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February 1, 1942

Copy for Foley

Mr. Foley
The Secretary

Bill Bullitt had lunch with us on Sunday, and after telling us of his experiences in the Near East, he got on the question of General Aniline and Dye.

He fished around as to whether I wanted him to stay, and I said that definitely I hoped he would stay and help us to clean it up. He said that Foley had asked him to do the same thing, and he said that he thought the thing ought to be done very rapidly because O'Connell had told him the case where American Woolens had called up and wanted to place a large order with them, and O'Connell had not been able to give Aniline Dye a clean bill of health so they haven't placed the order. If that went on, why rapidly the company would disintegrate.

I told him I thought that nobody should get more than \$50,000 salary, and that Mack might be made General Counsel. Bullitt could stay as Chairman of the Board, and then we'd get a first-class operating man to operate the company. I thought that these enormous fees that they were paying were a disgrace and that the whole thing would reflect on the President. He agreed on that.

I told him that Gerard Swope was advising us as to personnel; so as the thing develops, I wish Foley would keep me posted and also keep Mr. Gerard Swope posted.

February 1, 1942

Sunday at five o'clock, Sir Frederick Phillips called at the house at my request. He said he had a message for me, and I said, "Go ahead and give it to me," which he did, and I would hear from the British Ambassador at Chungking. On reading it, I was glad that again we were sufficiently ahead of the parade and were ready.

I gave him a copy of the joint resolution, which he wanted so that he could cable it to London. But I told him that the "whereas" which had to do with the defense of China, etc., he should leave that sentence out because it was changed two or three times.

He asked me if as soon as I knew it was going to be released, would I let him know through Harry White. I said that when I get ready to leave the Hill, I will phone Harry White so that he could let Sir Frederick Phillips know. Phillips wants to get out a statement simultaneously from London. White ought to let T. V. Soong know at the same time.

I discussed with Phillips the fact that it looks as though when the war is over they would sort of cancel the loan. He said, "No," that they would expect to have it repaid promptly. I said that I would try to get something similar in our conditions although we had not discussed conditions with T. V. Soong, but I expected to see him at three o'clock on Monday.

Phillips asked me whether it was all right for them to go ahead with their 30 million pounds. I said, "Yes," and that after all that was three times as much as they offered the Chinese before.

He said he hoped that I didn't mind Lord Halifax's coming to see me with a question as to whom should bring to the President's attention that the British wanted us to pay them cash for the material they bought prior to March 11, 1941. I said that I didn't mind but I was sorry that Churchill hadn't agreed to send it to the President. However, I said that I could understand that and I could also understand that Halifax didn't want to wear out his welcome with the President. I said that my shoulders were broad, and I would try to carry it, but that it was much more difficult for me to carry it directly with the President. To prove my point, there is the copy of the memorandum which I sent to the President, and I haven't heard from him yet. I then said

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that I felt sure that if either Churchill or Halifax had sent it it would have carried more weight. However, I said I would do the best I can, and I will try to take it up with Phillips on either Tuesday or Wednesday.

MEMORANDUM

In view of further representations from His Majesty's Ambassador in Chungking, His Majesty's Government feel that it is essential to send an immediate reply to the Generalissimo. It is understood that the question of assistance to China is under the President's consideration.

His Majesty's Government now suggest that in addition to their supplying munitions on a lend-lease basis a joint offer should be made of a combined loan of \$400 millions, of which, in view of the disparity of financial resources, the British share would be \$120 millions or £30 millions. The latter sum would be made available immediately but there would be an unpublished understanding that it would be drawn upon only as required for expenditure in the sterling area directly required for the war; each item of expenditure being agreed upon between the two governments with the condition that any amount that had not been drawn upon at the conclusion of hostilities would be repaid. The United States part of the credit would no doubt be made subject to similar conditions.

His Majesty's Government ask whether the President would agree that we should at once inform the Generalissimo that we have made this proposal to the United States Government.

Washington, D.C.,

February 1, 1942.

February 1, 1942

Mr. Graves, Mr. Kuhn, Mr. Schwarz

The Secretary

If the figures are in for January, I'd like to have a carefully prepared statement to give out at my four o'clock press conference of the results of January sales of Defense Savings Bonds and Stamps.

Done - Per Kuhn - 10:00 - 2/1/42

C
O
P
Y

(CONFIDENTIAL)

P A R A P H R A S E

A strictly confidential telegram no. 24 of February 1, 1942 from the American Commissioner to India reads substantially as follows:

In response to your inquiry of January 30 regarding air passage for Messrs. Lattimore and Fox, you are informed that they departed by Clipper on January 28 from Karachi.

Copy:bj:2-3-42

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RESTRICTED

G-2/2657-220: No. 618 M.I.D., W.D. 11:00 A.M., February 1, 1942.

SITUATION REPORT

I. Pacific Theater.

Philippines: Several strong enemy thrusts including a night attack were repelled yesterday. Enemy losses were relatively large. Corregidor's big guns suddenly concentrated on an enemy force assembling launches at Ternate, on the south shore of Manila Bay. The surprise was complete, and the force was destroyed. Hawaii: No further reports of hostile action. Malaya: The press reports that British withdrawal to Singapore Island has been completed, and that British reinforcements have arrived at Singapore. Burma: British are reported to have withdrawn west of the Salween River, evacuating Moulmein. The Japanese carried out 3 air raids against Rangoon on January 31. Only a few planes got through to drop leaflets on the city. Australasia: No important change reported. West Coast: No further reports.

II. Eastern Theater.

Ground: The Russians continue to press the offensive at various points along the front. (No situation map will be issued this date.)

Air: The Russians claim to have defeated a Division of German parachute troops that were flown into the Leningrad front from Crete.

III. Western Theater.

Aircraft of the R.A.F. carried out raids against objectives in Occupied France yesterday.

IV. Middle Eastern Theater.

Ground: Press releases from British and Axis official sources indicate sporadic fighting south and west of Maraua. A sixty-mile advance to the east from Benghazi is claimed by the Axis.

Air: Malta is still under aerial bombardment and both air forces in Libya are active against ground forces. Aircraft of the R.A.F. carried out successful raids against motor transports in the Agadabia region.

RESTRICTED

February 2, 1942

Harold Graves

Secretary Morgenthau

Please talk to me as soon as possible about
Harford Powel of the Defense Savings Staff. I want
to discuss him with you.

*Graves & Kuhn
discussed with
Hoyt this morning 1/2/42.*

February 2, 1942
9:12 a.m.

HMJr: Hello, Peter.

Peter
Odegard: Hello.

HMJr: How are you feeling?

O: Fine, Mr. Secretary. How are you?

HMJr: I'm fine. How are you?

O: Oh, pretty well.

HMJr: How's your cold?

O: Oh, it's much better this morning.

HMJr: This may seem like a very unimportant matter, but I was - Graves and Kuhn are sitting here - and I was asking them to change the title of one Harford Powel from Director of Information to Consultant, because that's what I think he is, and he's a Consultant and he is not in charge, and I wondered if you saw any good reason why we shouldn't.

O: No, I don't see any reason, because Harford hasn't had any administrative direction over Mahan and the others, so far as I can gather.

HMJr: Uh huh.

O: But I had some ideas about that whole thing that I think we probably ought to talk about sometime.

HMJr: I see.

O: It seemed to me that the - that Mr. Houghteling status probably ought to be re-defined, too.

HMJr: Well, we - he's no longer Assistant to the Secretary.

O: He isn't?

- 2 -

HMJr: No. That was done last week.

O: Yeah. What is his title now?

HMJr: (Talks aside) What is his title, Harold?
His payroll title is "Consultant".

O: Yeah. Well, that was what I was going to suggest.

HMJr: Well, that's what it is.

O: Yeah. Well, I should think the same relation might be established for Harford.

HMJr: Good. Well, the reason I called you about it was because after all, you did bring him in.

O: Yeah.

HMJr: I mean.....

O: Well, I'm sure that Harford wouldn't be hurt at all about that.

HMJr: He wouldn't?

O: I shouldn't think so.

HMJr: Well, I'm sure that Graves can handle it. But it just bothers me to have a man of his kind getting the credit in history for director of this organization.

O: Yeah.

HMJr: Because he isn't entitled to it.

O: No. Well, we really have no Director of Information excepting Harold Graves.

HMJr: Except Harold Graves?

O: Yeah.

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HMJr: Well, I wouldn't call Harold that. I think he's above that.

O: Oh, I wouldn't call him that, but I mean actually.

HMJr: Yeah. Well, we should have.

O: Oh.

HMJr: And I think that these days we could get one.

O: I think we could, too.

HMJr: I think we could get one these days.

O: Yeah.

HMJr: What?

O: Yeah. I think certainly that a title of consultant more nearly describes the work that Harford has been doing.

HMJr: Well, then it's fairly unanimous.

O: Yeah.

HMJr: And we'll let it go at that.

O: (Laughs) Well, I - you never tell me how other people think.

HMJr: I don't?

O: No. Until after I've told you what I think.

HMJr: Well, you don't want me to try to influence you.

O: (Laughs) No.

HMJr: What?

O: No.

HMJr: If I said to you, "Graves is absolutely opposed to this," then - I don't want to color your

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thinking. Why I'm surprised at you.

O: (Laughs)

HMJr: As a matter of fact, he agreed and so did Kuhn.

O: Oh.

HMJr: Before I called you.

O: Yeah. Well, I would think that.

HMJr: As I say, I didn't want to do anything.

O: Uh huh.

HMJr: Well, thank you.

O: Well, thank you for calling.

HMJr: Good-bye.

O: Good-bye.

February 2, 1942

Dear Cordell:

Yesterday, at five o'clock, Sir Frederick Phillips of the British Treasury, called on me and gave me a memorandum, a copy of which you will find enclosed herewith.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Cordell Hull,
Secretary of State.

Copy to Secretary Jones.

MEMORANDUM

In view of further representations from His Majesty's Ambassador in Chungking, His Majesty's Government feel that it is essential to send an immediate reply to the Generalissimo. It is understood that the question of assistance to China is under the President's consideration.

His Majesty's Government now suggest that in addition to their supplying munitions on a lend-lease basis a joint offer should be made of a combined loan of \$400 millions, of which, in view of the disparity of financial resources, the British share would be \$120 millions or £30 millions. The latter sum would be made available immediately but there would be an unpublished understanding that it would be drawn upon only as required for expenditure in the sterling area directly required for the war; each item of expenditure being agreed upon between the two governments with the condition that any amount that had not been drawn upon at the conclusion of hostilities would be repaid. The United States part of the credit would no doubt be made subject to similar conditions.

His Majesty's Government ask whether the President would agree that we should at once inform the Generalissimo that we have made this proposal to the United States Government.

February 2, 1942
9:20 a.m.

AID TO CHINA

Present: Mr. Bell
Mr. Foley
Mr. White
Mr. Bernstein
Mr. Southard
Mr. Viner
Miss Chauncey

H.M.JR: I have got to go on the Hill this morning, to Mr. Wallace's office, on this Chinese loan, and I want Mr. Bell and Mr. White to go with me. I asked for a copy of this resolution. Have you got one?

MR. FOLEY: Yes, the one with the greatest possible importance or the way it was--

H.M.JR: No, the way--

MR. FOLEY: That is the way Jones wants it changed. This is the way it was for the President.

H.M.JR: No, this way is all right.

MR. FOLEY: Then we will substitute these two.

H.M.JR: Yes. Have you had these photostated?

MR. FOLEY: The letter?

H.M.JR: Yes.

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MR. FOLEY: No.

MR. WHITE: I am not very presentable, Mr. Secretary.

H.M.JR: What is the matter with you.

MR. WHITE: I have got a little boil on my nose.

MR. BELL: Where were you Saturday night?

H.M.JR: Just to bring you people up to date, Mr. V. Soong was at my house at a quarter of seven, and I informed him what we had done in confidence, and then I sent for Mr. Phillips, Sir Frederick Phillips. He came to the House last night at five. He had been anxious to see me, and he said he had something for me very urgent, which is as follows: "In view of the further representation from His Majesty's Ambassador in Chungking, His Majesty's Government feels it is essential to send an immediate reply to the Generalissimo. It is understood that the question of assistance to China is under the President's consideration. His Majesty's Government now suggests, in addition to their supplying munitions on a Lend-Lease basis, a joint offer should be made of a combined loan of four hundred millions, of which, in view of the disparity of the financial resources, the British share would be a hundred and twenty millions, or thirty million pounds. The latter sum would be made available immediately, but there would be an unpublished understanding that it be drawn upon only as required for the expenditure in the sterling area directly required for the war. Each item of expenditure being agreed upon between the two Governments with the condition that any amount that has not been drawn upon at the conclusion of hostilities would be repaid.

"The United States part of the credit would no doubt be made subject to similar conditions. His Majesty's Government asked whether the President would agree that we should at once inform the Generalissimo that we have made this proposal to the United States Government."

Well, I told him we were going up on the Hill. I

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said as soon as I had left the Hill, we would phone Phillips so he could phone London, because they want to get out a statement at the same time we do here, you see.

I think at the same time we ought to let Soong know, you see, but the English want to get out a statement from London, so whatever time - I think we ought to tell them not to release it for three hours up there so as to give them a chance to get through to London, you see. Because they have got a clause in here which is a good one. That is--

MR. WHITE: Give the money back when the war is over, and they have to spend it during the war, and they can't spend it during the war.

H.M.JR: I think it is a good clause.

MR. WHITE: I don't. I think it is very niggardly. If they are going to make any gesture at all, I think there is no value in that.

MR. VINER: In any case, the limitations ought to go into the agreement with the Chinese and the authorization ought to be unlimited.

MR. WHITE: That is right.

Has your answer already been given to Phillips?

H.M.JR: Oh, I told Phillips we would go ahead on our basis according to what he told us originally, and they could go ahead on theirs.

MR. WHITE: That was the answer?

