantic Fleet -- a cruise, by the way, which was one of the most thrilling and heartening experiences of my life. I learned that the Fleet always acts upon what Admiral King, the Commander-in-Chief, calls ^{the} "calculated risk." That is to say, the captain who commands a fighting ship at sea always weighs carefully the alternatives of any course he may take, ^{but} ~~and takes for granted that there~~ is risk in every decision.

It seems to me that college students, like all Americans in this year of great decisions, must weigh two great alternatives. Each of them involves a risk. If we act now to stamp out this terror and this tyranny that is on the march abroad, we run the risk of losing our comfort, our safety, perhaps our lives before the job is done. We may be bombed, we may be killed in the process, and we shall certainly be poorer. That is one side of the risk.

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But if we do not act, we run another and far greater risk: of losing our precious freedoms, of surrendering the intellectual and spiritual heritage from which Amherst College and all of our American way of life have grown. We must choose. We cannot have it both ways. One thing we cannot do at this moment in the history of the Western world is to preserve our freedom without being ready to fight in its defense. Other countries tried to do just that. They waited, one by one, until they had lost their security and their liberty too.

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I am not especially fond of the phrase "calculated risk," but I have used it because it is one of those "realistic" expressions which the college seniors of 1941, along with many others, may prefer, since they seem to discount idealism.

Actually, I know that in his heart the college senior has ideals to which he is devoted; but "realism" -- whatever it may mean -- has become fashionable. The writer of the editorial which I quoted a few moments ago would, no doubt, call himself a "realist." It was in this spirit, and in all sincerity, I am sure, that he wrote:

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I sometimes wonder what those young men of faith and genius might have accomplished if our great country of today had been theirs to lead. I wonder what heights they might have reached if their America had had our farms and factories, our mines and shipyards and natural resources, if their America had had a national income of a hundred billion dollars a year, if they had had 130,000,000 fellow-Americans, already united under free institutions which had been tested for 150 years.

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If any man in this room turns pale as he sees the forces of evil in this world, let him remember always the greatness of America. If any man thinks that the preservation of human freedom

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is too big a job for free men, let him remember what America has accomplished already, and let him remember also the vast resources and power and splendor of this country and its people. We Americans can do any job that we set our hearts, our minds and muscles to do.

The men we remember in our American past are not the Buchanans and the Warren Hardings, the weak or frightened leaders who would not lead. We remember the men who had faith, the men who were not discouraged. The men we shall remember as we look back on the present are not the men who surrendered to evil, the Quislings or the Laval's abroad, or the men in this country who would sign a compact with the devil himself if they thought they could do business with him. We shall remember the men who dared greatly, like the young flyers of the Royal Air Force, of whom it was said, "Never in the field of human endeavor has so much been owed by so many to so few."

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The task is far greater than winning a war or destroying evil. It means building a new world when the war is over, a world in which the Four Freedoms -- freedom of speech, freedom of worship, freedom from want and freedom from fear -- can grow until they encompass the earth.

In that new world we shall have to give more than lip- service to the great principles in which we believe. We shall have to translate those principles into a fuller and richer life for the millions of decent, hard-working men and women in all countries who have been the victims of poverty, inequality, insecurity, or war.

If the generation of 1941 rises to that task, as I know it will, the common man of the future will have something better to live for, work for, and to hand on to his children. It will be

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America's task, your task and mine, to clear the ruins, to feed the starving, and at last to assume the duties as well as the privileges of leadership.

SECRETARY MORGENTHAU 'S READING COPY
OF HIS SPEECH DELIVERED AT
ALUMNI LUNCHEON, AMHERST COLLEGE,
JUNE 14, 1941, WHEN BOB
GRADUATED

I know that many distinguished alumni of Amherst are gathered here, but to me, and I am sure to you also, the most important members of this audience are the seniors who are about to graduate. With your permission, President King, I should like just to greet the alumni, and tell them how glad I am to be among them; but I want to address my words to the seniors. They, after all, are the men whom you, as alumni, would wish to honor today.

It is the habit on these occasions to offer condolences to the students who are about to be launched into the world of action. If I do not condole with you seniors, it is not because I do not appreciate your problems.

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No man in public life can call himself mature if he lets himself be impatient with college men at this time. No one with the slightest human understanding can be unaware of the load of doubt and discouragement which all young men and women, in America and in all other countries, have carried for the past few years.

The world of today is not a pretty sight; the prospect of the years ahead is not a pleasant one. If you feel that your elders have betrayed you, I, for one, do not blame you for being bitter. If you feel that the youth of 1941 has had a raw deal, I can understand why. The world tragedy of today has its roots, to some extent, in the mistakes and the failings of an older generation, mistakes in which you had no voice and no share.

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The present Foreign Minister of China, Dr.

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Quo Tai-chi, looked out of his window on the day the present war in Europe began. "The sky," he said, "is black with the wings of chickens coming home to roost." It is your fate and mine to live under that dark sky for a time.

We of an older generation might understand youth's interests and problems better if we read college newspapers more regularly. And so, before coming up here, I did some research by reading a good many papers published at many different colleges and universities. As I went through them I was struck by the note of disillusionment and cynicism that seemed to pervade so many of them. I think, therefore, that I can understand the editorial writer who poured his heart out in my favorite college newspaper the other day.

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As you may have guessed, he was writing in the Amherst student. How representative he is of college opinion I cannot tell; but at least his article impressed me as the best expression of a widespread point of view. Some of you may remember what it said:

"Corruption in high places does not disturb us, but honesty astonishes us when it appears. Nothing wells up in our throat when 'God Save the King' is played, and we do not find it easy to associate Winston Churchill with King Arthur. Nobility in anything is suspect among us. This is not an intellectual skepticism, but an attitude with which we have become infused."

I am glad that he called this an "attitude." If it were anything more than an "attitude" I should really be disturbed.

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1971

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Perhaps we have read so much about disillusionment that some of us have become disillusioned ourselves. We have read so much about the weaknesses of France and other countries that have gone down, that some of us have become weak and irresolute ourselves. We have seen so much selfishness and greed in high places that we are too apt to take them for granted. We have seen truth and honor and fair play degraded so widely that some young Americans, like your editorial writer, seem almost to have lost their own faith that these standards can be preserved.

Yet, something important is missing from the reasoning of those who, perhaps rightly, call themselves "the lost generation."

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I think I discovered what was missing on an inspection cruise the other day with the United States Atlantic Fleet -- a cruise, by the way, which was one of the most thrilling and heartening experiences of my life.

I learned that the Fleet always acts upon what Admiral King, the Commander-in-Chief, calls "the calculated risk." That is to say, the officers who command fighting ships at sea always weigh carefully the alternatives of any course they may take, but take for granted that there is risk in every decision.

It seems to me that college students, like all Americans in this year of great decisions, must weigh two great alternatives. Each of them involves risk.

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If we act now to stamp out this terror and this tyranny that is on the march abroad, we run the risk of losing our comfort, our safety, perhaps our lives before the job is done. We may be bombed, we may be killed in the process, and we shall certainly be poorer. That is one side of the risk.

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But if we do not act, we run another and far greater risk: of losing our precious freedoms, of surrendering the intellectual and spiritual heritage from which Amherst College and all of our American way of life have grown. We must choose. We cannot have it both ways. One thing we cannot do at this moment in the history of the Western world is to preserve our freedom without being ready to fight in its defense.

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Other countries tried to do just that. They waited, one by one, until they had lost their security and their liberty too.

It is for us to decide, and to decide now, whether we would rather die on our feet than live on our knees.

I am not especially fond of the phrase "calculated risk," although it is "realism" in simple terms and in practical form. I have used it because it is one of those "realistic" expressions which the college seniors of 1941, along with many others, may prefer, since they seem to discount idealism.

Actually, I know that in his heart the college senior has ideals to which he is devoted; but "realism" -- whatever it may mean -- has become fashionable.

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The writer of the editorial which I quoted a few moments ago would, no doubt, call himself a "realist." It was in this spirit, and in all sincerity, I am sure, that he wrote:

"We are going into this war with no strong feeling that there are any ideals involved; we see no visions of Christian knighthood in the clouds . . . This war, to us, has neither an idealist right nor an idealist wrong, it is simply more confusion . . . We are a flock of moral amoebas, a race of young animals to whom pessimism has become a natural and constant condition of mind."

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1376

- 10 -

Whoever wrote that cry of despair — and I wish that I could write with his eloquence and his power — was not a realist at all. He was writing in terms of sheer romanticism. For it is romantic in the last degree to throw up your hands in surrender just because this world is not what it ought to be. It is romantic to imagine that the twenty years since the last war were long enough to build a better world society. Why, we in the United States never tried to build it. We fought for eighteen months to win a victory by arms, but then we promptly washed our hands of all the responsibilities that we, as a leader among democratic nations, should have assumed. And this evasion of our responsibilities was all the more tragic because we, having no selfish ends to serve, could have brought to the council-table a truly disinterested point of view.