H.M.JR: That was the answer.

MR. FOLEY: You see, the legislation provides--

H.M.JR: I - excuse me - I said, "You told us you were going to give ten million pounds, and we could go

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ahead on ours. Well, we have gone ahead. We are going to give them the five hundred million. You can go ahead on yours and give them thirty million if you want to." He said, "Is that all right for us? Do you recognize that we can't give as much as you do?" And I said, "Yes, we recognize it."

MR. WHITE: He called up a couple of times, and I kept him informed. I said on Saturday that I thought on Monday there would be some definite progress made, and we would inform him at once, so he has been informed right along as much as we could.

H.M.JR: Well, I gave him a copy of the resolution last night, telling him in cabling to leave out that "whereas," what we were doing for - to preserve China, because that was being changed.

Now, what I want in the few minutes that are left is - either White or Southard, in case they ask me this morning, "On what basis are you going to make this loan?" have either of you men got any suggestions?

MR. WHITE: We have got a draft of a written statement.

H.M.JR: Well, I can't read that. Supposing they say, "Well, on what basis are you going to lend this money?"

MR. WHITE: I should be inclined to stick very closely to the "whereases," which indicate that they have been putting up a splendid fight for four years and there has been a tremendously heavy financial burden and it has the - the impact upon their economy has been naturally progressively severe and until their economic structure now is very weak, and that this loan should go a long way toward helping them to--

H.M.JR: Harry, I haven't got the time for the "whereases." On what basis are we going to lend it? Are we going to buy yuan, or how the hell are we going to do it? I haven't got the basis for the spinach.

MR. WHITE: I don't know as we have given any thought to it. My own horseback opinion would be that those are the things that would be worked out later.

H.M.JR: "Well, now, Mr. Morgenthau, you can't come up here and ask us for five hundred million dollars unless you have got ideas. How are you going to lend it to them?"

MR. WHITE: Well, they may want to draw upon some of it in an effort to support their monetary system.

H.M.JR: "Well, you have got fifty million dollars in the Stabilization Fund for that."

MR. WHITE: Well, that has rather more restricted uses. That applies much more to their exchange operations. This here could be used for strengthening their internal economy.

H.M.JR: How?

MR. BELL: What committee is this?

H.M.JR: This is Wallace, the Speaker, McNary, and Joe Martin.

MR. BELL: The Republicans, isn't it?

MR. VINER: You might use it as a reserve.

MR. BELL: Do you care to come right out and say, "Well, gentlemen, it is nothing but a political loan"?

H.M.JR: Well, I am going to say it.

MR. BELL: It is the big answer.

H.M.JR: I am going to say, "It is a political and military loan."

MR. WHITE: It is a loan being made for political

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and military purposes, but I am wondering as to whether he doesn't have to have some answer to the question of how they possibly can use it.

H.M.JR: Have you got it?

MR. VINER: Well, they can use it as a reserve held over here against their own bond issues or against their own currency. They can use it in small amounts over a time in gold and silver or gold or silver, or even American money.

H.M.JR: How, Jake?

MR. VINER: By taking it into China and selling the American currency for the Chinese and mopping up Chinese currency.

H.M.JR: Does that mean we are going to buy yuan?

MR. VINER: No, no, we wouldn't buy it. They would buy the yuan with your dollars. You see, they would buy the yuan away from the Chinese public with your dollars.

H.M.JR: Well, the President said - I haven't got on this thing deeply, and I gather no one else has here either, that against the dollars we loan them we should have yuan, so at least we would have something.

MR. WHITE: Mr. Secretary, what we have got is a

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promise for dollars. That yuan isn't going to be worth very much, and if we take the yuan we may not have the - we won't have as good a credit as we may have if they owe us dollars. The reason why I would like to see you avoid, in so far as possible, stating anything but that it is a political and economic loan is because we can't do anything--

H.M.JR: Harry, don't argue with me about it. I have got to have something if they press me.

MR. VINER: That is a drawing credit here. You will establish a drawing credit - the ways in which they can make use of it, they still have to work out with you.

H.M.JR: But the only thing we are going to have against it is their I.O.U.?

MR. VINER: Not even that, possibly.

MR. WHITE: In some cases you may have yuan. In some cases you will have the I.O.U.

MR. VINER: And in some cases you will have nothing.

MR. WHITE: You may have nothing. It depends on what the terms and conditions are that you haven't worked out yet, because they are in the midst--

MR. VINER: You can tell them up there that you don't like it any better than they do, but we are in

a war, and things have to be done.

H.M.JR: Well, the answer is nobody has thought this thing through yet.

MR. WHITE: Oh, I wouldn't say that, Mr. Secretary. I have thought it through to the extent where I say nothing can be done economically and financially.

H.M.JR: Are you just going to let him call up and say, "I want a hundred million dollars," and have it transferred to the Chase?

MR. WHITE: Oh, no, I think we would want to set such conditions as the best we could get under the lend circumstances.

MR. VINER: Each time, presumably, he would tell us how he is going to use the next installment, and then we would turn it over to him as a credit with the Federal Reserve Banks, or in some other way.

MR. SOUTHARD: You might buy yuan against some of it.

MR. VINER: You might.

MR. SOUTHARD: In other cases you will take their note.

MR. WHITE: They may not call on most of it until after the war, in which case there would be all kinds of conditions you could set on it.

MR. FOLEY: The bill, Mr. Secretary, is very flexible, and it states, "at such time or times, and upon such terms or conditions" as you prescribe, and you get the best terms you can.

MR. VINER: That is the thing to tell them.

MR. FOLEY: You are not going to give it to them all at once, and each time you make an advance to them

you get the best terms you can in the light of the circumstances.

H.M.JR: Well, have we crossed that bridge, we are not going to give it to them all at once?

MR. WHITE: No, I don't think we have, but I think in our own minds --

MR. VINER: But you can say you will make the best terms you can.

MR. FOLEY: You don't have to give it to them all at once.

H.M.JR: After listening to you fellows, I haven't got any help, no help at all.

MR. BERNSTEIN: Can I suggest a possible approach, that since this is a military and political loan, it will have its greatest beneficial effect, the fewer conditions that you apply? You know, however, that they probably can't use the whole five hundred million at any one time, and you are going to keep watching it to see that they don't go out of bounds.

MR. VINER: But don't make any pledges as to how you are going to use it.

H.M.JR: That is the point, any pledge I make this morning, I have got to keep.

MR. VINER: But don't make any pledges. Say it is a political loan, and you musn't have your hands tied. If they ask you to give them a pledge, say you would have to take it up with the President, because it might nullify the whole purpose of the loan.

MR. WHITE: You are making it for military and political purposes.

H.M.JR: Let's not prolong the agony. You are not ready yet to advise me how the thing should be written out.

- 10 -

MR. WHITE: Definitely not.

H.M.JR: Well, that is --

MR. VINER: You can't, because you have to talk to them and give them the - as little as possible.

H.M.JR: Then let's say no one here has gone that far.

MR. SOUTHARD: You could make a list of all the possibilities and bases, but they might interpret those as being - you might make a list of all the possible technical means by which dollars could be made available, but they might interpret that on the Hill as being your promise of the particular ways in which it would be done. It is yuan and silver and gold.

H.M.JR: You fellows had better get busy this morning and work on it.

MR. VINER: There is nothing more to be done.

H.M.JR: You had better, while I am up on the Hill, get busy and have something for me at three o'clock, when T.V. Soong comes in here. He is coming in at three o'clock.

MR. WHITE: We could do that anyway --

MR. VINER: Can't --

MR. WHITE: The thing to do is ask what terms they want.

MR. VINER: Mr. Secretary, if we give them a range of possibilities, he will pick out the easiest and the best.

H.M.JR: I am going to ask him this time.

MR. WHITE: They will be stuck worse than we will as to what to use the money for.

H.M.JR: I made the mistake before of making suggestions. Now I will let him make one. Listen, there is one thing that is bothering me. I have got all these letters from the President to Wallace and the Speaker, and we have got a resolution, and I haven't sent a damn thing to the Director of the Budget. Don't you think it would be a nice thing to call him up and say I am going up on the Hill so he doesn't read about it in the paper?

MR. BELL: He ought to know about it. When is it coming out in the press?

H.M.JR: Maybe at noon.

MR. VINER: One of these letters says you are going to inform the Bureau of the Budget. The letter up to the Hill says that, doesn't it? It says that there wasn't --

H.M.JR: I didn't read it.

MR. BELL: I think he ought to be told. This, I take it, is just an informal meeting this morning.

H.M.JR: To get a clearance.

MR. BELL: With this group. Now, when the bill is introduced, where do you go? Do you have to go to some committee and defend it?

H.M.JR: I think it is Appropriations.

MR. BELL: Then it is legislative also.

H.M.JR: I don't know.

MR. FOLEY: Well, it is legislative, Dan, but the appropriation is made in the legislation, so I should think --

MR. BELL: You have to have a rule, then.

MR. FOLEY: No, it is a special bill, not a general bill.

MR. BELL: But you have to have a rule in the House.

MR. FOLEY: Well, we can get a rule.

H.M.JR: Have you got your overcoat in here, Harry? You had better get it.

MR. BELL: Then you would have to have these purposes that you are talking about when you go before that committee. I think you have got to give more than just political.

H.M.JR: But not necessarily this morning.

MR. BELL: Not today, no.

(The Secretary held a telephone conversation with Mr. Blandford, of the Bureau of the Budget, as follows:)

February 2, 1942
9:38 a.m.

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HMJr: Hello.

John B.
Blanford,
Jr:

Hello, Mr. Secretary.

HMJr: How are you?

B: Fine, thanks.

HMJr: Mr. Blanford, I gather the Director of the Budget is out.

B: Just for the moment.

HMJr: Well, if you could give him this message.

B: Yeah.

HMJr: Mr. Hull and I brought up at Cabinet the question of a loan to China.

B: Yeah.

HMJr: Based on military and political necessities.

B: Yeah.

HMJr: And we recommended five hundred million dollars.

B: Yeah.

HMJr: And then we met with the President around noon - Mr. Jones and I - because Mr. Hull is sick.....

B: Uh huh.

HMJr:and the President has signed letters to the Vice-President and to the Speaker recommending this. Hello.

B: Yeah. Vice-President and the Speaker.

HMJr: Yeah. We're going to - we have letters. Now, we're going up on the Hill this morning to meet

- 2 -

with the Vice-President and the Speaker, and also the two minority leaders, Mr. Jones and I and the people from my office.

B: Yeah.

HMJr: And with the hope that they'll release the President's letter, because both Mr. Hull and Mr. Stimson - from political and military angles - are very, very anxious that it get out at once.

B: Yeah. That'll require legislation, won't it?

HMJr: Yes.

B: We've had such a proposal knocking around here in Lend-Lease language, too, Mr. Secretary.

HMJr: Yes. Well, the President - I have a signed letter from the President, you see. I'm having it photostated.

B: Yeah.

HMJr: And after we come down from the Hill, Mr. Bell will send you over everything that we've got.

B: Fine.

HMJr: And I'd appreciate your cooperation, but this has been a sort of a shotgun affair.

B: Very good.

HMJr: So we haven't had time to do the normal thing.

B: All right.

HMJr: But it happened over the week-end, and I wish you'd explain it to Mr. Smith.

B: I'll do it.

HMJr: And when we come down from the Hill, Mr. Bell will give you everything that I've got.

B: Good. Thank you.

HMJr: Thank you.

B: All right, sir.

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H.M.JR: Now, you (Miss Chauncey) write a letter to the Secretary of State. "Dear Cordell: Yesterday at five o'clock Sir Frederick Phillips of the British Embassy called on me and gave me the following" - "gave me a memorandum, a copy of which you will find enclosed herewith." And when I come back, I will sign it.

MR. WHITE: Don't you want to tell him what you answered to him?

H.M.JR: No, I haven't got time.

(The Secretary held a telephone conversation with Mr. Jesse Jones, as follows:)

February 2, 1942
9:40 a.m.

Jesse
Jones: Yes.

HMJr: Yes, Jesse.

J: Have you got the Hull letter? To the President?

HMJr: The Hull letter?

J: Yeah.

HMJr: Wait a minute. (Talks aside) Have we got the Hull letter?

No. We were counting on you for that.

J: Well, I was just trying to get it located. I talked to the Secretary last night. He signed it and sent it down to the President, so I got hold of Rudolph trying to get him to find it.

HMJr: No, I've got Knox' and Stimson's.

J: Okay.

HMJr: And the President's.

J: Yeah.

HMJr: Hull was your baby.

J: Yeah. Well, he's signed, but I haven't located the letter yet.

HMJr: I see.

J: I'll meet you at ten o'clock.

HMJr: Attaboy.

J: All right.

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H.M.JR: He hasn't got Hull's letter. Hull sent it to the White House, but we did it differently.

MR. FOLEY: You don't need Hull's letter this morning, do you?

MR. WHITE: Oh, yes.

H.M.JR: No, Jones said, and I think he is right, that those letters should be saved for the committee.

MR. FOLEY: That is right.

H.M.JR: And just the President's letters --

MR. FOLEY: That is enough, and the bill.

H.M.JR: And the resolution to be released.

MR. WHITE: No, but you intend to show it to them, don't you?

MR. FOLEY: When you go before the committee.

MR. VINER: You can say that you have the letters.

H.M.JR: They sat up all night drafting those letters. Now, where are my - the copies of those things?

MR. BELL: Stephens is still out. I take it he is staying down there with them.

not used

JOINT RESOLUTION

To authorize the President of the United States to render financial aid to China, and for other purposes.

32 *OK*
JSR

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and

WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and

WHEREAS the defense of China is vital to the defense of the United States: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate \$500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed \$500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.

THE WHITE HOUSE
WASHINGTON

January 31, 1942

My dear Mr. Speaker:

Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which would accomplish this purpose.