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We forgot then, and we are apt to forget now, that the great forward movements of mankind are never successful in one year or one generation. The great struggles that gave us our law, our freedom, our democratic institutions, our Amherst Colleges, were successful only after many generations of striving. They were the work of one generation of youth after another. If the young men of past centuries had thrown up their hands in despair, if they had run away to some ivory tower or if they had been content to be "moral amoebas," you and I would not be here today as free citizens of a free Republic.

The world we contemplate today is no more terrible, comparatively, than the physical and political wilderness that faced a little group of young men in the century before Amherst was founded.

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For example, let me talk for a moment about Alexander Hamilton, who comes first to my mind because he was the first Secretary of the Treasury, and because for eight years I have lived with his portrait on the wall of my office in Washington. Alexander Hamilton was only eighteen, a boy in King's College, New York, when he wrote undying pamphlets that helped to win American liberty. At twenty he was a lieutenant-colonel in Washington's army; and before he was thirty he had become a mighty force in the creation of our Federal Union. Madison was only five years out of Princeton when he served in the Continental Congress. Jefferson was only thirty-three when he drafted the Declaration of Independence, and Monroe was only twenty-nine when he helped draw up the Federal Constitution.

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If any men had excuses for despair, it was that generation of young men 150 years ago. First they had to win their freedom; but when that was won, they had virtually nothing but their freedom and their faith on which to build. Their new country was weak and poor and exposed to attack; its economy was in chaos, its thirteen states were on the verge of going to war with one another. Yet they did not lose faith. They did not say, "What's the use?", or blame their elders for bringing them to such a pass. They did not shrink from the job.

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I sometimes wonder what those young men of faith and genius might have accomplished if our great country of today had been theirs to lead.

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I wonder what heights they might have reached if their America had had our farms and factories, our mines and shipyards and natural resources, if their America had had a national income of a hundred billion dollars a year, if they had had 130,000,000 fellow-Americans, already united under free institutions which had been tested for 150 years.

Would they have said "this world is too unfair to youth, too terrible for us"? Would they have complained of their inheritance? Would they have seen the rise of a pagan tyranny abroad and called it "the wave of the future"?

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- 15 -

If any man in this room turns pale as he sees the forces of evil in this world, let him remember always the greatness of America. If any man thinks that the preservation of human freedom is too big a job for free men, let him remember what America has accomplished already, and let him remember also the vast resources and power and splendor of this country and its people. We Americans can do any job that we set our hearts, our minds and muscles to do.

The men we remember in our American past are not the Buchanans and the Warren Hardings, the weak or frightened leaders who would not lead. We remember the men who had faith, the men who were not discouraged.

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- 16 -

The men we shall remember as we look back on the present are not the men who surrendered to evil, the Quislings or the Lavals abroad, or the men in this country who would sign a compact with the devil himself if they thought they could do business with him. We shall remember the men who dared greatly, like the young flyers of the Royal Air Force, of whom it was said, "Never in the field of human endeavor has so much been owed by so many to so few."

Nations, like human beings, need periodic revivals of faith and courage if they are to survive. They may pass through their valleys of disillusion, but they also climb to the heights of action and achievement.

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- 17 -

We in America are climbing now. We are on that high
and splendid road again. We are winning once more
the faith without which the human race would slip back
into the jungle. We are coming to see the truth of
what Archibald MacLeish wrote the other day, that

"In the wars of the spirit there is no defense
but to attack. For in the wars of democracy,
of the human spirit, it is faith which will
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which man has groped his way throughout the ages.

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- 18 -

Great challenges in human history have produced great responses, even before the earliest days of ancient Greece and Rome. We now are confronted with the greatest challenge that has come to free men and women in our time. It has already produced an immortal response from the ordinary men and women, and especially the young men and women, of England.

I said before that I wondered what those young Americans of 150 years ago might have accomplished if our great country of today had been theirs to lead. I think I know the answer. I know that the courage and determination which is the spirit of America has not run out with the generation of Jefferson, Madison, and Hamilton.

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27

- 19 -

That spirit is right here in this place -- as it is in every graduating assembly in every American college, and it is everywhere in America today where young men and young women are ready to face the responsibilities of citizenship.

The task is far greater than winning a war or destroying evil. It means building a new world when the war is over, a world in which the Four Freedoms -- freedom of speech, freedom of worship, freedom from want and freedom from fear -- can grow until they encompass the earth.

In that new world we shall have to give more than lip-service to the great principles in which we believe.

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- 20 -

We shall have to translate those principles into a fuller and richer life for the millions of decent, hard-working men and women in all countries who have been the victims of poverty, inequality, insecurity, or war.

If the generation of 1941 rises to that task, as I know it will, the common man of the future will have something better to live for, work for, and to hand on to his children. It will be America's task, your task and mine, to clear the ruins, to feed the starving, and at last to assume the duties as well as the privileges of leadership.

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THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

Box 680
Benjamin Franklin Station
Washington, D.C.

14th June 1941.

Dear Mr. Bell,

Enclosed you will find a letter addressed to the Secretary on the subject of the further payments due to the French. You will recollect that I mentioned this to you on Thursday.

Will you please treat the letter at the moment as unofficial. We should be most grateful if you would begin considering the matter now on the basis that we shall probably be approaching you early next week (with our usual plea for urgency) early next week.

Yours very sincerely,

(Signed J. Phillips)

Mr. Daniel Bell,
U. S. Treasury,
Washington, D. C.

COPY - dm - 6/16/41

Willard Hotel,
Washington, D. C

14th June 1941.

Dear Mr. Secretary,

As you are aware, after the collapse of France, the French Government assigned to us their contracts in this country. In an agreement parallel to but separate from the actual assignment, we undertook to repay to the French the advances which they had made to their contractors, as and when we obtained delivery of the corresponding material. These sums are paid in U.S. dollars to the credit of the State of France in an account with the Bank of Canada. The amount remaining to be paid is \$78.9 millions.

The British Government considers that in present political circumstances it is inappropriate to continue making these payments out of our small resources. We therefore propose to stop making payments under this agreement, but before doing so would like to know your Government's views on the subject.

We are advised that the assignment is in no way dependent on our continuing to make these payments, and that if the French tried to contest our action or to prevent our receiving deliveries in the United States courts, their chances of success would be very slight. The only risk worth considering is that by means of interim injunctions against the suppliers which they could doubtless obtain, they might perhaps delay some supplies. It would be extremely useful to us to know whether, if in the last resort any important supplies were delayed, the United States Government would be prepared to use their present powers to place priority orders for us and to lend-lease us the material, in order to avoid the delay which might occur if we had to wait till the action was tried.

I would be grateful if you could let me know your views on this subject as soon as possible. We have held back payments due to the French during the past few weeks while we considered the question, and they are getting very restive. Action by the French may be expected at any time.

- 2 -

I should perhaps add that all the assets of the Bank of Canada in the United States, including the sums of about \$150 millions already credited to the State of France, have been transferred to the Canadian Government and any action by the French to collect the amount due from the Bank of Canada could presumably not be brought in the United States.

I have sent a copy of this letter to Mr. Hopkins and I understand that the Embassy will inform the State Department of the facts.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

(Signed) F. Phillips

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
WASHINGTON, D. C.

JT

PLAIN

London

Dated June 14, 1941

Rec'd 9:15 a.m.

Secretary of State,
Washington.

2449, fourteenth.

FOR TREASURY.

Embassy's 1052, March 18, and 1225, March 28.

The Directors of Courtaulds, Limited, have issued to their shareholders a statement about the sale of its American Viscose Corporation holding. The full statement which will be sent by despatch, appears designed to show that the price paid was inadequate to compensate for the loss sustained by Courtaulds, the directors estimating the net written down value of these assets as \$128,000,000 exclusive of goodwill. In the concluding paragraphs the report states: "Courtaulds, Limited, apart from the loss of the American Viscose Corporation, with the goodwill attached to that business in its own country, will lose a large part of the additional goodwill which has been acquired by the English business from its prestige as being in virtual control of the largest group of rayon interests in the world. Furthermore it must not be forgotten

-2- 3449, June 14, from London

forgotten that Courtaulds have owed much of their financial strength in the past to the fact that a large part of their interests was in another continent."

The TIMES, City Notes Column, June 13, comments on this transactions "The figures which the directors of Courtaulds now give of the 'break-up' value of the American Viscose Corporation show that report had by no means exaggerated the discrepancy between the price to be received by the British Treasury from the recent public offer of the stocks in the United States and the estimated value of the assets. That price of course has nothing to do directly with the price to be paid by the British Treasury to Courtaulds for the shareholding which is to be agreed upon mutually with recourse to arbitration if necessary. Incidentally the directors do not yet know what sum they will receive for the business. From the terms of the public offer it would appear that the British Treasury will receive something less than \$56,000,000 net, or say £14,000,000 by the sale of the shareholding in the United States."

The Financial Editor of the DAILY TELEGRAPH refers to "the surprisingly small total realized by the Viscose issue in the United States" and adds that "the widespread disappointment with the dollar side of the deal gains point from the valuation placed by the directors on their former subsidiary".

The

-3- 2449, June 14, from London

The City Editor of the NEWS CHRONICLE concludes his comment as follows: "One infers that the Courtaid Board is far from satisfied with the transaction, for though the sterling sum it is to receive from the government is subject to arbitration and not necessarily dependent on the American resale, the government will no doubt be very reluctant to pay out more than it has received.

JOHNSON

NPL

FIELD ORGANIZATION²³⁹ NEWS LETTER

DEFENSE SAVINGS STAFF - U. S. TREASURY DEPARTMENT

WASHINGTON, D. C.

JUNE 14, 1941

NO. 4

TO THE FIELD STAFF:

Motivation is one of the most important of all marketing features. The general public reacts favorably to fine educational programs if the product so advertised is a necessity of life. Methods of personal motivation are important for products in other classifications.

For this reason the magnificent program of publicity for Defense Savings, is supplemented by our State and local organizations, the members of which will carry the message by the Spoken Word to every man, woman, and child in every community.

Many things will motivate individual Americans to purchase Defense Bonds and Stamps. Safety of investment, reserves for the future and patriotic assistance to our Government's National Defense Program are outstanding.

These must be supplemented by convenient methods of purchase. Our task is to create these ways and means to supplement our vast educational effort.

Thus far the most successful methods adopted are:

1. Payroll Allotment: Many prominent firms have announced plans. The voluntary reaction of workers has been excellent. Many labor organizations are cooperating. These plans should produce many regular, systematic purchasers.
2. Depositors Draft Plan: Many financial institutions have announced plans whereby depositors may authorize deductions from their accounts monthly for the purchase of a Bond. The Bond is purchased for and mailed to the depositor. This method is becoming increasingly popular because of its great convenience.
3. Stamp Banks: Many stores, shops, factories, schools, picture shows, banks, utilities, and others, have announced the establishment of Stamp Banks. These provide facilities for convenient and regular purchase of Stamps. In addition, they are constant reminders and have great advertising value.

Naturally, fiscal agencies for the Bonds or Stamps are most important, because through them many direct purchases are made in addition to the above. Our local committees should have as a primary objective, the seeking of qualifications of any outlet that can act as a fiscal agency.

Sincerely yours,

GALE F. JOHNSTON
Field Director, Defense Savings Staff

Regraded Uclassified

GOVERNORS TO SERVE AS HONORARY CHAIRMEN

The following governors have been invited by Secretary Morgenthau and have agreed to serve as Honorary Chairmen of Defense Savings Committees in their states:

ARKANSAS

The Honorable Homer M. Adkins
Governor of Arkansas

MAINE

The Honorable Sumner Sewall
Governor of Maine

FLORIDA

The Honorable Spessard L. Holland
Governor of Florida

MINNESOTA

The Honorable Harold E. Stassen
Governor of Minnesota

OKLAHOMA

The Honorable Leon C. Phillips
Governor of Oklahoma

Previous issues of the NEWS LETTER have announced that Governor Hurley of Connecticut, Governor Saltonstall of Massachusetts, Governor Van Wagoner of Michigan, Governor Johnson of Mississippi, Governor Donnell of Missouri, Governor Ford of Montana, Governor Broughton of North Carolina, Governor Maybank of South Carolina, Governor O'Daniel of Texas, and Governor Langlie of Washington are already serving on Defense Savings Committees in their states in this capacity.

SOUTH CAROLINA COMMITTEE FORMED

Governor Burney R. Maybank heads the Defense Savings Committee for South Carolina as Honorary Chairman.

Chairman is James H. Hammond, Attorney, Columbia; and other members are: W. Rhett Harley, State Commissioner of Labor; James H. Hope, State Superintendent of Education; Walter T. Jenkins, General Manager, Rock Hill Printing and Finishing Company; J. Roy Jones, State Commissioner of Agriculture; Harold F. McGinnis, American Tobacco Company; Mrs. A. Foster McKessick, Greenville; A. E. Taylor, Spartanburg; and A. L. M. Wiggins, President of the Bank of Hartsville.

W. P. Bowers is the State Administrator of the Defense Savings Program in South Carolina. Deputy Administrator is Joseph D. Moit.

LOCAL COMMITTEES FORMED IN NORTH CAROLINA

Charles H. Robertson, State Administrator, has announced the appointment of seven-man committees for the 100 counties and the 26 cities of 10,000 or more population in the state of North Carolina.

HELP OF MINNESOTA SCHOOL CHILDREN ENLISTED

With permission of school authorities, the pamphlet "For Defense Buy United States Savings Bonds" was distributed to more than 150,000 public and parochial school children in Minneapolis and St. Paul.

MISSISSIPPI Solid Groundwork Being Laid

STATE COMMITTEE FORMED. The first meeting of the Defense Savings Committee for Mississippi was held in Jackson May 29.

The Honorary Chairman of this Committee is Governor Paul B. Johnson.

The Chairman is Alfred H. Stone, Chairman of the Mississippi State Tax Commission; and the other members are: Rex I. Brown, President, Mississippi Power and Light Company; Si Corley, State Commissioner of Agriculture; Mrs. D. C. Lea, Executive Secretary to Governor Johnson; G. M. McWilliams, Executive Vice President, Citizens Bank, Hattiesburg; Judge W. W. Ramsey, Vicksburg; J. S. Vandiver, State Superintendent of Education, J. C. Sullock, Hattiesburg; Dr. Felix J. Underwood, Secretary, Mississippi State Board of Health, Jackson; Mrs. Hardy J. Wilson, Hazlehurst; and Tom Lylo Mitchell, President, Mississippi Junior Chamber of Commerce, Meridian.

Eugene Fly, Collector of Internal Revenue in Jackson, is the State Administrator of the Defense Savings Program in Mississippi. Deputy Administrator is Orrin H. Swayze, Vice President of the Capitol National Bank of Jackson.

COUNTY COMMITTEES are being set up in all of the state's 82 counties. Many of the state's leading citizens have agreed to serve on their County Committees and within a few weeks it is expected that local committees will be functioning in every county.

IN HINDS COUNTY, largest in the state and the one in which Jackson, the capital, is located, a committee has been set up which, according to State Administrator Fly, will serve "as a model and proving ground for the statewide organization."

Mayor Walter A. Scott of Jackson is Honorary Chairman of the Hinds County Committee.

Russ H. Johnson, Assistant Vice President of the Deposit Guaranty Trust Company, is the Executive Chairman. Other members are: George Godwin, Vice Chairman in charge of publicity; Mrs. Joe F. Robinson, women's groups; J. A. Kennington, retail group; W. H. McCarty, wholesale and manufacturing group; Kirby Walker, city educational group; T. H. Naylor, town and rural group; A. C. Griffin, postal employees group; W. C. Wells, III, professional group; Greek L. Rice, public employees group; Leon F. Hondrick, speakers group; and W. C. Byars, labor group.

* * *

INSTALLATION OF PAYROLL ALLOTMENT PLANS in all business firms in Jackson and Hinds County is a major objective of the Hinds County Committee, according to Chairman Johnson's report to the State Committee.

BANKS IN JACKSON paid for the printing of 500,000 copies of a slip carrying a sketch of the Minute Man and the message

Buy a Share in America. Your Government asks You
to Invest Regularly a Part of Your Earnings in
United States Defense Savings Bonds Or Defense
Savings Stamps.

ALL BUSINESS HOUSES in Hinds County will analyze these slips with their statements each month and many employers will include them in pay envelopes.

State Employees Pledge Support. Heads or representatives of every department of the Texas State Government have met with Bascom Giles, Chairman, and other members of the Capitol Committee for Defense Savings, and have given unanimous approval to a monthly purchase plan for Defense Savings Bonds and Stamps.

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The Texas State Federation of Labor, through its secretary, Harry W. McCrean, endorsed the Defense Savings Program as follows:

"The Texas State Federation of Labor joins heartily in the campaign to encourage people of all walks of life to purchase these Defense Savings Bonds. Every effort is being put forth to see that the individual members of all affiliated organizations have called to their attention this opportunity for further service to Our Country, as well as a sensible, systematic savings plan for themselves.

"National Defense is putting money in pay envelopes. Thoughtful people save a part of their earnings. Defense Savings Bonds afford you that opportunity."

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The Harrison County Committee, Doyle A. Webb, Chairman, makes the following suggestions to its members:

- "1. Keep in touch with local newspapers so that Defense Savings Bond publicity will always be in your papers. Solicit editorials from the editor.
- "2. Be prepared to distribute posters and literature on Defense Savings Bonds when it reaches you.
- "3. Contact employers with regard to explaining the bonds to their employees.
- "4. See that speakers are provided for local school assemblies and other meetings.
- "5. County school superintendents can arrange educational programs through county schools that will reach the rural people."

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Waco, Texas--20 business establishments, banks, and schools have set up "depots" which will sell Defense Savings Stamps.

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A very dignified lady stepped into a bank in North Mississippi a few days ago and told a clerk that she wanted to purchase a Defense Savings Bond. He told her they come in several denominations and asked her which denomination she desired. She replied: "I'll take Baptist."