Sincerely yours,



The Honorable,

The Speaker of the House of Representatives.

THE WHITE HOUSE
WASHINGTON

January 31, 1942

My dear Mr. Vice President:

Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which would accomplish this purpose.

Sincerely yours,



The Honorable,

The Vice President of the United States.

To authorize the President of the United States to render financial aid to China, and for other purposes.

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and

WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and

WHEREAS the defense of China is of the greatest possible importance: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate \$500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed \$500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.

WAR DEPARTMENT
WASHINGTON

January 31st, 1942.

My dear Mr. President:

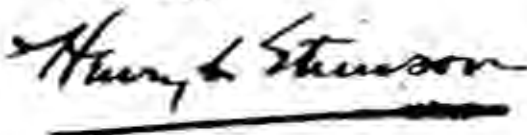
The confidential information which has been coming to me during the past few weeks indicates that the difficult economic and financial situation within China is impairing her military effort.

Our information indicates further that substantial financial aid must be given to China quickly if we are to have assurance that recent and prospective military developments will not too seriously weaken the morale of the Chinese people.

Any substantial financial help that can be given to China at this time can not but help strengthen her striking power.

I therefore urge for your consideration that the financial assistance which I am informed the Generalissimo is requesting be granted expeditiously.

Faithfully,

A handwritten signature in dark ink, reading "Henry L. Stimson". The signature is written in a cursive style with a horizontal line underneath.

The President,

The White House.

THE SECRETARY OF THE NAVY
WASHINGTON

January 31, 1942

My dear Mr. President:

I refer to the urgent request which this Government has received from Generalissimo Chiang Kai-shek to help him, by financial assistance, to maintain more effectively the morale of the Chinese people. Recent military developments in the Pacific and difficult economic and financial conditions in China have made necessary remedial action of a substantial character.

The military operations which the armies of China under the Generalissimo are carrying on and are planning to carry on are of extreme importance to us. It would be very unfortunate if we were to overlook any possibility of checking the impairment of China's morale resulting from the growing internal difficulties in China. I am convinced that the financial assistance which the Generalissimo has requested would make an effective contribution to the maintenance of China's morale and military strength.

I strongly recommend, therefore, that we should grant the Generalissimo's request without delay.

Faithfully,



The President,

The White House.

DEPARTMENT OF STATE
WASHINGTON

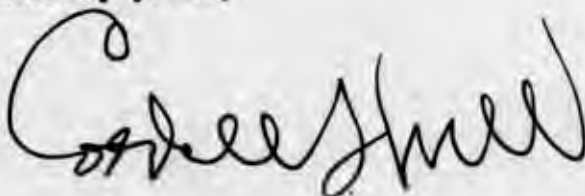
January 31, 1942

Dear Mr. President:

I refer to Generalissimo Chiang Kai-Shek's request for an immediate credit to China of \$500,000,000 to assist him in China's prosecution of the war.

China is now in her fifth year of war against aggression and has had to draw very heavily upon her own resources. Certain loans have been made to China through the Federal Loan Agency, mostly in connection with the purchase of strategic materials. These loans have been used to buy supplies in this country, but China now needs cash to be used within, or from within, its own borders, and I strongly recommend that you ask Congress to authorize loans, or credits, or both, to China up to \$500,000,000. The brilliant resistance to aggression which the Chinese have made and are making, and their contribution to the common cause, deserve the fullest support we can give.

Sincerely yours,

The President,
The White House.

February 2, 1942
10:55 a.m.

AID TO CHINA

Present: Mr. White
Mr. Foley
Mr. Bell
Miss Chauncey

H.M.JR: Sit down, gentlemen.

I will call T.V. Soong and the Russian Ambassador.

(Miss Chauncey entered the conference.)

MR. BELL: How about Phillips?

H.M.JR: I called him from the Hill.

(The Secretary held a telephone conversation with
T.V. Soong, as follows:)

February 2, 1942
10:48 a.m.

HMJr: Hello.

Operator: Dr. Soong.

HMJr: Hello.

T. V.
Soong: Hello, Mr. Secretary.

HMJr: Hello, Dr. Soong. I thought you'd like to know that at twelve o'clock the Speaker of the House is going to release this request from the President to the newspapers for five hundred million dollars.

S: Yeah. Good. Good.

HMJr: So that's that.

S: Yeah.

HMJr: But it will not be released until twelve o'clock.

S: Very good. When would you want me to come, three o'clock?

HMJr: Three o'clock.

S: Very good.

HMJr: Thank you.

S: Thank you very much for calling me.

HMJr: Thank you.

- 2 -

H.M.JR: Now, if you (Miss Chauncey) will write a letter to Dr. Soong, and one to the Russian Ambassador, and one to Phillips. It ought to be done fairly promptly in each case.

"Gentlemen: I am enclosing herewith for your confidential information a copy of the resolution which will be introduced at twelve o'clock by the Speaker of the House."

MR. WHITE: The form may change. They haven't definitely decided on the form.

H.M.JR: Well, they have asked for a copy.

MR. BELL: "A copy of the resolution covering the loan to China."

H.M.JR: How does it read?

MISS CHAUNCEY: "I am enclosing herewith for your confidential information a copy of a resolution covering a loan to China which will be introduced at twelve o'clock" --

MR. FOLEY: "In substantially this form."

MISS CHAUNCEY: "Which will be introduced in substantially this form at twelve o'clock today by the Speaker of the House."

H.M.JR: "Will be introduced by the Speaker"?

MR. FOLEY: No, he will have whoever is chairman of the committee that they select do it. It will probably be introduced by Sol Ploom.

H.M.JR: Well, "will be introduced" --

MR. FOLEY: "Laid before the House today by the Speaker in substantially this form."

H.M.JR: That is right. How have you got it there?

- 3 -

MISS CHAUNCEY: "I am enclosing herewith for your confidential information a copy of a resolution which will be laid before the House today in substantially this form" --

MR. FOLEY: "By the Speaker."

MR. WHITE: You left out a phrase there.

MISS CHAUNCEY: "Covering loan to China"?

MR. WHITE: That is right.

H.M.JR: Now how have you got it?

MISS CHAUNCEY: "I am enclosing herewith for your confidential information a copy of a resolution covering a loan to China, which will be laid before the House today in substantially this form by the Speaker."

H.M.JR: O.K., get it under way so it will get to them before twelve.

MR. FOLEY: "Laid before the House by the Speaker at noon today in substantially this form."

H.M.JR: What did you say, Ed? You keep changing it every two minutes.

MR. FOLEY: She had the Speaker in the wrong place, Mr. Secretary.

H.M.JR: I mean, you fellows - if you are going to get it there at twelve o'clock, you have got to do these things. I mean, I can't work this way.

MR. FOLEY: All right.

H.M.JR: I mean, if you are going to change it, we might as well not send it. I mean, I am under - I worked right straight through Saturday and Sunday.

- 4 -

MR. WHITE: Has Hull been notified?

(Miss Chauncey left the conference.)

H.M.JR: Let the great Jesse do that. I am not going to be worried about it. Would you, Dan?

MR. BELL: Well --

MR. WHITE: Not necessarily. It is your ball from now on.

MR. BELL: You are sort of carrying the ball. Do you want me to do it?

H.M.JR: No, no. You mean Hull?

MR. BELL: You are sort of going to carry the ball. Jesse might think he was butting in.

MR. WHITE: The way the bill is drafted, it is really your ball.

H.M.JR: Well, I can do that.

(The Secretary held a telephone conversation with Ambassador Litvinof, as follows:)

- 4 -

MR. WHITE: Has Hull been notified?

(Miss Chauncey left the conference.)

H.M.JR: Let the great Jesse do that. I am not going to be worried about it. Would you, Dan?

MR. BELL: Well --

MR. WHITE: Not necessarily. It is your ball from now on.

MR. BELL: You are sort of carrying the ball. Do you want me to do it?

H.M.JR: No, no. You mean Hull?

MR. BELL: You are sort of going to carry the ball. Jesse might think he was butting in.

MR. WHITE: The way the bill is drafted, it is really your ball.

H.M.JR: Well, I can do that.

(The Secretary held a telephone conversation with Ambassador Litvinof, as follows:)

February 2, 1942
10:58 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Ambassador
Litvinov: Yes.

HMJr: Mr. Ambassador.

L: How are you, Mr. Secretary.

HMJr: That's right.

L: Good morning.

HMJr: Good morning.

L: I thought you'd like to know this in confidence,
that at twelve o'clock we're having introduced
in the House of Congress, a request for a loan
to China for five hundred million dollars.

L: I have had no reply to my cable.

HMJr: What's that?

L: I've had no reply to my cable.

HMJr: You have not?

L: None as yet.

HMJr: Well.....

L: It was embarrassing.

HMJr: I see. Well, we've decided to go ahead with
it.

L: Uh huh.

HMJr: And I'm sending you by hand a copy of the resolution.

L: Yes. Thank you very much, Mr. Secretary.

HMJr: But we're not - it'll not be given out to the newspapers until twelve o'clock.

L: Uh huh. That's half of what they asked for.

HMJr: No, that's all they asked us for.

L: Why I thought they asked you for a billion dollars.

HMJr: Yes. Half from us, and half from the English.

L: Oh, I see.

HMJr: The English will make their own announcement from London.

L: Uh huh.

HMJr: They're going to do something also.

L: Uh huh.

HMJr: Yes.

L: Thank you very much.

HMJr: You're welcome.

L: I will give you a copy of the reply from my government when I receive it.

HMJr: Well, if you get it, I'd like to see it.

L: Yes.

HMJr: If you get a reply, I'd like to see it.

L: All right.

HMJr: Thank you.

L: Thank you, Mr. Secretary.

HMJr: Thank you.

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(Mrs. McHugh entered the conference.)

H.M.JR: You (Mrs. McHugh) write a letter to Mr. Hull and Jesse Jones --

(The Secretary held a telephone conversation with Mr. Cordell Hull, as follows:)

February 2, 1942
11:00 a.m.

HMJr: Hello.

Secretary
Hull:

Hello, Henry.

HMJr: Cordell, has Jesse called you to let you know what happened on the Hill?

H: No.

HMJr: Well, we've just come back, and they received us very well and the Speaker's arranging to have the resolution introduced at noon today.

H: Oh, that's fine.

HMJr: And he doesn't think he's going to have any trouble.

H: He oughtn't to.

HMJr: Charlie McNary said he was for it. Joe Martin wasn't there. They had somebody else.....

H: Who?

HMJr: A man by the name of Mischner or Mishner.

H: Oh, Michener of Michigan.

HMJr: And he kept talking all the time about something that Dean Acheson had said about scrap iron, or - I don't know. I couldn't make head or tail out of it.

H: Well, he's a little, narrow, city politician, you know.

HMJr: Well, he talked that way.

H: Yeah.

HMJr: But he said he'd go along, but he kept talking were we going to do for China what we've done for Japan. I couldn't make head or tail of it.

- 2 -

H: Oh, a little cheap political stuff. You see, here's something, Henry, that bears a little fruit. Back all last spring when I was being urged to - over there - to freeze everything in Japan.....

HMJr: Yeah.

H:she had twice the fighting naval strength in the Pacific that we had under our plan to take half of it out.....

HMJr: Yeah.

H:to help Britain, and we had information - very reliable - in January - that Hitler would attack Russia in June.

HMJr: Yeah.

H: And I told the Russians that and got nothing but a cussing out.

HMJr: I see.

H: And now if we had gone in there with what in those circumstances would have been an aggravated act of war.....

HMJr: Yeah.

H:with Japan's finger on the trigger of her navy and Germany ordering her to go forward and all her war leaders urging her to go forward, why we could awful easily have gotten hooked there in her fight.....

HMJr: Yeah.

H:last spring.

HMJr: Yes.

H: That would have meant that Hitler wouldn't have even remotely thought about attacking Russia in the summer.

HMJr: I see.

H: Now that was - nobody knows that, but that's a tremendous factor in all those difficult evolutions that we had to - that the President and I had to go through with.....

HMJr: I see.

H:in handling that thing. And that is why we're so far above these smarter things, you know, that of course, we can't go out and make it very public yet.

HMJr: Yes.

H: But I just - in a private meeting, you could let the fellows see the breadth of the matter.

HMJr: Well, I think that that's something that you could do much better than I can, because they'll undoubtedly expect you to testify.

H: Yeah.

HMJr: You did a swell job on that other - the time we went up on the fifty million dollars for China.

H: Well, that's no sign of what a fellow would do later, but.....

HMJr: Well, it'll.....

H: Anyhow, I'm trying to get rid of the grippe and cold and a lot of other things at the same time, and as soon as I can function why I'll be delighted to go anywhere.

HMJr: Well, I think it would be most important for them to hear from you, because they'll expect it. Are you home now?

H: No, I ran down here this morning.

HMJr: Well, take care of yourself. The thing is going along...

H: But I'm going home this afternoon.

HMJr: Yeah. Well, take care of yourself.
H: Anyhow, I'll keep in touch with you.
HMJr: And I'll do the same.
H: Yeah.
HMJr: Thank you.

- 6 -

H.M.JR: It is really pitiful.

MR. WHITE: I couldn't understand him.

H.M.JR. You couldn't hear him?

MR. WHITE: I heard him, but I - it didn't make continuity.

MR. FOLEY: He was trying to make some justification for what they had done to Japan, why they sent oil and scrap.

H.M.JR: What he was trying to say was that if we had tightened up on Japan, then Germany would never have attacked Russia.

MR. FOLEY: That is it.

H.M.JR: That is a new one.

MR. WHITE: He is still in the same frame of mind, justifying his --

MR. FOLEY: Justifying everything he did.

MR. WHITE: The thing that is uppermost --

H.M.JR: When I said scrap iron, he said - at least that is what I gathered.

MR. FOLEY: That is right.

H.M.JR: That is what he was trying to do. If he had tightened up then Japan would have attacked us and Germany never would have attacked Russia.