FOR DEFENSE



BUY UNITED STATES SAVINGS

Craig Wood, winner of the National Open Golf Tournament, purchased a \$100 Defense Savings Bond at the 16th hole of the Colonial Club golf course after receiving the loving cup symbolic of the Open title and his championship check of \$1,000.

Amon Carter, member of the Texas Defense Savings Committee, is shown handing the bond to Wood. Mr. Carter said:

"They can take that cup away from you, but not the bond."

The purchase brought cheers from the big crowd which watched the transaction. Wide newspaper publicity given the event will aid the sale of Defense Savings Bonds in all parts of the country.

New York, N.Y.--Hal Schumacher, pitcher for the New York Giants, was presented with a \$1,000 Defense Savings Bond by New York State Admirers before the first game of a double-header on Sunday, June 8.

TEXAS

Fort Worth Committee Pushes Payroll Savings Plan

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J. Lowell Lafferty, Chairman of the Tarrant County Committee and Vice President of Fort Worth National Bank, reports that the following card is being distributed by the bank to industrial and business firms throughout the county:

Firm Name _____	
Address _____	Phone _____
Person in Charge _____	
The above listed firm does hereby agree to cooperate with the UNITED STATES GOVERNMENT In the Sale of DEFENSE BONDS	
To the employees of this firm in the following manner:	
1. Distribution of Informative Literature, Posters, Etc. 2. Personnel Meetings with Inspirational and Informative Speakers. 3. Arranging salary deduction plans to assist employees in making Defense Bond purchases.	
Signed _____	Date _____
Title _____	Approx. No. Employees _____

When these cards are signed and returned to the bank, the firm receives a supply of pamphlets, easels, and "employee cards". One of these employee cards is reproduced below.

Employee _____	Date _____
To _____	Firm Name _____
Address _____	
I hereby subscribe for _____, \$ _____ maturity value,	
Number _____	Amount _____
United States Defense Bonds Series _____	
This will be your authority to deduct from my salary, or make collection from me of \$ _____ on each _____ until _____	
Amount _____ Pay Period or Pay Day _____	
sufficient funds are accumulated to purchase the above subscribed bond(s); said bond(s) to be registered as follows:	
Please Print	
Name _____	
Street _____	
City and State _____	
Signed _____	

Name	Date	Amount	Balance	Date	Amount	Balance	Disposition
	:	:	:	:	:	:	:
	:	:	:	:	:	:	:
	:	:	:	:	:	:	:

The Bank furnishes these cards to employers without cost.

AUTO WORKERS ENDORSE PROGRAM

A MESSAGE TO YOU

The text of an attractive red, white and blue bulletin board announcement distributed by the large and influential United Automobile Workers Union.

DEFENSE SAVINGS BONDS AND STAMPS give us all a way to take a direct part in building the defenses of our country—an American way to find the billions needed for National Defense.

The United States is today, as it has always been, the best investment in the world. This is an opportunity for each citizen to buy a share in America.

We print this message in the cause of Defense.

Geo. F. Addes
Secretary-Treasurer

R. J. Thomas
President

INTERNATIONAL UNION
UNITED AUTOMOBILE WORKERS OF AMERICA

Affiliated With The CIO

* * * * *

NOTES FROM MICHIGAN

425 cities, towns and villages of the 467 in the state have established local Defense Savings Committees.

Lansing Merchants Association Board of Directors has voted unanimously to secure the cooperation of all Lansing retailers in the sale of Defense Savings Stamps.

Detroit Bar Association is making plans to recruit speakers from the legal profession to further the Defense Savings Program.

Gabel Brewing Company in Detroit is advertising the fact that all of its employees have invested in Defense Savings Bonds or Stamps.

Muskegon Piston Ring Company has reported the purchase of \$50,000 worth of Defense Savings Bonds.

SYSTEMATIC SAVING FOR JUNE BRIDES

Michigan newspapers, through their women's pages, are suggesting that June brides start their married lives with systematic savings plans and are advocating the regular purchase of Defense Savings Bonds and Stamps.

NATIONAL INCOME RISING

"Salaries and wages amounted to \$4,432,000,000 in April, a 17 per cent rise over the comparable figure of \$3,784,000,000 for April of last year. The seasonally adjusted index of salaries and wages rose slightly from 100.0 in March to 100.3 in April. With defense and other payrolls continuing the rapid expansion that characterized the closing months of 1940, the adjusted index for May is expected to exceed the record figure of 101.3 established in August of 1929."

—U. S. Department of Commerce News Release, June 5, 1941.



FRANK N. ISBEY, CHAIRMAN, MICHIGAN DEFENSE SAVINGS COMMITTEE, MAKES HIS FIRST MONTHLY REPORT. From left to right: Mrs. A. Gibson, Chairman, Michigan Commission of Labor and Industry; Mrs. Seymour Beach Conger, Executive Secretary, University of Michigan Alumnae Council; Giles Kavanaugh, Collector of Internal Revenue, Detroit, and State Administrator, Defense Savings Staff; Frank N. Isbey; Edward W. McFarland, Wayne University; Earl W. Delano, Vice President, Michigan Bankers Association; and Herbert A. Olson, Director, Michigan Municipal League.



EXECUTIVES OF JOINT COUNCIL NO. 43, TEAMSTERS UNION, A. F. OF L., confer with Chairman Isbey after a meeting at which some 40 business agents, representing 30,000 men, signified their approval of Defense Savings Program and pledged their full support.

From left to right: R. J. Bennett, Secretary, Joint Council; Chairman Isbey; George Wilson, Recording Secretary, Joint Council; Sam Hurst, President, and Bert Brennan, President.

ITALIAN-AMERICAN SOCIETY INVESTS IN DEFENSE SAVINGS BONDS. Officers of the Societa' Monte San Giuliano, instructed by the members to invest the Societa's surplus funds in Defense Savings Bonds, completing the purchase of \$6,000 worth of U. S. Bonds.

From left to right: Kenneth Burns, Cashier, Bank of Detroit; Chairman Isbey; Silvestro G. Silvestri, Secretary, Societa' Monte San Giuliano; Vincent DeLillo, Assistant U. S. District Attorney; and Peter Romano, President, Societa' Monte San Giuliano.



LOCAL 174, UNITED AUTOMOBILE WORKERS, C. I. O., one of the largest unions in Detroit with members in sixty plants, purchases \$50,000 worth of Defense Savings Bonds.

From left to right: Jack Fuller, Financial Secretary, and Michael J. Manning, President, of the Local; Giles Kavanaugh, Collector of Internal Revenue, Detroit, and State Administrator, Defense Savings Staff; and Roscoe Huston, Detroit Postmaster.



MOVIES

TRAILERS advertising Defense Savings Bonds and Stamps will be attached to the following feature pictures to be released during June:

Man Hunt	One Night in Lisbon
Penny Sirenade	Sunny
Shining Victory	They Met in Bombay
In the Navy	

The trailers to these seven features will be seen in most of the theatres of the country during the next three months. The importance of this contribution of the motion picture industry to the Defense Savings Program is apparent when one realizes that the average weekly attendance at motion picture theatres of the country is approximately 80,000,000.

DEFENSE SAVINGS BONDS HELP HOME PURCHASERS

Series E Defense Savings Bonds are well adapted to the needs of home purchasers, points out one who is purchasing a home on the FHA plan.

"My monthly payments are about \$50," he writes. "My earnings are considerably more than they have been in the past and I am going to purchase (for \$37.50) a \$50 Defense Savings Bond each month. Ten years from now, as these bonds mature, they will take care of the last half of my 20-year FHA contract. In this way, instead of having paid \$6,000 in cash, I will have paid only \$4,500, Uncle Sam having made up the difference in interest.

"Of course, I could make double payments now on my contract, but I feel that it is better for me to put my extra money in Defense Savings Bonds, as in case of illness or other emergency I could cash a few quickly if I had to.

"Furthermore, I believe that one of the best ways for me to assist in the defense of my home is to buy Defense Savings Bonds."

MASSACHUSETTS COLLECTOR'S OFFICE USES CLUB PURCHASE PLAN

Defense Savings Bond Clubs have been organized in the office of Thomas B. Hassett, Collector of Internal Revenue, Boston. These clubs are composed of nine members, each of whom contributes \$2 a week. The purchasing member adds 75 cents to bring the total to \$18.75, the purchase price of the \$25 Defense Savings Bond. A different member makes the actual bond purchase each week.

* * * * *

Newmarket, N. H.—100 per cent of the employees of the Sam Smith Shoe Corporation have accepted a plan whereby they will systematically purchase Defense Savings Stamps every week. This is reported to be the first factory in New England, of any kind, to do so.

MORE FIRMS AND ORGANIZATIONS WHICH HAVE INSTALLED SALARY SAVINGS PLANS

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Boy Scouts of America

Federal Intermediate Credit Bank, Springfield, Mass.

(Reports 100% participation)

General American Life Insurance Company, St. Louis, Mo.

National Bank and Trust Company of Norwich, Norwich, N. Y.

National Bank of Detroit, Detroit, Mich.

South Carolina Insurance Company, Columbia, S. C.

Installation of various types of payroll savings plans to make the purchase of Defense Savings Bonds and Stamps as simple and convenient as possible is proceeding at a rapid pace in all parts of the country. It will not be possible to publish in this NEWS LETTER anything like a complete list of concerns which have in this way made it possible for their employees to participate in the Defense Savings Program. However, future issues of the NEWS LETTER will continue to list the names of some concerns which have adopted salary allotment plans.

It will be appreciated if State Administrators will report to Gale F. Johnston, Field Director, Defense Savings Staff, the names of companies in their states which have made it possible for their employees to purchase Defense Savings Bonds by the payroll allotment method.

NEW PUBLICATIONS
of the
DEFENSE SAVINGS STAFF

THE FIRST MONTH

Radio address of Secretary Morgenthau, delivered over a nationwide network on June 5, reporting on the sales of Defense Savings Bonds and Stamps during May.

BUY A SHARE IN AMERICA

Radio address by Ignace Jan Paderewski from New York on May 16, on behalf of the Defense Savings Program.

THE VOICE OF THE PRESS

Excerpts from editorials from newspapers in all sections of the country, showing wide support of the Defense Savings Program.

MANUAL FOR STATE AND LOCAL COMMITTEES

Explains the purpose of the Defense Savings Program, and contains detailed suggestions for State Committees, Local Committees, social and vocational organizations, public employees, business and employers' organizations, women's clubs, labor organizations, teacher's organizations, and farm organizations.

These publications will be sent upon request to any member of a state or local Defense Savings Committee.

LOCAL GOVERNMENTS COOPERATE

City and county finance officers throughout the country have been advised by their Municipal Finance Officers' Association that Defense Savings Bonds (Series F and G) are appropriate investments for public funds and that separate funds (sinking funds, special assessment funds, pension funds, trust funds, etc.) can each purchase the maximum amount (\$50,000), provided such funds cannot be considered part of the general operating funds of the governmental unit.

The Municipal Finance Officers' Association also suggests that cities:

- 1) Help their employees purchase Series K bonds by setting up voluntary payroll allotment plans;
- 2) Distribute official folders describing Defense Savings Bonds with tax and utility bills;
- 3) Display official posters in public buildings.

BUILDING AND LOAN AND SAVINGS AND LOAN ASSOCIATIONS-SUPPORT PROGRAM

The Board of Directors of the United States Savings and Loan League adopted a plank in its suggested policies for 1941 urging member associations "to assist the government by encouraging and assisting individuals to own government bonds . . . , advertising vigorously the advantages of saving . . . and purchasing government bonds for their own investment accounts."

Commenting upon the role of savings and loan associations, Paul Endicott, President of the United States Savings and Loan League, writes in the Savings and Loan Journal:

"In this emergency we have an opportunity to do something more than give lip service and endorsement to the plans of the Treasury. It is in our interest as well as that of the national defense not only to qualify (as issuing agents for Defense Savings Bonds) but also to add our influence to that of the Treasury's in persuading the public to buy these bonds."

STATES WELCOME BABIES

For many years it has been the policy of the Mississippi Power and Light Company to send \$5 to every new baby in the home of a Power and Light Company employee. However, Rex I. Brown, President and General Manager of the company and a member of the Defense Savings Committee for Mississippi, is now sending each new baby a Defense Savings Stamp album containing \$5 worth of Defense Savings Stamps, accompanied by a letter which reads in part as follows:

"Since you are to be a citizen of the United States, undoubtedly the finest country in the world, especially in these troublous times, I am enclosing a stepping stone toward a United States Savings Bond so you will not only be a citizen of the United States but a part owner."

"SAVE HALF YOUR OVERTIME"

This is the advice to working men contained in a recent advertisement of a Connecticut bank. Commenting upon this ad editorially, the Bridgeport Times-Star says:

"Save half your overtime is good advice . . . If you have as much as \$18.75 a week, or a month, over actual living expenses, put this money into a Defense Savings Bond."

BANKING ASSOCIATIONS ENDORSE PROGRAM

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OHIO:

"Our nation is engaged in a mammoth program for national defense.

"All citizens are being called upon to make sacrifices and to cooperate in every way to the end that America will be invincible in the protection of its freedom and the liberties of its people.

"The banks of Ohio, like those throughout the land, are in a position to be extremely helpful in the financing of the defense program.

"We strongly urge that every bank in Ohio qualify as an issuing agent for such bonds as are to be distributed for the defense program and do all they can to advance the sale of Defense Savings Stamps and Defense Savings Bonds."

—From a resolution adopted unanimously
Ohio Bankers Association
51st Annual Convention, Cincinnati.

WASHINGTON, D. C.:

The 23rd annual convention of the District of Columbia Bankers' Association at Hot Springs, Virginia, adopted a resolution pledging "all out" support to the National Defense Program and commending the efforts of banks in the distribution of Defense Savings Bonds.

TEXAS:

The Texas Group, Investment Bankers Association of America, endorsed the Defense Savings Program with the following resolution:

"Be it known that the Texas Group, Investment Bankers Association of America, is fully in accord with the National Defense Program to sell Defense Savings Bonds and Stamps."

CONNECTICUT:

Members of the Connecticut Investment Bankers Association have agreed to bring Defense Savings Bonds to the attention of their clients daily during the month of June.

ADVICE FROM BANKER BROWN OF PENNSYLVANIA

"Do not deposit your funds with us but buy Defense Savings Bonds," was the advice of W. Elbridge Brown, President of the Pennsylvania Bankers Association, at its 47th annual convention. "It is no longer proper to spend just a little more than you earn," he said. "It is now proper to save, and with those savings you should buy Defense Savings Bonds."

The Bowery Savings Bank of New York has distributed copies of the Defense Savings Staff pamphlet "Defense Savings for American Workers" to 45,000 depositors. In an accompanying letter the Vice President, urges regular purchase of Defense Savings Bonds and Stamps and offers the facilities of the Bowery Savings Bank for this purpose.

 WIDELY READ MAGAZINES COMMENT ON PROGRAM

Collier's

"Better Buy Some Bonds" says a Collier's editorial. "We hope Americans will buy the current and forthcoming Defense Savings Bonds as copiously and then some, as they bought Liberty and Victory bonds in World War times..."

"Regular and aggressive investment in government bonds is one of the best known ways of building up an annuity for yourself and dependents. For another thing, by putting what money you can into government bonds at this time, you take out what insurance you can against runaway price inflation.

"From the larger point of view, it is high patriotism to loan what money you can to the government for the greatest arms program it ever has undertaken, and for aid to Britain."

Liberty

"The whole truth of the defense-bond issue is that it is not so much a money-raising scheme as it is a lid on prices and a cushion under us all against the day that the war boom collapses," Walter Korig writes in the June 7 issue of Liberty Magazine.

"Every bond, in the hopes of the government experts, is an insurance policy against inflation now and deflation later. They believe that 'National Defense Bond' is a name with a three-way meaning—defense against an external aggressor, defense against extortionate prices for necessities, defense against postwar depression."

Pathfinder

"It is up to us," The Pathfinder said editorially in its May 24th issue. "There are two ways in which we are called on to contribute to our nation's defense. One is to obey direct orders to serve and pay taxes; the other is to volunteer further aid by lending our money to the Government, by letting up on our personal demands, and by making sacrifices generally for the common cause.

"The second way is the acid test of our patriotism, our true devotion to the nation. At bottom the responsibility for economizing in this democracy is up to each citizen. Let every man ask himself personally if he is willing to forego expected extra benefits at the expense of the Government; whether he is willing or unwilling to make some sacrifices of his present privileges for the greater strength of the nation."

Wallace's Farmer

"As the present war boom builds up farm income," Wallace's Farmer points out in its May 17th issue, "farmers who have their places paid for will be looking for ways to invest their extra funds.

"The safest investment will undoubtedly be the new Defense Savings Bonds."

Young America

Young America, monthly magazine which is read by more than 340,000 school children, describes Defense Savings Bonds on the back cover of its May 23rd issue.

MEMORANDUM

June 14, 1941

To: PRICE ADMINISTRATION COMMITTEE
From: R. K. Thompson, Secretary

Attached hereto are the following:

1. Corrected page 5 for minutes of June 3.
2. Minutes of the meeting of June 11.
3. Civilian allocation program for cork and products and materials of which cork is a component.
4. Civilian allocation program for pig iron, ferro-alloys, steel ingots and castings, and all carbon and alloy steel products.
5. Civilian allocation program for material and equipment entering into railroad, mine, and industrial freight car construction and repairs.

which are affected by shipping shortages. Mr. Henderson replied that a ceiling would be fixed in such cases. Secretary Wickard raised the problem of regulating shipping rates and Messrs. Henderson and Hamm reported that OPACS is participating in rate discussions and in the discussion concerning the creation of an Office of Defense Transportation within the ODM which would coordinate all forms of transportation where price, priority and supply are concerned.