MR. WHITE: It is a fairy story, to me.

H.M.JR: What?

MR. WHITE: It sounds like a fairy story to me.

H.M.JR: It is a new one to me. This is a letter to Mr. Hull, Mr. Stimson, Mr. Knox, and Mr. Jones. In each case, "I am enclosing herewith" - well, to Mr. Hull it will be, "I am enclosing herewith a photostat of Mr. Stimson's and Mr. Knox's letter to the President for your records," you see, and then to Stimson you can give him Hull's and Knox's letter, and to Knox you will give him Stimson's and Hull's letter, and to Jesse Jones, you give all three.

MR. BELL: Have they got the President's letter?

MR. WHITE: Stimson returned it. We will want to enclose it. I don't think he has a copy.

H.M.JR: Then why not give them in each case a copy of the President's letter? What?

MR. WHITE: And doesn't the President have to have the original? They are to him.

H.M.JR: We will see about the President. We will take care of him later on. We will hang on to those for the time being. And I think I would send a complete set to the Director of the Budget, and also the President's letter to the Vice-President on this Chinese matter, you see.

MR. WHITE: Is it necessary to mention in any of the letters the confidential nature of the letters, other than the President's letter?

H.M.JR: No. Now, that supplies the Director of the Budget. Anybody else around town? Do you think we ought to send a set over to Steve Early?

MR. BELL: Well, I don't know. You are not going to ask him to comment on it for the present?

H.M.JR: No. I think maybe we had better not.

MR. WHITE: He might release them. Has he got the President's letter and a copy of the resolution, if you expect him to release something?

H.M.JR: Oh, he isn't going to release anything, Harry. I just wanted to tell him what is going to happen so he doesn't say, "Well, why don't somebody tell me about this?"

MR. FOLEY: I think it is enough just to tell him.

H.M.JR: Now --

MR. BELL: I think I would say in the letter to the Director of the Budget, "The letter from the Secretaries of War and Navy are of course confidential."

MR. WHITE: And State.

MR. BELL: Was that true? I didn't see the Secretary of State's letter.

MR. WHITE: I didn't either, but if it isn't that kind of a letter --

H.M.JR: Why not say to each one in turn, "Of course these letters are confidential?" What harm can it do.

MR. BELL: That certainly would be better protection.

H.M.JR: Why not say, "I am sending you these for your confidential information"?

MR. BELL: Yes, that is right.

H.M.JR: I want to get rid of all of this stuff. These are various drafts. Here is one for you, Harry.

(The Secretary held a telephone conversation with Mr. Stephen Early as follows:)

February 2, 1942
11:05 a.m.

HMJr: Hello.

Operator: Mr. Early has a newspaper man with him, and he'd like to wait until he leaves.

HMJr: Well, tell him not too long.

Operator: All right.

HMJr: Not too long.

Operator: All right, I'll tell him.

February 2, 1942
11:09 a.m.

HMJr: Hello.

Operator: Mr. Early.

HMJr: Hello.

Stephen J.
Early: Yes, Henry. How are you?

HMJr: Fine. How are you?

E: All right, sir.

HMJr: On the chance that you may not know what I'm going to tell you, I thought I'd better call you up; and if you do know, why just tell me so.

E: Yes.

HMJr: Saturday noon the President - Jones and I went over to see the President because Hull was sick.

E: Yes, I know of that meeting.

HMJr: And the President signed letters to the Vice-President and the Speaker asking for five hundred million dollars for China.

E: Uh huh.

HMJr: Now, Jesse and I and my boys went up, and we had a meeting there at which Barkley was present and Charlie McNary.....

E: Uh huh.

HMJr:and somebody pinch-hitting for Joe Martin.

E: Uh huh.

HMJr: A fellow from Michigan, Michener.

E: Yes. That's right.

HMJr: And they all agreed that they'd go ahead, and

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the Speaker's having it introduced at noon.

E: Uh huh.

HMJr: And he's going to introduce - release at that time the President's letter, to him.

E: Good.

HMJr: See?

E: Good.

HMJr: Now, is that all right?

E: Yes, perfect. And thanks a lot for telling me.

HMJr: Anything - any loopholes there?

E: No, it's quite all right. That's all right. You saved my face by telling me, though.

HMJr: Well, you can do that to me.

E: Yeah. Well, I will.

HMJr: All right. It's easier for you to do it.

E: (Laughs)

HMJr: Now, one other thing while I have you. The Vice-President showed me the letter from you to Cabinet and heads of departments.....

E: Yeah.

HMJr:about.....

E: About the speeches.

HMJr: Yeah, fine. And somebody up there said, "Well, this doesn't include Marriner Eccles."

E: Well, by God, he doesn't make a speech, does he?

HMJr: He makes one once a week.

E: He does?

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HMJr: Yeah. Some of them are terrible.

E: Well, I'll just send him one.

HMJr: Would you do that?

E: Sure.

HMJr: It would make my life sweeter.

E: Sure. Well, yes, Henry, I'll send him one; because I didn't put him on the list because he heads up a more or less independent shop up there in Federal Reserve.

HMJr: Well, his - some of his speeches cut across the President and me more than any others.

E: Well, I'll put him right on. He'll get it today.

HMJr: Wonderful.

E: Right, sir.

HMJr: Thank you.

E: Now, Henry.

HMJr: Yeah.

E: This is a loan, is it?

HMJr: Yeah, this is a loan.

E: Well.

HMJr: And they're going to give it to the press - rather, release it - however they do that on the Hill - at noon.

E: Yeah. The Speaker'll handle it.

HMJr: Yeah.

E: All right. Thank you very much.

HMJr: Thank you.

E: Good-bye.

H.M.JR: Now, any suggestions?

MR. WHITE: I have one comment. I think this sentence is - only the British Government would dare do this. "The United States part of the credit would no doubt be made subject to similar conditions." They are setting conditions for the loan that we are making without discussing it with us. If we could only utilize the brass that they have in some of our industry, I think there wouldn't be any shortage.

H.M.JR: Anything else?

MR. WHITE: No, everything is taken care of.

H.M.JR: Ed, any suggestions?

MR. FOLEY: No.

H.M.JR: Dan?

MR. BELL: No, sir.

MR. WHITE: With your permission, I will just keep Berle informed. I said I would.

H.M.JR: I think that would be good. If you don't mind, I would like to call up Berle and thank him for getting after Jones.

MR. WHITE: It would be very nice. I don't know whether he did, but it would be very nice. He would appreciate it, since he is in the doghouse.

MR. FOLEY: Is he in the doghouse?

MR. WHITE: Well, sort of.

H.M.JR: He is, as far as Harry is concerned, because I have always treated him beautifully.

(Mrs. McHugh left the conference).

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MR. WHITE: Is it your thought - I imagine it is - that you want a prepared statement, as in the past?

H.M.JR: That is right.

MR. WHITE: Herbert Feis expressed himself - I don't know who he was talking for - he said they very much do not want this matter to come before the Foreign Relations Committee of the Senate.

H.M.JR: Well, that is very nice of Herbert Feis. Now, I think that when T. V. Soong comes in this afternoon that we ask him for suggestions. I think that is a good plan. We will say, "Now, Mr. Soong, what ideas have you got?"

MR. WHITE: Or what ideas has his Government got, and that will give him a chance to get them, and so on.

(Miss Chauncey entered the conference.)

H.M.JR: That letter to Soong is all right. (Laughter)
What are you laughing at?

MR. FOLEY: She has got the Speaker in the right place.

H.M.JR: They wouldn't know the difference. You had better send these by three different messengers, so that they will get it.

MISS CHAUNCEY: All right.

H.M.JR: Thank you very much.

(Miss Chauncey left the conference).

H.M.JR: No, I think that the thing is to ask him - don't you - ask him that - you know--

MR. BELL: If he has some ideas?

MR. WHITE: Maybe before the bill passes it might be better to merely tell them to be thinking about it.

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n case the bill does pass we will want to go into the matter very carefully. Otherwise, you are almost committing yourself before it passes. I suppose it will pass, but he might talk in such terms with his own Government as to make them assume it is already passed.

H.M.JR: No, I want to say, "How are you going to use this?" and all the rest.

MR. BELL: I think he ought to say it before the Secretary appears before the committee, and he hasn't got time, I don't believe, to get word back from China.

MR. WHITE: Well, he can submit a tentative memorandum.

H.M.JR: Did I give each of you a copy of Sir Frederick Phillips'?

MR. FOLEY: Yes.

H.M.JR: Well now, Dan, the other thing is this. As soon as we get out of this for air, then I want to start with you men on the so-called Lend-Lease in reverse, but we will clean this up first, you see. Then we will do Lend-Lease in reverse.

MR. BELL: I got your memorandum on that thing. You asked how are we buying sterling. Well, the dollars I am putting over there is buying the sterling. That is the way that is working.

H.M.JR: Did you get my memorandum that Viner suggested Hardy as an addition to George Haas's staff?

MR. BELL: Recently?

H.M.JR: Friday or Saturday.

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MR. BELL: I haven't seen it this morning.

H.M.JR: Have you got any opinion on Hardy?

MR. BELL: No, I haven't at all.

H.M.JR: Do you know him?

MR. BELL: I don't know him. I met him, but I don't know anything about him. Jake brought him here, you remember, for that banking study, and I haven't very much use for Brookings, but he says he doesn't agree with the Brookings crowd at all.

MR. WHITE: He has been there nine years.

MR. BELL: He says he doesn't agree with the crowd over there.

H.M.JR: What do you think, Harry?

MR. WHITE: I think he is a second-rater. I don't know. If George wants him - he is a whole lot better than a lot of other men around town, but I am sure he can also get a better man, and his connections with Brookings, I think, are something to be avoided here.

MR. BELL: They never give up their connections. They are always utilizing Brookings as a sort of extra governmental agency to put out things as though they are speaking for the Government. They have a lot of prestige. I think it is unfortunate to have them have a channel there.

(The Secretary held a telephone conversation with Mr. Berle as follows:)

February 2, 1942
11:19 a.m.

HMJr: Hello.

Adolf A.
Berle: Hello, Mr. Secretary.

HMJr: Hello.

B: I think we're all set, unless something's happened that I don't know about.

HMJr: Well, we just came back down off the Hill. I don't know if anybody's told you that.

B: No, sir. They haven't.

HMJr: Well, Jones and I and my own people were on the Hill.

B: Yes.

HMJr: And we met with the Vice-President and the Speaker and Charlie McNary and Barkley and somebody substituting for Joe Martin, and it's all right.

B: Fine.

HMJr: And they're going to introduce it at noon, and I just wanted to thank you, for I gather that you must have gotten after Jesse Jones.

B: I did.

HMJr: Well, I wanted to thank you for the help on that.

B: Not at all, sir. Thank you for your help. I'm very glad. I'm sorry the earlier idea which you worked out didn't worry you. Let me say now I was worried a little fearing that you thought that we'd been unfriendly to the idea. We were skeptical as to whether the Generalissimo would be, but if it worked we were very happy about it.

HMJr: Well, it.....

B: We rather wondered whether he'd like it, but - in fact, Stanley Hornbeck thought he probably wouldn't, and as you know he didn't; but as far as we're concerned, if it could have been worked out that way, we're all happy.

HMJr: Well, two other men liked it enthusiastically by the name of Roosevelt and Churchill; but the Generalissimo didn't, and it's to please him, so that's that.

B: So that's that. Well, I suppose it is a little bit funny to have a foreign government acting as paymaster for your Army in a foreign currency. I suppose if the situation were reversed we might feel funny about it. However, that's his business and not ours and the political result is the main thing.

HMJr: Well, anyway they liked it on the Hill, and I just wanted to thank you for what I felt that you had done with Jones.

B: Well, we have done that, and I'm infinitely obliged to you for your help in a matter that I think is of great interest to all of us.

HMJr: Righto.

B: Thank you, sir.

HMJr: Good-bye.

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H.M.JR: They told me the same thing about Stanley Hornbeck. You see, the thing that I told Berle, I said, "Now, listen, Berle, no cables go out of the State Department to prejudice the Chinese against this suggestion." That is what bit him, you see.

MR. BELL: None want?

H.M.JR: What would you think from that conversation? I would say, "No."

MR. BELL: I would think not, because you sent somebody over to look over the cables, didn't you?

H.M.JR: No, that was with Harry. I wanted to make sure they didn't send something down on that so-called "Morgenthau dollar." I wanted to make sure there wasn't going to be something going down there which we weren't sure about, because Harry and I were out on the same limb together.

MR. WHITE: There was no dollar on that limb. It was only an International Stabilization Fund.

H.M.JR: Well, but the stories which came out, the poking of fun; and one fellow, you know, wrote it that Mr. Hull debunked the thing, and there is nobody who can debunk a thing better than Mr. Hull, which made me believe that he had given an off-the-record statement of it, you see, because you (Bell) told me that Hull said he had never heard of it, so I just wanted to know whether, without my knowing it, somebody had sent a cable down there to try to torpedo this suggestion, and I wanted to be sure.

MR. BELL: They had not?

H.M.JR: I will be terribly honest. When Harry was to come back I got a slip back and I never looked at it. I was afraid when he wasn't coming back - wait a minute and let me see. I never looked at the duplicates. Rio cables, here they are.

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MR. WHITE: You never saw the cables?

H.M.JR: I was worried, you see, and when you came back I quit fussing and I asked for a complete set of cables. I never - but I mean, when I heard you weren't coming back I didn't know what was going on, when we got that cable, and I wanted to see whether there was something going on that I didn't know about. Then when I got word that you were coming back, I never bothered to open them.

Well, this has been a little faster than I enjoy it, but I guess it is necessary.

MR. WHITE: I suppose you will know sometime today when the Committee is going to appear so that we will know--

MR. FOLEY: I will follow up on that and keep you advised.

H.M.JR: If you three gentlemen will come in at three o'clock, and I will tell Viner to come in too.