11. Coordination of defense priorities.

Mr. Ezekiel raised the problem of a small manufacturer of brass who was unable to secure copper from the big copper companies except by paying a higher price than these same companies have fixed for their own processors and subsidiaries for both defense and other needs. He questioned the possibility of tying price control to priorities so that the incentive to bootlegging would be avoided and monopoly control would not be increased. Mr. Weiner pointed out that the civilian allocation order on copper, issued May 31, was worked out on a basis which would give the integrated company and the independent company pro rata shares according to the amount of defense and civilian production each has, but that proportionately the integrated company usually has a greater amount of defense business.

12. Presidential power to suspend tariffs

Mr. Stevens reported that he had looked into the President's authority to suspend tariffs and found that in case of an emergency or war he may suspend any duty on food, clothing, and medical, surgical and other supplies. He pointed out that under the present unlimited emergency there are many cases in which the President could act under that authority.

SUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF
PRICE ADMINISTRATION COMMITTEE

June 11, 1941

11:30 a.m.

Chairman: Mr. Henderson

Present: Miss Elliott, Messrs. Stevens, Clayton, Nelson, Pike,
O'Connell, Ezekiel, Neeker, Barnes, Hoover, Galbraith,
Ginsburg, Whitcomb, Plummer, Thompson

1. Oil

Mr. Galbraith reported on the meeting with California oil producers held in San Francisco on June 7 to discuss the recent increases in oil and gasoline prices. The initial request made of the oil producers was that they restore May 22 prices on June 10 but after further consideration it was decided to defer the request until July 1 with the possibility of working out in the meantime some formula by means of which the position of the small operators could be relieved and their production obtained without ballooning the general price structure.

Mr. Henderson emphasized the difficulties of the problem since it is not clear whether the prices prevailing prior to the three recent advances were sufficient to cover the costs of production borne by marginal operators. The problem therefore remains of deciding whether to insist arbitrarily on maintaining the status quo so far as prices are concerned or whether to work out differential prices recognizing differences in cost as between the small and large producers.

Mr. Pike suggested the possibility of working out a formula for prices within the schedule of gravity so that stripper-well operators, who usually produce heavier oils which have been low in price, could be given relief without affecting the price of gasoline, which is refined from the lighter gravity oils and the price of which has been at a rather high level.

2. The United States-Canada Materials Committee

Mr. Henderson reported that he has arranged with OPM to sit in as an observer with this committee at its weekly meetings and would from time to time make reports to the Price Administration Committee concerning transactions of the Materials Committee.

3. The requisitioning bill

Mr. Henderson reported that OPACS has been in contact with the War Department concerning the requisitioning bill and that his Office, as indicated at the last meeting of the committee, would support the bill. Mr. Ginsburg added that the bill has been so amended that nothing is left save an authorization to the President to take over

a plant which has been shut down by reason of a strike but that an amendment would probably be introduced in the Senate to enlarge the bill's coverage to something nearer its original scope.

4. Automobile price situation

Mr. Henderson reported that on June 3 he called Pyke Johnson, secretary of the Automobile Manufacturers Association, (of which most leading producers are members) and requested him to tell the executive session of the association on June 5 that OPACS would like them not to increase their prices without consultation with OPACS and to point out that favored treatment of the automobile industry could not be permitted when rigid price ceilings had been set for other industries in which the earning rate had not been so great.

However, simultaneously with the industry meeting on June 5, Mr. Henderson reported, a story appeared in the Wall Street Journal detailing the previous discussion that had been had in the Price Administration Committee concerning the automobile price situation. That evening OPACS sent telegrams to all automobile producers repeating the request which had previously been transmitted to them via Pyke Johnson. Despite this, Chrysler, Studebaker, Hudson and Willys announced price increases without prior consultation with OPACS. General Motors Corporation was the only company to contact OPACS to discuss prices and Mr. Henderson met with their representative for such a discussion on June 9.

Mr. Henderson added that a canvas of the situation indicated that there is no other alternative except to ask automobile manufacturers to withdraw their price increases in order to stop inflationary tendencies. Furthermore, it is highly uncertain what prices should be set for new models since that problem is complicated by the questions of how many automobiles they may produce, what kinds of materials may be used, and the schedule according to which they will be produced.

Miss Elliott raised a question concerning the allocation of available cars and trucks and Mr. Henderson replied that, until a priority problem is raised, individual companies will have the right to decide to what sections or regions available cars and trucks will go. Mr. Ezekiel raised the question whether truck production would be maintained or increased with all reductions taken on passenger cars when allocation is made. Mr. Henderson indicated that the present allocation to the various companies is an attempt to maintain as much as possible of the truck supply and promised to present a digest of the present allocation at the next committee meeting.

5. Publicity

As a result of the story which appeared in the Wall Street Journal regarding the discussion of automobiles at previous meetings of this committee, it was understood that, unless otherwise requested by the Administrator, members of the committee would not discuss with members of the press the considerations had at meetings of the Price Administration Committee and that the only publicity to be given such matters would come from the office of the Administrator.

6. Hides schedule

Mr. Galbraith announced that the price schedule on hides would be issued either this afternoon or tomorrow. He spoke of the difficulties in framing this schedule because of the problem of differentials, of which there could be anywhere from none to some three hundred, and because the advice and assistance given had not been entirely disinterested. The schedule to be issued represents the simplest possible form with ceilings set only on hides, calf skins and kip, without any differentials.

7. Policy of price administration

Mr. Henderson set forth the general policy that whenever it becomes apparent in the administration of price schedules that a change is necessary to expedite the flow of any material, there is no hesitancy on the part of OPACS in making that change, since there is no concept of fixing rigid price schedules to be maintained without differentials or without change. He spoke of the salutary effect of various price schedules in maintaining practically a given level of prices in the commodities concerned.

8. Copper

Mr. Galbraith reported that a problem has arisen in connection with a group of high-cost copper mines in northern Michigan which are unable to produce within the framework of the 12-12½ cent price which is being held. The Tariff Commission has made a study as to what price would keep those mines in operation and OPACS is in the final stages of reviewing that study and arriving at a price which will keep that supply of copper available without upsetting the general price structure for copper. Mr. Galbraith also spoke of the necessity of negotiating with the Metals Reserve Company concerning the possibility of stock piling copper.

9. Rabbit fur

Mr. Nelson reported that the situation with respect to rabbit fur (for making hats) is apparently getting very serious and that the price rise on hats will be terrific if the speculators keep control. He suggested that OPACS look into the situation and Mr. Galbraith assured him that would be done immediately.

10. Coffee

Mr. Galbraith reported that a meeting with the coffee trade would be held this afternoon and that OPACS would try to negotiate with them on a quid pro quo that no ceiling will be set if they supply the Army with coffee at a price which is not abnormally high. Mr. Nelson reported that his division had been successful in getting coffee to the Army from General Foods and Standard Brands, who voluntarily offered it.

11. Suspension of tariffs

Mr. Stevens reported that he believed that action to suspend tariffs on necessary supplies could be taken more readily under Section 318 of the Tariff Law than under the amendment he cited in the meeting of June 3. Mr. Henderson called attention to the bill recently introduced which would authorize the President to bring in duty-free any imports in the interest of national defense and security. Mr. O'Connell reported that the Treasury is recanvassing its interpretation of the President's authority to suspend tariffs on food, clothing, and medical, surgical and other supplies in time of emergency looking toward the inclusion of an emergency such as the present one, as well as the relief background in time of flood or other disaster.

Mr. Ezekiel suggested that it might be better to suspend the duty on a clear-cut industrial product rather than on an agricultural product when use is first made under the present or the proposed statute of authority to suspend tariffs.

12. Jute and osnaburg containers

Mr. Ezekiel reported that farmers are facing a rather acute shortage of containers of all sorts but particularly of bags since the supply of jute from India is almost wholly cut off and the price of osnaburg is out of reach. He stated that the Department of Agriculture will make a study of the whole container situation as affecting all farm products. He reported that a hasty survey of the bagging end of the textile industry indicated that the production of osnaburg and sheetings is up about 36 percent over a year ago but that prices are up 91 and 111 percent, respectively.

13. Allocation of steel

Mr. Weiner reported that an informal arrangement has been made with Mr. Whiteside of the OPM Priorities Division to assure a supply of steel for the manufacturers of agricultural implements for a period of approximately four months. In the meantime, the final general allocation will be worked out.

The committee adjourned at 12:30 p.m. to meet on Wednesday, June 18 at 11 a.m.

OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

For Immediate Release
June 5, 1941

PM 512

Following is text of the "Civilian Allocation Program For Cork and Products and Materials of Which Cork is a Component," issued by the Civilian Supply Allocation Division, Office of Price Administration and Civilian Supply, in connection with the General Preference Order on cork announced by the Director of Priorities, Office of Production Management, on June 2, 1941. The OPACS program and the General Preference Order were both summarized in a joint press release issued on that date.