MR. WHITE: Of course, going back to the question of Hardy, if George Haas wants him I think he ought to be able to get anybody he wants.

H.M.JR: I talked to everybody except Haas. I sent him the memo. No, I mean I wanted to get everybody's reaction before I talked to him. I think it is important. I don't know whether George wants him or not. But you people question him?

MR. BELL: Viner came to me and said it would be a good thing if we got Hardy in on this meeting we are going to have this week to discuss the gap which George is working on, and--

MR. WHITE: There are at least ten men around town that know more than he does.

MR. BELL: We have got a committee of about twelve

or fourteen, and I think that is enough.

H.M.JR: Well, let me give you the suggestion so that you know where I was working from. I asked Viner if he could give me the name of somebody who was outstanding in American universities on Government finance, and I wanted a man who would approach him as good as Viner in his field, and the name he came back with was Hardy.

MR. WHITE: Well, maybe Jack knows him better than I do.

H.M.JR: I just want to give you the history on this thing. Let me finish, just one second. Somebody who would sit back like Viner does in a consultant capacity without any administrative responsibility and only on Government finance, who would be one of the recognized outstanding men in Government finance. A man like Viner that we call in, no administrative responsibilities. I thought we could use a man like that you see.

What?

MR. WHITE: Well, if you ask a dozen others and if any of them mention Hardy, I will buy you a fall hat.

MR. BELL: Just from what I know of him, I don't know very much and I am probably doing him an injustice, I wouldn't choose him.

H.M.JR: In fairness to myself, that is what I asked for.

MR. BELL: Harry, do you know this fellow at Columbia? Nador? N-a-d-o-r, is it?

MR. WHITE: There is a fellow under Mitchell who is very brilliant and able if you can get him. I know I have tried to get him, and he won't come. We couldn't offer him enough.

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MR. BELL: What is his name?

MR. WHITE: There are several others with the same name around town. He has always worked under Mitchell, but if you want to get somebody, Wesley Mitchell is of that character.

MR. BELL: This fellow Nador - I think it is N-a-d-e-r or something like that. He has got a pretty good reputation.

H.M.JR: I don't want Wesley Mitchell.

MR. WHITE: But this fellow - his field is business cycles. It is just this thing. He has done more writing, but he is an older man and doesn't want to come down.

H.M.JR: I don't want that.

MR. WHITE: But he has a man under him--

H.M.JR: I don't want him. That isn't what I want.

MR. BELL: This fellow teaches finance at Columbia, and he issues bulletins, and I think sells his services.

MR. WHITE: But public finance - oh, yes, I know. You are thinking of a man on international finance. It does begin with an "N." It may be Nader, but I didn't think so. But this is not the sort of thing the Secretary is talking about, I don't think. This thing that you are talking about, Mr. Secretary, is consumption, national income and so on. There are men outstanding in just that field.

H.M.JR: No, that is not--

MR. WHITE: Public finance is not that field.

H.M.JR: That isn't what I am talking about.

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MR. WHITE: But public finance is taxation and raising bonds. That is why it is called finance.

H.M.JR: That isn't what I want. What I want is somebody who will be studying sources from which we can borrow.

MR. WHITE: Well, that is income, national income, consumption studies and things of that character which - I will submit to you a list of a half dozen names of the leading men. There aren't many left in the universities on it.

H.M.JR: Do you know anybody?

MR. BELL: This one man I just happened to think of.

H.M.JR: You suggest some.

MR. WHITE: I will suggest some.

MR. BELL: I am not so sure you haven't got most of them in the Government service.

MR. WHITE: With the exception of one or two, I think they are all here. There aren't many good outstanding economists in that field.

MR. BELL: And they all differ. They never get together on their subjects.

(The Secretary held a telephone conversation with Mr. Rayburn as follows:)

February 2, 1942
11:29 a.m.

HMJr: Hello.

Speaker
Rayburn: Henry.

HMJr: Yes, Sam.

R: Sol's in the office, and he'll introduce this bill at noon.

HMJr: Yes.

R: I'll release a copy of it, and the President's letter.....

HMJr: Yeah.

R:and now who do you - he wants a hearing - we want a hearing at ten o'clock in the morning, whatever hearing we're going to have.

HMJr: Yeah.

R: I guess we'll leave it up to you. Would the Secretary of State want to come?

HMJr: Well, I think he should.

R: Well, I'd better call him, then.

HMJr: I think - he's going to tell you he's got a cold and all that, but he's in his office now because I just talked to him, and I think it's very important that he come.

R: Well, now, you bring whoever you want to and come up at ten.

HMJr: I'd like Stimson to come, too, because Stimson feels very strongly on this.

R: And it'll be an executive session.

HMJr: I see. Well, if you could have Hull, would you call Hull and Stimson?

- 2 -

R: Yeah.

HMJr: What?

R: Yeah.

HMJr: Hull and Stimson, I think, would give you the best - and I'll be there, too.

R: All right, Henry.

HMJr: At ten o'clock tomorrow.

R: At ten o'clock in the morning in Sol's committee room.

HMJr: Well, that's moving.

R: Fine. Why we're going to try and pass it Wednesday.

HMJr: You're going to pass it Wednesday?

R: Try to.

HMJr: Did you make any changes?

R: No.

HMJr: No.

R: No. I could make it an authorization instead of an appropriation.

HMJr: Well, so we understand each other - you'll call Hull and Stimson.

R: That's right.

HMJr: And I'll appear there myself at ten o'clock.

R: Fine, Henry.

HMJr: Before Sol Bloom in executive session.

R: That's right.

HMJr: Righto.

R: All right.

H.M.JR: Well, I don't mind being a little crotchety with you fellows, if you don't mind, as long as I get the things done.

MR. WHITE: Why shouldn't they get Knox as long as you are getting them all?

H.M.JR: I don't know how Knox feels on this thing.

MR. FOLEY: He is away, isn't he?

H.M.JR: I don't know, but listen - oh, gee, I didn't say Jesse Jones, did I? Stimson feels this thing very stiff. How about Bill Donovan? He has feelings on this thing.

MR. FOLEY: Well, he and Hull don't get along very well.

H.M.JR: That is right. I think if you have Hull, Stimson, and myself, and Jesse.

Now, when can I see this prepared statement, because I haven't got a hell of a lot of time?

MR. WHITE: This afternoon.

MR. FOLEY: Four o'clock.

H.M.JR: I have got press at four.

MR. BELL: Four-thirty.

MR. FOLEY: After press.

MR. WHITE: Three o'clock?

MR. FOLEY: T. V. Soong is coming in at three.

H.M.JR: Soong won't take more than fifteen minutes. We will do it right after that.

MR. WHITE: Soong won't have many ideas, and he

won't want to give anything definite, so I don't think he will take long.

H.M.JR: He never takes long. Supposing we continue right after that.

MR. BELL: Can you prepare something in an hour and a half, Harry? I think it won't be very long.

H.M.JR: Harry, get Viner to help you.

MR. WHITE: Mr. Secretary, anything at all that is ever in Mr. Viner's field, I always ask him to help me. I am always glad of his help.

H.M.JR: Well, that hasn't always been so.

MR. WHITE: That has always been true except where we have - questions where I know we are opposed on domestic policy and in which I didn't think it would be a help but a hinderance, as far as I was concerned, but on foreign policy.

H.M.JR: Well--

MR. WHITE: Or monetary matters.

MR. BELL: It is always better to have Jake in after something is prepared, because he will argue for two hours before he gets started.

MR. WHITE: He is helpful, and I am always glad to have him.

MR. BELL: It is very helpful to get his criticisms on documents that have been prepared.

MR. WHITE: But again, thinking of somebody for Haas' division, you know, Viner is in a little different position than he would be if Haas had somebody in his division. There are men who might come in the same capacity as Viner, but who might or might not come in a--

H.M.JR: Well, the man I had in mind would be in the same relation to the rest of us as Viner is.

Now, if you ask me who is Viner responsible to, I don't know. He has never raised the question. He is here to help all of us.

MR. BELL: Well, he is responsible to you, but we all use him.

H.M.JR: Including Harry.

MR. WHITE: Very definitely, and I am very glad to.

MR. BELL: He really sits in on most of our conferences.

MR. FOLEY: He has been in on all this China thing.

MR. WHITE: Whenever he is in the Treasury he is always in.

MR. FOLEY: He was in Harry's office on all of this.

H.M.JR: I believe Harry. I don't know why Harry is suddenly sensitive on that one.

MR. WHITE: Because three times in the last week, you have reminded me to get him in. I always do. I didn't know whether that was an indication that you think I don't.

H.M.JR: Well, sometime when we are alone I will tell you why.

MR. WHITE: O.K. I will try to give you some names of those that I hear about and I will ask other men about Hardy. Maybe I have got a peculiar notion about him.

H.M.JR: Well, you men needn't wait. I will just tell Harry now and get it off my chest, that is all.

February 2, 1942

Dear Dr. Soong:

I am enclosing herewith, for your confidential information, copy of a resolution, covering loan to China, which will be laid before the House today by the Speaker, in substantially this form.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Dr. T. V. Soong,
1601 V Street,
Washington, D. C.

February 2, 1942

My dear Sir Frederick:

I am enclosing herewith, for your confidential information, copy of a resolution, covering loan to China, which will be laid before the House today by the Speaker, in substantially this form.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Sir Frederick Phillips,
The British Embassy,
Washington, D. C.

delivered to
Rm 909, Willard Hotel.

February 2, 1942

My dear Mr. Ambassador:

I am enclosing herewith, for your confidential information, copy of a resolution, covering loan to China, which will be laid before the House today by the Speaker, in substantially this form.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

His Excellency,

The Ambassador of the Union of
Soviet Socialist Republics.

JOINT RESOLUTION

77

To authorize the President of the United States to render financial aid to China, and for other purposes.

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and

WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and

WHEREAS the defense of China is of the greatest possible importance: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate \$500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed \$500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.

February 2, 1942

My dear Cordell:

For your confidential information, I am inclosing herewith photostatic copies of the President's letters to the Speaker of the House and the Vice President, and Secretary Knox's and Secretary Stimson's letters to the President, in connection with the Chinese loan.

Sincerely yours,

[Signature]

Honorable Cordell Hull,
The Secretary of State.

February 2, 1942

My dear Henry:

For your confidential information, I am inclosing herewith photostatic copies of the President's letters to the Speaker of the House and the Vice President, and Secretary Hull's and Secretary Knox's letters to the President, in connection with the Chinese loan.

Sincerely yours,

[Signed] Henry

Honorable Henry L. Stimson,
The Secretary of War.

February 2, 1942

My dear Frank:

For your confidential information, I am inclosing herewith photostatic copies of the President's letters to the Speaker of the House and the Vice President, and Secretary Hull's and Secretary Stimson's letters to the President, in connection with the Chinese loan.

Sincerely yours,

[Signed] Henry

Honorable Frank Knox,
Secretary of the Navy.

February 2, 1942

My dear Jesse:

For your confidential information, I am inclosing herewith photostatic copies of the President's letters to the Speaker of the House and the Vice President, and letters from Secretaries Hull, Stimson and Knox to the President, in connection with the Chinese loan.

Sincerely yours,

(Signed) Henry

Honorable Jesse Jones,
The Secretary of Commerce.

February 2, 1942

My dear Harold:

For your confidential information, I am inclosing herewith photostatic copies of the President's letters to the Speaker of the House and the Vice President, and letters from Secretaries Hull, Stimson and Knox to the President, in connection with the Chinese loan.

Sincerely yours,

~~(Signed)~~ H. Morgenthau, Jr.

Honorable Harold Smith,
Director of the Budget.

February 2, 1942

(Signed) Henry

My dear Mr. Vice President:

For your confidential information, I am inclosing herewith copies of the letters from Secretaries Hull, Stimson and Knox to the President, in connection with the Chinese loan.

Sincerely yours,

(Signed) Henry

The Honorable,

The Vice President of
the United States.

February 2, 1942

(Signed) Henry

My dear Mr. Speaker:

For your confidential information, I am inclosing herewith copies of the letters from Secretaries Hull, Stimson and Knox to the President, in connection with the Chinese loan.

Sincerely yours,

(Signed) Henry

The Honorable,

The Speaker of the House
of Representatives.

THE WHITE HOUSE
WASHINGTON

January 31, 1942

My dear Mr. Speaker:

Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which would accomplish this purpose.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Landon W. Garrison". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

The Honorable,

The Speaker of the House of Representatives.

THE WHITE HOUSE
WASHINGTON

January 31, 1942

My dear Mr. Vice President:

Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which would accomplish this purpose.

Sincerely yours,



The Honorable,

The Vice President of the United States.

JOINT RESOLUTION

To authorize the President of the United States to render financial aid to China, and for other purposes.

WHEREAS China has for more than four years valiantly resisted the forces of Japanese aggression; and

WHEREAS financial and economic aid to China will increase her ability to oppose the forces of aggression; and

WHEREAS the defense of China is of the greatest possible importance: Therefore be it

Resolved by the Senate and House of Representatives of the United States in Congress assembled, That the Secretary of the Treasury with the approval of the President is hereby authorized, on behalf of the United States, to loan or extend credit or give other financial aid to China in an amount not to exceed in the aggregate \$500,000,000 at such time or times and upon such terms and conditions as the Secretary of the Treasury with the approval of the President shall deem in the interest of the United States.

Sec. 2. The authority herein granted shall be in addition to any other authority provided by law.

Sec. 3. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, such sum or sums not to exceed \$500,000,000 as may be necessary to carry out the provisions of this Joint Resolution.

THE SECRETARY OF THE NAVY
WASHINGTON

January 31, 1942

My dear Mr. President:

I refer to the urgent request which this Government has received from Generalissimo Chiang Kai-shek to help him, by financial assistance, to maintain more effectively the morale of the Chinese people. Recent military developments in the Pacific and difficult economic and financial conditions in China have made necessary remedial action of a substantial character.

The military operations which the armies of China under the Generalissimo are carrying on and are planning to carry on are of extreme importance to us. It would be very unfortunate if we were to overlook any possibility of checking the impairment of China's morale resulting from the growing internal difficulties in China. I am convinced that the financial assistance which the Generalissimo has requested would make an effective contribution to the maintenance of China's morale and military strength.

I strongly recommend, therefore, that we should grant the Generalissimo's request without delay.

Faithfully,



The President,

The White House.

WAR DEPARTMENT
WASHINGTON

January 31st, 1942.

My dear Mr. President:

The confidential information which has been coming to me during the past few weeks indicates that the difficult economic and financial situation within China is impairing her military effort.

Our information indicates further that substantial financial aid must be given to China quickly if we are to have assurance that recent and prospective military developments will not too seriously weaken the morale of the Chinese people.

Any substantial financial help that can be given to China at this time can not but help strengthen her striking power.

I therefore urge for your consideration that the financial assistance which I am informed the Generalissimo is requesting be granted expeditiously.

Faithfully,


Henry L. Stimson

The President,

The White House.

DEPARTMENT OF STATE
WASHINGTON

January 31, 1942

Dear Mr. President:

I refer to Generalissimo Chiang Kai-Shek's request for an immediate credit to China of \$500,000,000 to assist him in China's prosecution of the war.

China is now in her fifth year of war against aggression and has had to draw very heavily upon her own resources. Certain loans have been made to China through the Federal Loan Agency, mostly in connection with the purchase of strategic materials. These loans have been used to buy supplies in this country, but China now needs cash to be used within, or from within, its own borders, and I strongly recommend that you ask Congress to authorize loans, or credits, or both, to China up to \$500,000,000. The brilliant resistance to aggression which the Chinese have made and are making, and their contribution to the common cause, deserve the fullest support we can give.

Sincerely yours,

The President,
The White House.



February 2, 1942
11:35 a.m.

HMJr: Sam, in talking, I forgot. Of course, Jesse Jones.

Speaker
Rayburn: Yes.

HMJr: Jesse would like to testify and I'd like to have him testify.

R: Yeah. All right, fine.

HMJr: Thank you.

February 2, 1942
1:16 p.m.

Operator: Go ahead.

HMJr: Hello.

Cong. Sol
Bloom: Hello, Henry.

HMJr: Yes.

B: Sol speaking. Say, the Speaker spoke to you
about who's to come up here tomorrow?

HMJr: That's right.

B: Now, who's going to come up?

HMJr: Well, there should be Mr. Hull, and Mr. Stimson.....

B: Yes.

HMJr: Jesse Jones, and myself.

B: Fine. All right. At ten o'clock.

HMJr: Ten o'clock.

B: Yes.

HMJr: Yeah.

B: And you haven't spoken to anyone else, then?

HMJr: No.

B: All right. I'll get them all. So then you'd
rather have it at ten for yourself?

HMJr: Well, if.....

B: I'll see what they can do. If you don't hear
from me, I'll tell your secretary. If not, if
you come up - oh, a few minutes after ten or
so, and then I'll arrange the other accordingly.

HMJr: Now, don't let Cordell Hull tell you he's sick,
see?

- 2 -

B: Yes.

HMJr: Because he's in his office today.

B: Yes.

HMJr: And he ought to come up.

B: Well, he can be just as sick up here as he can up there, you know.

HMJr: That's right.

B: (Laughs) All right. I'll get Stimson and Jones, then.

HMJr: Right.

B: All right, Henry.

Following message telephoned to Mr. White by Mr. Pinsent,
February 2, 1942, at 2:05 p.m.

"His Majesty's Government are willing to make available under a lend-lease arrangement all munitions and military equipment which it is possible for them to supply.

"In addition, His Majesty's Government are informing the Chinese Government of their willingness to lend to China for war purposes an amount up to £50 million, at such time and upon such terms as may be agreed between the two governments."

There was an introduction which Mr. Pinsent said he didn't take down, regarding desire to cooperate with China. He is not sure it has been released yet, but is being released in London this evening.

HW:ls
2/2/42

efs

February 2, 1942
3:05 p.m.

AID TO CHINA

Present: Mr. Soong
Mr. Bell
Mr. Foley
Mr. White
Mr. Southard
Mr. Viner
Mr. Kuhn

H.M.JR: Well, you know what the English have done. They have raised themselves up to fifty million pounds.

MR. SOONG: From ten to fifty.

MR. FELL: They have added Lend-Lease, too.

H.M.JR: Now, what are the figures on Lend-Lease? I haven't had any chance to do my home work. I hope you don't mind if I do it in your presence. How does this figure check with what you have? I have asked Lend-Lease how much the allocations are, and they say six hundred fifteen million, of which about twenty-five million has been shipped.

MR. SOONG: I think considerably more than twenty-five million.

H.M.JR: Have you got the figures?

MR. SOONG: I know the six fifteen is right, in addition to more for the third Lend-Lease.

- 2 -

H.M.JR: Third?

MR. SOONG: This is for the first and second. The third is six hundred million.

H.M.JR: You mean when the bill passes?

MR. SOONG: Yes.

H.M.JR: But as of today --

MR. SOONG: The six hundred fifteen is right.

H.M.JR: And in the third Lend-Lease there would be how much?

MR. SOONG: Between four hundred and six hundred million.

H.M.JR: I see. Well now, what I want to ask you, Dr. Soong, is this. I have to go and appear at ten o'clock tomorrow before the Committee on Foreign Affairs in the House, and if they say to me, "Under what terms and conditions are you going to make this loan," what shall I tell them?

MR. SOONG: You ask me to begin considering the matter?

H.M.JR: That is right.

MR. SOONG: Now, in one of the Generalissimo's telegrams he asked that a loan be granted without any conditions as to use, and on terms at least as generous as the Lend-Lease terms. Now, the Lend-Lease terms are specifically contained in that paper (handing document to the Secretary).

H.M.JR: This is the Lend-Lease?

MR. SOONG: Yes.

H.M.JR: They never got beyond, "which the President deems satisfactory" (returning document to Mr. Soong)?

- 3 -

MR. SOONG: No, they never got beyond that. Now, in accordance with that, I made some scheme, very preliminary. I did not even refer to the Generalissimo, but I thought it might be a starting point for you to consider.

H.M.JR: Thank you.

"The terms and conditions upon which China receives this financial aid shall be those which the Secretary of the Treasury under the direction of the President deems satisfactory.

"After the war the President shall determine the precise terms for settlement of this financial aid. In so doing he will deal with the matter as one of adjustment between the United Nations taking into account the declaration by the United Nations of January 2, 1942, by which each Government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war.

"China on her part agrees to abide by the terms which the President shall subsequently so determine."

Well, let me ask you this, which isn't clear in my mind. The chances of this going through are excellent, you see. My estimate of one or two weeks is still good. Let's say this thing passes and credit is open on the books of the Treasury for five hundred million dollars to the Chinese Government. Do you think you are going to need any of it right away?

MR. SOONG: Well, my Government has not told me exactly what they will use it for.

H.M.JR: You don't know?

MR. SOONG: No, so I don't know.

H.M.JR: Well, could you cable them for instructions?

- 4 -

MR. SOONG: How quickly the money would be used?

H.M.JR: Well, you see what I would like to be prepared to answer is - what I would like to know is - what you have in mind, you see, to do with this money, because they may ask me tomorrow. If I can't answer, they may say, "Well, we will have to wait." They may ask me in the Senate. They are much more apt to ask me when I appear before the Senate. In fact, this morning when --

MR. BELL: It was the first question they asked you this morning.

H.M.JR: That was the first question they asked. "Well, what are they going to use this money for?" Well, I have got to be truthful. I don't know. Well, that doesn't sound very intelligent on my part. "Are they going to use it all right away?" "I don't know." "Are they going to spend it here, or are they going to use it in China?"

In other words, I don't know. And this morning I was successful, but now when Congressman Fish goes after me tomorrow, I don't know whether he is a friend of China or whether he isn't, you see, and then when I get up before the Senate, so the quicker you could get something for me the better.

MR. SOONG: I am afraid that if I were to ask for this question, probably the reply would also be in rather vague general terms. I imagine the reply would be something like this. "China would need the money to support the currency, to meet current expenditures. That as to the method of using it, it wants to be free to use it in as elastic a way as possible, and probably there will have to be much of it in the way of trial and error, because as you started the New Deal, you did not know exactly how you were going to do it, but there is a broad objective. There are the funds required, and if it is working one way that has proved successful, go on with it, and if not, try another way. Because

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we are meeting with an extraordinary situation. Therefore, extraordinary methods may have to be employed." I suppose that would be the answer that would be given to me. I do not believe that - in fact, I have been asking them for something very concrete.

H.M.JR: You have?

MR. SOONG: Yes, before, see. That was the gist of their reply.

H.M.JR: But now that you know that the loan is within sight, couldn't you ask them again?

MR. SOONG: Of course I could ask, see. But I don't know whether they would be in any way more specific than this.

H.M.JR: Well --

MR. SOONG: If you want me to, of course I shall be glad to cable immediately.

H.M.JR: You see, Mr. Fox isn't here, so I don't know what message he is carrying. At least they could tell me what they have told Fox. Or rather, they could tell you what they have told Fox.

MR. SOONG: Oh, yes, surely.

H.M.JR: At least they could tell you what they told Fox, so that you could tell me what they have told Fox.

MR. SOONG: Yes.

H.M.JR: Well, I am not going to press it, but all I am asking you is, give me everything that you can to help me testify, in order to successfully get the loan through.

MR. SOONG: That will be tomorrow?

- 6 -

H.M.JR: I am not worried so much about tomorrow as I am when I go before the Senate.

MR. SOONG: Of course what will be presented by my Government to me will be not in a sense a commitment. That is, they don't bind themselves to use so many millions for such purpose and so many millions for another purpose, but it is generally to give the - am I not correct?

H.M.JR: You are lucky you are not having to deal with Mr. Jones on this. That is only for you. I am not going to - the whole purpose of this thing is to make General Chiang Kai-shek happy. That is the whole purpose of the thing, you see. We want to make him feel happy. Now, I am not going to press the thing to a point where I am going to make him feel unhappy, but everything that he could tell me that he does know that is in his mind would be that much more helpful to me, that is all.

MR. SOONG: Yes.

H.M.JR: Do you see?

MR. SOONG: Yes.

H.M.JR: We are doing this as one friendly nation to another, and we want to do it in a nice manner. Now, anything that he has - anything that he told Fox or anything that he would like to tell me through you would be that much more helpful.

MR. SOONG: I suppose what he told Fox was generally, why in his opinion the arrangement of the payment of the troops would not work satisfactorily. And then I imagine Fox has been discussing with him a number of possible methods by which the money could be usefully expended. I will wire to him.

H.M.JR: That would be useful to me.

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MR. SOONG: Yes.

H.M.JR: Bell, do you think of anything?

MR. BELL: No, but I do think those are important.

H.M.JR: What?

MR. BELL: I think it is unfortunate you haven't got something tomorrow.

H.M.JR: I do too.

MR. BELL: That is something you are going to have to answer.

H.M.JR: It is going to be very difficult.

MR. SOONG: Would it be hard to say, supporting the Chinese currency and - and secondly, as I said, for military expenditures?

MR. BELL: I don't think support of the currency is enough, because you have got a Stabilization loan for that.

H.M.JR: Yes, they asked me - I mean, how do I explain what - if I say, for the currency and then you have a credit here of fifty million dollars, none of which you have drawn on.

MR. SOONG: Yes.

H.M.JR: It would be different if that was exhausted.

MR. BELL: How about helping to balance your budget? (Laughter).

H.M.JR: I know the explanation which you gave me about the Generalissimo wanting this as a reserve the way he has troops, but frankly, I can't make that

- 8 -

explanation to the Congress, and you understand.

MR. SOONG: Yes.

H.M.JR: What?

MR. SOONG: Yes.

H.M.JR: It isn't the kind of explanation which I could make. Well, let's hope for the best. We have been very lucky so far. Senator McNary was fine this morning. Senator McNary is all right. But Joe Martin, the minority leader, was not there, and they sent another man there by the name of Michener from Michigan and he seems to have a lot of doubts, but he agreed to go along, so it puts a lot on my shoulders, but we will do the best we can, and I hope that - if Mr. Hull and Mr. Stimson go up, I think that is going to help a lot. Mr. Hull this morning said he was too sick to go, but I think they will get him to go up there.

MR. SOONG: About this British thing, did they say something about Lend-Lease?

H.M.JR: Yes, they do say something about Lend-Lease. They are going to make available all the munitions and military equipment which you can use. No, "which it is possible for them to supply under Lend-Lease."

MR. WHITE: This is in addition?

H.M.JR: This is in addition. Well, we can say the same thing. We are saying the same thing. And then in addition, they are proposing to lend you fifty million pounds. They started at ten, and they are up to fifty now. I imagine they will tell you more. They say this is only half of it. The rest is being released from London this evening.

MR. SOONG: I am curious to know the terms of that.

- 9 -

H.M.JR: Yes.

MR. SOONG: They haven't told you?

H.M.JR: Not as of today. They showed me something yesterday which I would rather they would show you. It may be different today. What they showed me yesterday, I think they may have forgotten about that.

MR. BELL: They say their own terms and conditions to be agreed upon.

H.M.JR: Yes. At such times and on such terms as may be agreed upon by the two Governments. Do they do that through your Ambassador in London?

MR. SOONG: Well, probably they will do it like the last time they signed here.

H.M.JR: I see.

MR. SOONG: I did not know that the message - the indications from home were that we should discuss it with you people.

H.M.JR: Well, I am partly responsible, you see, because --

MR. SOONG: Oh, yes.