TITLE 32 - NATIONAL DEFENSE

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Part 1310 - Cork and Products and Materials
of Which Cork is a ComponentCivilian Allocation Program for Cork and Products and Materials
of Which Cork is a Component

The rapid depletion of stocks of raw cork in the United States and the uncertainty of future shipments from abroad, seriously threaten a shortage of cork, and of products and materials of which cork is a component, for defense and civilian demands. To insure the obtaining of priority for deliveries of cork, and of products and materials of which cork is a component, under present and future Naval and Army contracts and orders and related sub-contracts and sub-orders, the Priorities Division, Office of Production Management, has, simultaneously herewith, issued General Preference Order No. M-B to direct the use and distribution of cork, and of products and materials of which cork is a component, in the hands of suppliers. Such Order will curtail the supply of cork, and of products and materials of which cork is a component, for civilian purposes. It is necessary, therefore, after military defense needs are satisfied, to provide for the equitable allocation of the residual supply of cork, and of products and materials of which cork is a component, in the hands of suppliers, among competing civilian demands.

Accordingly, pursuant to and under the authority vested in me by Executive Order No. 8734, particularly Section 2(a) thereof, and pending the formulation of a more detailed program in this regard, the following program for the equitable allocation of such cork, and products and materials of which cork is a component, among competing civilian demands, is announced for the interim period.

§ 1310.1 Insofar as the Director of Priorities, pursuant to General Preference Order No. M-8, particularly Section 933.1(c) and (h) thereof, will make allocations of such cork, and products and materials of which cork is a component, among competing civilian demands, the Director will be guided by general and specific policies and programs formulated by the Administrator. In allocating such cork, and products and materials of which cork is a component, among competing civilian demands, the following factors, among other relevant factors, are to be taken into consideration:

1. The need to provide adequately for civilian uses of cork, and of products and materials of which cork is a component, essential to the public welfare.

2. The degree of hardship upon labor or business resulting from the restrictions contained in General Preference Order No. M-8.

3. The past requirements of users of cork and of products and materials of which cork is a component.

4. The objective of achieving an equitable relation with regard to supplies of cork and of products and materials of which cork is a component among all users of these materials.

5. The availability of substitutes for the particular uses for which cork, or products and materials of which cork is a component, is sought.

6. The policy of the Administrator to refuse to allocate cork, or the products and materials of which cork is a component, to any person who, in the conduct of his business, discriminates against defense orders.*

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§ 1310.1 to § 1310.2, inclusive, issued pursuant to the authority contained in Executive Order No. 8734.

§ 1310.2 The terms used herein shall be defined as they are defined in General Preference Order No. M-8.*

Issued this 31st day of May, 1941.

LEON HENDERSON
ADMINISTRATOR

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

JOHN R. HAMM
DEPUTY ADMINISTRATOR

OFFICE FOR EMERGENCY MANAGEMENT

OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

For Release PM Papers
Friday, June 6, 1941

PM 513

Factors to be taken into consideration by the Office of Price Administration in formulating policies and programs for allocation of iron and steel products among competing civilian demands were announced today in a "Civilian Allocation Program for Pig Iron, Ferro-Alloys, Steel Ingots and Castings, and All Carbon and Alloy Steel Products" issued by Leon Henderson, Administrator.

The program carries out action agreed upon by the Director of Priorities, OPM, and the Administrator, OPACS, as announced last week.

Current demand for such products under defense orders and for civilian purposes is greater than the ability of producers to deliver in the required amounts upon scheduled delivery dates, the program states.

Therefore, it becomes necessary, after military defense requirements are satisfied, to provide for equitable allocation of remaining iron and steel products among competing civilian demands. In doing this the Administrator of OPACS will take the following factors into consideration:

a--The need to provide adequately for civilian uses essential to the public welfare.

b--The degree of hardship upon labor or business resulting from the failure to obtain deliveries when scheduled or from the rejection of orders.

c--The past rates of consumption of the products by users thereof.

d--The objective of achieving an equitable division of supplies of the products among all users.

e--The availability of substitutes for the particular uses for which the products are sought.

f--The policy of the Administrator to refuse allocation to any person who, in the conduct of his business, discriminates against defense orders.

TITLE 32 - NATIONAL DEFENSE

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

Part 1306 - Iron and Steel

Civilian Allocation Program for Pig Iron, Ferro-Alloys, Steel Ingots and Castings, and All Carbon and Alloy Steel Products.

The current demand for deliveries of pig iron, ferro-alloys, steel ingots and castings, and all carbon and alloy steel products, (herein referred to as the products), under Defense Orders and for civilian purposes, is greater than the ability of producers to deliver the same in the required amounts upon delivery dates scheduled. For this reason deliveries of the products are being delayed and orders therefore rejected. To assure deliveries under Defense Orders and other orders for necessary non-defense purposes when scheduled and to assure that such orders are not rejected, the Priorities Division, Office of Production Management, has issued General Steel Preference Delivery Order. In view thereof, it is necessary, after military defense requirements are satisfied, to provide for the equitable allocation of the products among competing civilian demands.

Accordingly, pursuant to and under the authority vested in me by Executive Order No. 8734, particularly Section 2(a) thereof, and pending the formulation of a more detailed program in this regard, the following program for the equitable allocation of the products among competing civilian demands is announced for the interim period.

§ 1306.26 Insofar as the Director of Priorities, pursuant to the General Steel Preference Order, particularly Section 936.1(c) and (d) thereof, will make allocations among competing civilian demands, the Director will be guided by general or specific policies and programs formulated by the Administrator. The following factors, among other relevant factors, are to be taken into consideration in making such allocations:

a. The need to provide adequately for civilian uses essential to the public welfare.

b. The degree of hardship upon labor or business resulting from the failure to obtain deliveries when scheduled or from the rejection of orders.

c. The past rates of consumption of the products by users thereof.

d. The objective of achieving an equitable division of supplies of the products among all users.

e. The availability of substitutes for the particular uses for which the products are sought.

f. The policy of the Administrator to refuse allocation to any person who, in the conduct of his business, discriminates against defense orders.

§ 1306.27 The terms used in this Order, except as otherwise indicated, shall be defined as they are defined in the General Steel Preference Order.

Issued this 4th day of June, 1941.

LEON HENDERSON
ADMINISTRATOR

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

JOHN R. HAMM
DEPUTY ADMINISTRATOR

OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY

For Release AM Papers
June 10, 1941

PM 530

Moving to meet the impending shortage in railroad freight cars, Leon Henderson, Administrator, Office of Price Administration and Civilian Supply yesterday promulgated a Civilian Allocation Program covering material and equipment necessary for construction or repair of railroads, mine, and industrial freight cars.

The program provides that all deliveries of equipment and material necessary for the construction and repair of freight cars shall be given preference over all material and equipment going into any other civilian use, subject only to a prior preference on deliveries for all such material and equipment as may be required under contracts with the United States or any Department or Agency thereof.

Effect of this progress will be to assure freight car builders of first call on steel and other required materials and equipment after military and other government needs are taken care of. Action was taken under the authority of OPACS to allocate residual supplies of scarce materials among competing civilian demands after needs of the armament program are satisfied.

Administrator Henderson pointed out in announcing the program that the railroads are faced during the peak loading period this fall with the heaviest volume of freight traffic in recent years as result of the combined impetus of armament and civilian activity.

- 2 -

Because of this fact the railroads are now undertaking to expand their supply of rolling stock. They had approximately 73,000 cars on order May 1 which should be built this year. In order to accomplish this and to avoid a serious rail transportation bottleneck it is essential that construction of these freight cars and repair of bad order cars be speeded by every means possible.

The civilian allocation program for freight cars will affect particularly the distribution of available supplies of steel and its products since they constitute a major part of the materials required in freight car construction. It is estimated that an average of 20 tons of steel are required for each freight car built. Completion this year of all the freight cars on order May 1 would require around 1,400,000 tons of steel.

The need for additional rolling stock is coming at a time when the armament program is placing heavy demands on the steel industry. Even though the industry is operating at capacity there is not enough steel being produced to satisfy both military and all civilian needs. The giving of preference to freight car construction, therefore, will necessarily mean some curtailment for other civilian uses.

Attached is text of program.

CHAPTER XI - OFFICE OF PRICE ADMINISTRATION AND CIVILIAN SUPPLY 266

Part 1313 - Civilian Allocation Program
for Material and Equipment Entering into
Railroad, Mine, and Industrial Freight
Car Construction and Repairs.

There is a critical shortage in the nation's freight cars. The total demand for material and equipment entering, directly or indirectly, into freight car construction and repairs is presently in excess of the available supply. It is necessary, therefore, to direct the distribution of such material and equipment in order to insure an uninterrupted and unretarded supply for freight car construction and repairs.

Accordingly, pursuant to and under the authority vested in me by Executive Order No. 8734, and particularly Section 2(a) thereof, the following program for allocation of freight car material and equipment among competing civilian demands is announced:

§ 1313.1 Preference rating on deliveries. All deliveries of equipment and material necessary for the construction and repair of freight cars shall be given preference over all material and equipment going into any other civilian use, subject, however, to a prior preference to deliveries for all such material and equipment as may be required under contracts with the United States or any Department or Agency thereof.*

§§ 1313.1 and 1313.2 issued pursuant to
the authority contained in Executive Order
No. 8734.