H.M.JR: I let the English know yesterday what I was going to do, and then they must have got busy and telephoned and they said to tell them as soon as I knew and from last night to tonight the fact that we were going to do something - they decided that they would do more. So I think that the decision was made - they only heard it at five o'clock last night, so since five o'clock last night and up until noon today they have decided to do more.

MR. SOONG: Probably it was referred to the Prime Minister.

- 10 -

H.M.JR: I asked them to refer it to the Prime Minister. What I told them yesterday, "Please to send it to Mr. Churchill," and he is very sympathetic himself to China.

MR. SOONG: Yes.

H.M.JR: So I said - the message I gave them yesterday was for the Prime Minister.

MR. SOONG: Probably that was it.

H.M.JR: So it was settled there rather than - it is always good, isn't it?

MR. SOONG: Yes, it is most cheerful.

H.M.JR: And it is going to be done in a nice friendly manner. I mean, that is the whole idea. We want to be helpful at this time. I think this all happened since five o'clock last night. Well, as we go along we will keep you informed. Have any of you gentlemen got any after-thoughts, anybody?

MR. WHITE: No. We have cabled Fox to communicate whatever he had, and he has left --

H.M.JR: Where is he?

MR. WHITE: Well, we cabled to India, but he has left the place that he was yesterday, and if the present schedule holds out, he should be here before the end of the week, either Thursday or Friday.

H.M.JR: This week?

MR. WHITE: Yes. But in the meantime --

H.M.JR: This is moving so fast.

MR. WHITE: We just received word about an hour ago.

MR. SOONG: He has left Karachi?

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(Mr. Soong left the conference.)

MR. WHITE: What I think happened on that was that they must have decided that, and they told Phillips to hold it until they heard from you that it was all right up on the Hill. Then when Phillips got word from you of what you had done there and it looked like a fait accompli, they called us back and said they would announce it. I presume that was the sequence of events.

We have two things here. We have a draft statement.

H.M.JR: Where are my dark glasses? (Laughter).

MR. WHITE: It isn't final. We also have a statement --

H.M.JR: Is somebody doing something?

MR. WHITE: God Almighty is doing his best. That is what bothers me.

MR. BELL: I am afraid he can't hear you.

(Mr. Kuhn entered the conference.)

H.M.JR: Ferdie, this is my statement.

MR. KUHN: Tomorrow?

H.M.JR: I want you to get in on it please.

MR. KUHN: Good.

H.M.JR: I don't like thing about their crops. "Their lives, their homes, their factories." I don't know what you mean by their crops.

MR. WHITE: They have eaten most of their crops.

H.M.JR: Well, I don't think it helps any. Who wrote this?

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MR. WHITE: It is composite. Coe and Friedman worked yesterday on a preliminary draft and Viner, Southard, and I, and Bernstein rewrote it in the last hour.

H.M.JR: It is good.

MR. BELL: Yes. This must be misspelled. "In waging this war China has well-nigh performed economic and military" --

MR. SOUTHARD: Miracles. We tried three times to get that word out of the draft.

H.M.JR: I would like to work this in. "At the beginning of the war the Chinese" - and had accomplished unifying of their currency.

MR. WHITE: That is only a small part of it.

H.M.JR: Yes, but you are going to talk about the thing. I mean, I always thought that the fact that they had just accomplished unifying their currency and had one currency was a sort of a signal for Japan to attack them.

MR. WHITE: And had just completed unifying their currency and banking system.

H.M.JR: Something. "Amazingly well." "Exceedingly" isn't strong enough for me. It is at the top of four. It is amazing, what they have done.

MR. SOUTHARD: Instead of "Remarkably." At the top of five, "extremely honorable in carrying out any - carrying out all obligations which they have assumed."

MR. VINER: I wouldn't use the word "honorable." I would use something else. "Punctilious" is a good term. All men are honorable.

MR. WHITE: That is true.

H.M.JR: And instead of being negative, "took no

- 13 -

actions prejudicial to American interests," I would put it the other way around, "gave the American interests fair treatment." "The Chinese Government has now urgently" - have you spoken to Lauch Currie recently? Today?

MR. WHITE: I spoke to him today to see if he could get this Lend-Lease figure, because we weren't able to get them from Lend-Lease in time.

H.M.JR: I thought I would ask him to come over and help us on this.

MR. WHITE: It would be very good.

H.M.JR: Make it Mr. Jesse Jones.

(The Secretary held a telephone conversation with Mr. Lauchlin Currie as follows:)

February 2, 1942
3:38 p.m.

WJr: Hello.

Operator: Mr. Currie.

WJr: Hello.

Lauchlin
Currie: Hello, Mr. Secretary.

WJr: Lauch?

C: Yeah.

WJr: Well, we've been rather fortunate the last few days.

C: Yeah, things have gone amazingly well, I'd say.
Unprecedented.

(Laughs.)

WJr: Well.....

C: It went through so quickly.

WJr: What?

C: It's unprecedented for things to go through so quickly.

WJr: Yeah.

C: I should have known you.

WJr: Oh, yeah, yeah. Lauch, I'm working out a statement with the boys here, and I thought if you had time to drop over and go over it - I'm sure you could be helpful.

C: Why, I'd like to, Mr. Secretary, but I - I'm tied up at the moment with a - a general. (Laughs.)

WJr: A general?

C: Yeah. (laughs.)

WJr: Well, I'm only a private.

C: You're only a private?! (Laughs.)

- 2 -

HMJr: Well, when will you be - when will you swallow the general?

C: I should think that I would finish up in about an hour.

HMJr: Well, if you come over to Harry White's the thing will still be in the - there'll still be room for you to change plenty of words.

(Laughs.)

HMJr: Don't get indigestion now.

C: No. That's not an awfully good showing, I'm afraid, I sent over. Did Harry show you the figures?

HMJr: No. You mean the twenty-five million?

C: Yeah.

HMJr: Yeah.

C: But on the other hand, it's as much as we sent the Russians.

HMJr: Right. What?

C: Yeah.

HMJr: It's what did you say?

C: It's as much as we sent Russia.

HMJr: Yeah. Okay.

C: Okay. Thanks.

H.M.JR: He will be over in about an hour. This first twenty-five million, who made that loan?

MR. WHITE: Well --

MR. BELL: It was the Export-Import Bank, wasn't it?

MR. WHITE: It was the Export-Import Bank purchase, but they were to pay it back in tung oil.

H.M.JR: I remember it intimately. I just wondered if we were saying too much about Jones. He can repeat it, can't he?

MR. WHITE: You never could tell from this statement who made it.

H.M.JR: Did you do that on purpose?

MR. VINER: No.

MR. WHITE: Well, I don't know - that is the loan they have repaid and have the best record on. It is an Export-Import Bank loan.

H.M.JR: I just wondered whether, in view of Jones testifying and my testifying, if I did this first, you know how he is. He might say, "Well, hell, Morgenthau did it all," and put on his hat and walk out. If you simply say, "They have always been prompt in their payments, and Mr. Jones can tell you more about the details, and he is here to do so" - and let's leave it at that. He might get sore and put on his hat and walk out. I think I would do it that way, gentlemen.

MR. WHITE: All right.

MR. VINER: Is there any chance of showing him this before he has to testify?

MR. SOUTHAIR: Or even getting in touch with him?

- 15 -

MR. WHITE: It would be nice to show it to him.

H.M.JR: It would be good to show it to - of course the thing to do if ours was finished would be to show it to all three Cabinet members who are going up there.

MR. VINER: Well, we could do it by six o'clock, I should say.

H.M.JR: Fine. Well now, you say "joint". Didn't the English get in on that?

MR. WHITE: Which?

H.M.JR: At the bottom of page seven.

MR. BELL: Yes.

MR. WHITE: Not on the dollars. They had some sterling.

H.M.JR: But didn't they put up their stuff also as a cushion?

MR. BELL: Yes.

H.M.JR: Didn't they come before us?

MR. WHITE: Not as a cushion for our dollars. Theirs was only sterling.

MR. VINER: Still they ought to be mentioned there.

MR. BELL: Yes, I think so, too.

H.M.JR: Isn't it a joint board, England, China, and ourselves?

MR. WHITE: Yes.

H.M.JR: I think you ought to talk a little bit about it and bring in England, because they are going to read

- 16 -

in tomorrow morning's papers, that England is making an offer.

MR. WHITE: Well, we can say, "Under that arrangement the Chinese Government" --

(The Secretary held a telephone conversation with Congressman Sol Bloom as follows:)

February 2, 1942
3:42 p.m.

WJR: Hello.

Operator: Congressman Bloom.

WJR: Hello.

Sen. Sol: Hello, Henry.
Bloom:

WJR: How are you?

B: All right.

WJR: Sol.....

B: Yeah.....

WJR: So I understand that this meeting tomorrow is going to be an executive session?

B: Yes, sir! Absolutely!

WJR: Yes, sir, huh?

B: With the - with the understanding in advance that every member present is acquainted with the fact that it is an executive session and anything that's said there is absolutely confidential.

WJR: Good. I was just working on my statement.

B: Oh, yes, yes, yes.

WJR: Good. Now let me ask you something else, if I may. Ah.....Did you get the other three cabinet members?

B: Jesse Jones said he'd be here at ten, and Cordell Hull - he said that, of course, it'd depend upon how he felt.

WJR: Uh-huh.

B: He said he's having his statement prepared, and I told him he could feel just as good or bad up here as he could any other place, and I'm waiting to hear from Stimson. Now how about Knox?

WJR: Why, I think it'd be good!

B: Well, I'll try and get him then. I.....

WJr: I got a letter from him on it. I think it'd be good!

B: All right, I'll try and get him.

WJr: Yeah, after all he's got as much interest as anybody.

B: Yes. Well, I'll try and get him, and I'm waiting to hear from Stimson. He's in the meeting upstairs, but they're going to call me right back.

WJr: Well, Stimson ought to come because he's been very much interested.

B: Yes, well, I'm going to.....

WJr: And I think your suggestion of Knox would be excellent.

B: All right, I'll get Knox right away.

WJr: Thank you.

B: All right, Henry.

WJr: Goodbye.

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H.M.JR: I felt like saying, "Donald Duck" to you when he said "Yes, sir." I don't know whether he had seen our picture or not.

MR. KUHN: "I will do anything, anything."

H.M.JR: "Anything, yes, sir." I think I am up to you now, Ferdie. I think I have seen it nine times. I would bring the English in at the bottom of seven.

MR. WHITE: Yes, sir, we will put the English in on the bottom of seven.

H.M.JR: I have two criticisms. I think you slur over this Lend-Lease too much.

MR. FOLEY: I thought we ought to give those figures because there isn't anybody down there that will be able to give them except you, unless they want to call Stettinius.

H.M.JR: I think you slur over that too much, and then at the end, oh boy, oh boy, oh boy, as Donald Duck says. Common effort. Noteworthy demonstration not to the people of the world, but the Axis, that United Nations stand together.

MR. VINER: You are right, that is right. After all --

H.M.JR: Not the people but - it says notice to the Axis, but we are serving notice on ~~the~~ Axis, and the thing, if you get over to the Japanese on their fifth columnists. I mean, you see their activities and their infiltration of puppet governments and so forth and so on, you see, that the place to look to are the other members of the United Nations, and not to the Axis for financial help. See, boys? That is what we are doing. We are saying to the United Nations that we won't leave a stone unturned or a dollar unavailable to a member of the United Nations to see this thing through, and they should look to us and not to the Axis. O.K., Professor Kuhn.

MR. WHITE: Do you want to mention the British - news that the British are going to give --

H.M.JR: Sure. They are going to ask us that, anyway.

MR. VINER: You ought to have the text there in case they ask you.

H.M.JR: That is right. How about it, Professor Kuhn?

MR. KUHN: I would only make a couple of suggestions. On page two where you talk --

H.M.JR: That isn't enough, a couple of suggestions.

MR. KUHN: You talk about the common enemy. Why not make it "our common enemy?" Because I miss in here particularly at the beginning the sense that we and the Chinese are together in the same war.

H.M.JR: Yes.

MR. KUHN: One place you can get that in is at the top of page two, third line, "the defeat of our common enemy," and then the sixth line, "in the war against our enemy."

H.M.JR: What are you doing between now and five o'clock?

MR. KUHN: I am free.

H.M.JR: Why don't you put an hour on this?

MR. KUHN: And also I would suggest at the very beginning where you say, "The effective continuance of the Chinese military effort depends largely," and so on, "that military effort is of invaluable help to ourselves at this very moment," and something to that effect, I think should be said.

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H.M.JR: That is right. Well, I think you could very well put an hour - when do you go to the MacLeish meeting?

MR. KUHN: Five fifteen.

H.M.JR: If between now and then - I don't know what else you have got. Is Donald Duck taking care of himself?

MR. KUHN: He is, yes, sir.

H.M.JR: I think that is an excellent start. I would like another crack at it. I will be down here tomorrow morning at nine, and I could make a few changes if necessary.

MR. WHITE: This can be finished before tonight.

H.M.JR: I won't get another chance.

MR. FOLEY: It won't be necessary to mimeograph this, will it?

H.M.JR: No.

MR. KUHN: Is it going to be issued publicly?

H.M.JR: No.

MR. KUHN: Could it be? There is nothing in it which couldn't be.

MR. WHITE: We wrote it with that in mind, so that in case you wanted it.

MR. VINER: Some day of course it will come out. As we polish this up, shall we or may we send copies to the other participants?

H.M.JR: I wish you would.

MR. VINER: And tell them it is a tentative draft, subject to further change.

H.M.JR: And if they have any suggestions, please call up.

MR. KUHN: Wouldn't it be good to get this out publicly at this time? Is there anything in it that is secret or harmful?

H.M.JR: Well, I imagine what will happen is that a man like Bloom will say to our boys, prepare statements, you see, for him when he goes before the committee --

MR. BELL: When he goes on the floor.