§ 1313.2 Effective Date: Expiration. This program shall take effect on the 9th day of June, 1941, and shall continue until terminated by the Administrator.*

Issued this 9th day of June, 1941.

Leon Henderson,
Administrator

CERTIFIED TO BE A TRUE COPY OF THE ORIGINAL

John E. Hamm, Deputy Administrator

**EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL
FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN
AS SHOWN BY DEPARTURE PERMITS GRANTED**

Week ended June 14, 1941

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
PETROLEUM PRODUCTS				
Fuel and Gas Oil (including Diesel Oil)	19,415 Bbls.	—	75,000 Bbls.	462,759 Bbls.
Crude -				
Blended or California High Octane Crude*	75,000 Bbls.	—	—	—
All Other Crude	73,800 Bbls.	—	—	—
Gasoline -				
Gasoline A**	—	—	—	—
Gasoline B*	88,000 Bbls.	—	—	289,143 Bbls.
All Other Gasoline	—	—	—	—
Lubricating Oil -				
Aviation Lubricating Oil***	158,000 Bbls.	—	—	75,179 Bbls.
All Other Lubricating Oil	18,928 Bbls.	—	5,000 Bbls.	25,011 Bbls.
Tetraethyl Lead***	—	—	—	—
"Boosters", such as Iso-Octane, Iso-Hexane, or Iso-Pentane	—	—	—	—
SCRAP IRON AND SCRAP STEEL				
Number 1 Heavy Melting Scrap	—	—	—	1,020 Tons
All Other Scrap	—	—	—	2,585 Tons

Office of the Secretary of the Treasury, Division of Research and Statistics.
June 16, 1941.

Source: Office of Merchant Ship Control, Treasury Department.

* Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.

* Aviation Gasoline.

*** As defined in the President's regulations of July 26, 1940.

TREASURY DEPARTMENT

268

INTER-OFFICE COMMUNICATION

DATE June 14, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to Commercial concerns	14,000
Purchased from commercial concerns	-0-

The Federal Reserve Bank of New York purchased 13,500 in registered sterling from Thomas Cook & Sons, New York.

Open market sterling was unchanged at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns	14,000
Purchased from commercial concerns	-0-

In New York, the closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	11-3/4% discount
Swiss franc	.2321-1/2
Swedish krona	.2385
Reichsmark	.4005
Lira	.0526-1/4
Argentine peso (free)	.2370
Brasilian milreis (free)	.0505
Mexican peso	.2070
Cuban peso	1-1/16% discount

In Shanghai, the yuan was again unchanged at 5-3/8¢. Sterling was the equivalent of 3.89-1/2.

There were no gold transactions consummated by us today.

No new gold engagements were reported.



RESTRICTED

G-2/2657-220; No. 417 M.I.D., W.D. 12:00 Hr., June 14, 1941.

SITUATION REPORTI. Western Theater.

Air: German. Moderate activity over southern England on the night of the 13th-14th.

British. The large scale attack on the Ruhr was renewed. Invasion ports and Brest were also bombed. It is claimed that a pocket battleship was torpedoed.

II. Mediterranean and African Theaters.

Ground: Libya. At Tobruk the British claim to have recaptured a portion of the defense position penetrated by Axis forces.

Ethiopia. The British claim a continuing advance toward Jimma (Gimma), but have made no further progress north and east of Lake Tana. A Belgian force is moving toward Gambela in the west. Native forces have occupied the Magi, Shoa, and Gimira areas.

Air: Axis. Attacks on Cyprus, Tobruk and Gibraltar.

III. Syria.

Ground: No change in the situation.

Air: The R.A.F. again bombed Beirut.

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Paraphrase of Code Cablesgram
Received at the War Department
at 10:40, June 14, 1941.

London, filed 15:15, June 14, 1941.

The Air Ministry of the War Office reports that they have no information to confirm rumor of a depleted supply of bombs for the German Air Force. Nevertheless, as regards bomb fuses, indications are that these are being sent to bombing squadrons direct from the factory, thus indicating a lack of reserve of this item.

1. British Air Activity Over the Continent.

a. Night of June 13-14. The following is the disposition of Royal Air Force bombers operating during this night: Against Brest, 110; Schwerte, 42, Boulogne, 5; Paris and Vichy, 12 planes dropping propaganda notices and four mine-laying aircraft.

b. Day of June 13. Fighter patrols and reconnaissance flights directed on shipping activities were again in operation.

c. Night of June 12-13. Royal Air Force bombers dropped 65 tons of bombs on Hamm, 57 tons on Schwerte, and 42 tons on Reist. While at sea the German pocket battleship, LUTNOW, was bombed by 15 Defiants and nine Blenheim. Two torpedoes struck the vessel which is heading for land on a speed between five and eight miles.

2. German Air Activity over Britain.

a. Night of June 13-14. German operations were on a small scale over an extensive area.

b. Night of June 12-13. The following number of German planes was involved in operations on this night: 44 long range bombers,

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INFORMATION

20 fighters, and 20 ship-laying aircraft.

c. Day of June 12. The number of planes involved in operations on this day was 20 reconnaissance planes, 10 long range bombers and five fighters.

3. Aircraft Losses. British Destroyer.

a. As a result of the operations on the night of June 12-13, five bombers of the Royal Air Force are unreported.

b. During the night of June 12-14, British night fighters shot down four enemy planes and damaged another. During the day of June 13 British fighters in the Dover area destroyed two Messerschmitt Me-109's and damaged one Junkers Ju-88.

4. British Air Activity. Other Destroyers.

a. Reconnaissance. There were the regular reconnaissance, fighter, bomber operations throughout all areas in the Middle East. In the vicinity of Malta, planes of the Royal Air Force sank a 5,000 ton ship.

5. Aircraft Losses. Other Destroyers.

a. In the vicinity of Malta during the operations on June 12 planes of the Royal Air Force shot down 14 German planes and possibly another.

b. In the vicinity of Malta on June 12 the Germans shot down four British planes and destroyed an additional four.

LXX

Distribution:

Secretary of War
State Department
Secretary of Treasury
Chief of Staff
Assistant Chief of Staff, G-3
War Plans Division
Office of Naval Intelligence
Air Corps
Assistant Chief of Staff, G-3.

CONFIDENTIAL

Paraphrase of Code Cablegram
Received at the War Department
at 10:40, June 14, 1941.

SECRET

By authority A. C. of S., G-2

Date JUN 16 1941 (P) ()

London, filed 15:15, June 14, 1941.

1. It has been announced that a total of 16,700 men, including 2,000 wounded, have been evacuated from Crete to Alexandria. Two hundred more have just disembarked from fishing craft at Sidi Barrani.

2. There is much optimistic talk but very little serious expectation among the high ranking officers here that relations between Germany and Russia may develop into conflict.

3. In the week beginning June 1st, 812,000 tons of supplies were disembarked in Great Britain from convoys.

4. Syria. With the Vichy French forces having retired from Kissone and taken up position across the Damascus road, the British Central Imperial forces are now at Marjayoun and have captured Nabatiye. There are unconfirmed reports that along the coast Sidon has been captured.

5. There was heavy bombardment of Tobruk by German planes but without result. One German Armored car was captured and another detachment of vehicles was driven off in the vicinity of Sollum and the Libyan border.

6. Abyssinia. The 24th Italian Division has laid down its arms. At Eritrea the British have captured all the airfields near Asseb and are making use of the airport facilities.

7. Iraq. The only fact worthy of note was a small skirmish with local guerrilla troops who were all casualties.

LEE

Distribution:

Secretary of War
State Department
Secretary of Treasury
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
G-3

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Summary of Code Cables
Received at the War Department
at 12:30, June 15, 1941.

London, filed 16:19, June 15, 1941.

1. British Air Activity over the Continent.

2. Night, June 14-15. Cologne was attacked by 29 British bombers.

3. Night, June 14. 14 planes bombed the German airfields along the Channel. The coastal command attempted to sink a freighter off Hittern Island, and another 7000 ton steamship and its convoy were attacked off Cherbourg.

4. Night, June 13-14. The German battleships Scharnhorst and Gneisenau were subjected to bombing in which 71 tons of bombs were dropped. The Prinz Eugen was the target for 54 tons of bombs. 50 tons were dropped on Schwerte.

5. German Air Activity over Britain.

6. Night of June 14-15. The scale of German attack was in minor proportions and limited to the Bristol, Swinage, and Doverford areas.

7. Night of June 14-15. 25 long-range bombers with 25 reconnaissance planes performed missions. 100 long-range bombers, 50 mine laying planes, and 15 parent planes performed missions over England.

8. German Air Losses, British Theater.

9. Night, June 14. Parent planes shot down 2 HE 109's with two others damaged. One HE 109 was destroyed and one damaged.

10. British Air Activity, Middle Eastern Theater.

11. Night, June 12-13. Port of Bengali was bombed by twelve

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British planes and both the British and German carried on reconnaissance and bombing operations in all the areas of the Middle Eastern theater without noteworthy occurrence.

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