H.M.JR: Yes, and he will take the best of Hull, Knox, Stimson, and Jones, and mine and our boys will most likely have to whip it in shape and give him a statement to make.

MR. BELL: Or write a report for him.

MR. VINER: If we were to release this and the others come without prepared statements it would be bad.

MR. WHITE: After we have told them it was this kind of a meeting it would seem a little bit --

H.M.JR: I think it is better to get a statement for the chairman of the committee to get.

MR. KUHN: It is so good it is a shame to waste it.

MR. WHITE: Here is a memo indicating the five or six suggestions of how the money could be used.

H.M.JR: All right. And then the other thing, I think Lauch had better go up with us tomorrow and sit there.

MR. WHITE: All right. Shall I ask him?

H.M.JR: I wish you would. Tell him that I suggested it. What else?

MR. WHITE: Nothing, unless you want to glance at any of those.

H.M.JR: No, thanks.

The terms and conditions upon which China receives this financial aid shall be those which the Secretary of the Treasury under the direction of the President deems satisfactory.

After the war the President shall determine the precise terms for settlement of this financial aid. In so doing he will deal with the matter as one of adjustment between the United Nations taking into account the declaration by the United Nations of January 2, 1942, by which each Government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war.

China on her part agrees to abide by the terms which the President shall subsequently so determine.

Feb 2nd

Draft #1

121

DRAFT STATEMENT FOR SECRETARY OF THE TREASURY ON THE
JOINT RESOLUTION TO AUTHORIZE THE SECRETARY OF THE
TREASURY WITH THE APPROVAL OF THE PRESIDENT OF THE
UNITED STATES TO RENDER FINANCIAL AID TO CHINA AND
FOR OTHER PURPOSES

The purpose of my appearance before this committee
is to recommend favorable consideration of the joint
resolution to authorize the extension of financial assist-
ance to China up to the amount of \$500 million.

This proposal is a war measure. The effective contin-
uance of the Chinese military effort depends largely upon
the strength of the economic structure of Free China. The
financing of ^{the} war effort is a major war task of the Chinese
Government and the efficient performance of this task re-
quires that the Chinese financial and monetary system should
be made as strong as possible.

In the United Nations Declaration to which China and
the United States are signatories, each of the United Nations
solemnly pledged itself to use its full resources in the

common war. Our financial resources are not only great, but they can be made immediately to contribute to the defeat of the common enemy. China's financial resources are very limited in relation to the tasks which she has assumed. If any part of our financial resources can be of assistance to China in her war against the enemy, I am sure that our people will want to see these resources put to that use.

The Chinese have been fighting against the Japanese for four and one-half years. They have not spared their lives, their homes, their crops, their factories, or their financial resources in this struggle. They have remained free because they were willing to make these sacrifices. The people of China are carrying on unceasing war against the Japanese in front of and behind the Japanese lines. The Chinese Armies are not only holding their lines, but on widely separated fronts they are gathering their men

and supplies to intensify their offensive. The Chinese people have shown to us and to the whole world that a people who will not be conquered cannot be conquered.

In waging this war China has well nigh performed economic and military prodigies. At the beginning of the war Chinese people were engaged in creating a modern economic and financial system. Great progress had been made but the work was by no means complete. The Japanese occupation stripped the National Government of the sources which had accounted for 80 percent of her revenues. The apparatus of the financial and money markets in the coastal cities has fallen into the hands of the Japanese. The loss of the International Settlement and Hong Kong since December 7 has still further impaired the financial structure of the Free Government of China.

Under these circumstances the Chinese Government has faced a double financial burden. It had not only to expand

their expenditures, but it also had to create a new financial system of banks in the unoccupied area. It is not easy in peace-time to undertake great financial changes. Considering the terrific obstacles with which the Chinese Government has been and still is faced, it has succeeded remarkably well in continuing its resistance to the enemy.

But neither they nor we can ignore the fact that the Chinese financial and monetary system has been severely strained in this undertaking. The budget is desperately unbalanced. Prices are rising rapidly and at an accelerated rate. The accompanying economic and social conditions are serious threats to the Chinese war effort. It would be unwise for the United States to ignore these weaknesses or to withhold any aid within its power.

On several occasions in the past the United States Government has rendered financial assistance to China. In

general that assistance was designed to finance the import of goods both directly and indirectly by stabilizing China's rate of exchange. In these financial arrangements I have found that the Chinese were extremely honorable in carrying out any obligations which they assumed. They lived up to the letter and spirit of every contract, took no actions prejudicial to American interests and under the hardest circumstances maintained the export of vital commodities which the United States needed.

The Chinese Government has urgently requested that we come to their financial support so as to enable them to more effectively carry on their war effort. We have been constantly informed as to the financial and economic situation within China. It is clear from the information received by our government that the granting of the financial assistance that is now being requested will make a substantial contribution toward strengthening their domestic economy.

The Chinese Government has informed us that the financial aid which the proposed Joint Resolution would make available could be used by it in a variety of ways to strengthen the financial and economic situation within China. Without attempting at this time to specify the particular arrangements which would be entered into with China and which would most effectively carry out the common objectives of China and ourselves, we are fully satisfied that arrangements can be worked out which will be of great financial and economic help to the internal economy of China, and will enable China more effectively to carry on its war effort.

I think that you will be particularly interested in the splendid record that the Government of China has maintained in the repayments of the loans we have already made, notwithstanding the extremely difficult circumstances under which she has been operating. The first financial assistance

of \$25 million which was granted to China in 1938, which was to be liquidated by the proceeds of shipment to the United States of tung oil. That schedule has been more than fulfilled to date. \$23 million of the \$25 million has been repaid and, as a consequence of that arrangement, we have been assured a stock of tung oil at reasonable prices. As a result of this arrangement, our supply of tung oil, which, as you know, serves many war needs, is the largest in our history. Jesse Jones, no doubt, can describe to you the gratifying way in which China has handled the two loans totalling \$45 million which the Export-Import Bank made to China in 1939 and 1940.

You will recall that in December 1940 I obtained the approval of the Congressional committees for the making of a \$50 million stabilization arrangement with China. Under that arrangement the Chinese governmental banks put up \$20 million and the U. S. Treasury \$50 million, the Chinese

contribution to be a cushion for the U. S. contribution. So far, the Chinese Stabilization Board has not called on the United States for any portion of its Fund and has used its own contribution for the management of its foreign exchange. I may say here, too, that the joint management of that Fund gives us every hope that future sums made available to them will be used judiciously and effectively.

These arrangements are proving in practice to have been well-designed for their specific purposes and to be to the mutual advantage of both countries. They are designed, however, to meet the specific problems involved in the flow of goods to and from China and the attempt to stabilize the foreign exchange value of the yuan. The provision for aid to China under Lend-Lease will take care of supplying China with the necessary imported war materials. The additional assistance now proposed is much more comprehensive in scope

and is designed especially to make possible a strengthening of the internal economic and financial structure of China.

The passage of the Joint Resolution authorizing the President to render financial aid to China, will be an outstanding contribution to the common war effort and a noteworthy demonstration to all the peoples of the world, as well as those of China, that the United States stands ready to support and assist their strivings and struggles for independence with every weapon in its arsenal.

I hope that in the light of the foregoing, you will see fit to give this Joint Resolution your prompt and wholehearted support.

Following message telephoned to Mr. White by Mr. Pinsent, February 2, 1942, at 2:05 p.m.

"His Majesty's Government are willing to make available under a lend-lease arrangement all munitions and military equipment which it is possible for them to supply.

"In addition, His Majesty's Government are informing the Chinese Government of their willingness to lend to China for war purposes an amount up to £50 million, at such time and upon such terms as may be agreed between the two governments."

There was an introduction which Mr. Pinsent said he didn't take down, regarding desire to cooperate with China. He is not sure it has been released yet, but is being released in London this evening.

*Submitted by Long to Kung
2/2/42 meeting.
at 3:05*

The terms and conditions upon which China receives this financial aid shall be those which the Secretary of the Treasury under the direction of the President deems satisfactory.

After the war the President shall determine the precise terms for settlement of this financial aid. In so doing he will deal with the matter as one of adjustment between the United Nations taking into account the declaration by the United Nations of January 2, 1942, by which each Government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war.

China on her part agrees to abide by the terms which the President shall subsequently so determine.

February 2, 1942
3:54 p.m.

HMJr: In the Star tonight, I notice that you say the meeting between Jones and myself took place on Saturday with the leaders. As a matter of fact it only took place this morning.

HMJr: Oh, did it? Correct me, will you?

HMJr: If the boys ask me, is it all right to correct you?

HMJr: Oh, certainly. Please correct me.

HMJr: All right, thanks.

HMJr: Yeah. Thank you, Henry.

HMJr: Thank you.

HMJr: Right, sir. I misunderstood it, I guess.

HMJr: Well.....

HMJr: It was the other meeting Saturday with the President.

HMJr: Yeah, but that was just with the President.

HMJr: Yeah, I know, and I suppose that's what I had in my mind.

HMJr: Because some of them might - the leaders might say, "Well, hell, Jones and Morgenthau just have had a secret meeting."

HMJr: Yeah, that's right. Correct me.

HMJr: I'll do that.

HMJr: Thank you, sir.

HMJr: Thank you.

HMJr: Good-bye.

FEB 2 1942

United Press News Item

President Roosevelt asked Congress to approve a \$500,000,000 loan to China.

Add Chinese Loan

Mr. Roosevelt made the request in a letter to Speaker Rayburn asking that Congress approve the necessary appropriation and enabling legislation for the \$500,000,000 loan.

White House Secretary Early disclosed that Secretary Morgenthau and Administrator Jones met Saturday with Republican and Democratic Congressional leaders and presented the plan for the loan.

From the conference came an agreement by leaders of both parties on the request and Rayburn was expected to have a resolution introduced in the House immediately, Early said.

2/2-21130A B-C

Copy: vw: 2-2-42

February 2, 1942.

United Press News ItemAdd China Loan

The letter also was sent to Vice President Wallace who said he believed the legislation would be introduced first in the House.

Mr. Roosevelt's letter said:

"Responsible officials both of this Government and of the Government of China, have brought to my attention the existence of urgent need for the immediate extension to China of economic and financial assistance, going beyond in amount and different in form from such aid as Congress has already authorized. I believe that such additional assistance would serve to strengthen China's position as regards both her internal economy and her capacity in general to function with great military effectiveness in our common effort.

"I urge, therefore, the passage by Congress of appropriate legislation to this effect and attach hereto a suggested draft of a joint resolution which will accomplish this purpose."

Speaker Rayburn announced that the Chinese Aid Resolution would be considered by the House by Wednesday.

Chairman Bloom of the Foreign Affairs Committee, introduced the resolution shortly after the House met and planned to hold hearings tomorrow.

2/2--21213P

Copy:vw:2-2-42

OFFICE OF
THE SECRETARY OF THE TREASURY

135

February 2, 1942

TO: THE SECRETARY OF THE NAVY
FROM: THE SECRETARY OF THE TREASURY

Appended is a copy of the statement I propose to make to the House Committee on Foreign Affairs. I would appreciate any suggestions you may care to make.

As you know, the Committee will meet in executive session at 10:00 Tuesday morning.

OFFICE OF
THE SECRETARY OF THE TREASURY

136

February 2, 1942

TO: THE SECRETARY OF COMMERCE
FROM: THE SECRETARY OF THE TREASURY

Appended is a copy of the statement I propose to make to the House Committee on Foreign Affairs. I would appreciate any suggestions you may care to make.

As you know, the Committee will meet in executive session at 10:00 Tuesday morning.

February 2, 1942

TO: SECRETARY STIMSON
FROM: SECRETARY MORGENTHAU

Appended is a copy of the statement I propose to make to the House Committee on Foreign Affairs. I would appreciate receiving any suggestions you may care to make.

As you know, the Committee will meet in Executive Session at 10 Tuesday morning.

February 2, 1942

TO: SECRETARY HULL
FROM: SECRETARY MORGENTHAU

Appended is a copy of the statement I propose to make to the House Committee on Foreign Affairs. I would appreciate receiving any suggestions you may care to make.

As you know, the Committee will meet in Executive Session at 10 Tuesday morning.

STATEMENT FOR SECRETARY OF THE TREASURY ON THE
JOINT RESOLUTION TO AUTHORIZE THE SECRETARY OF THE
TREASURY WITH THE APPROVAL OF THE PRESIDENT OF THE
UNITED STATES TO RENDER FINANCIAL AID TO CHINA AND
FOR OTHER PURPOSES

The purpose of my appearance before this committee is to recommend favorable consideration of the Joint Resolution to authorize the extension of financial assistance to China up to the amount of \$500 million.

This proposal is a war measure. The effective continuance of the Chinese military effort -- so invaluable in our fight against the Axis powers -- depends largely upon the strength of the economic structure of Free China. The financing of the war effort is a major war task of the Chinese Government and the efficient performance of this task requires that the Chinese financial and monetary system should be made as strong as possible.

In the United Nations Declaration to which China and the United States are signatories, each of the United Nations solemnly pledged itself to use its full resources in the

common war. We have large financial resources. China's financial resources are very limited in relation to the tasks which it has undertaken. If any part of our financial resources can be of assistance to China in the war against our common enemy, I am sure that our people will want those resources put to that use.

The Chinese have been fighting against the Japanese for four and one-half years. They have not spared their lives, their homes, their farms, their factories, or their financial resources in this struggle. They have remained free because they were willing to make these sacrifices. The people of China are carrying on unceasing war against the Japanese in front of and behind the Japanese lines. The Chinese Armies are not only holding their lines, but on widely separated fronts they are gathering their men and supplies to intensify their offensive. The Chinese people have demonstrated to the whole world that a people who will not be conquered cannot be conquered.

In waging this war China has performed economic and military miracles. At the beginning of the war the Chinese people were engaged in creating a modern economic, financial and currency system. The Japanese occupation stripped the National Government of the sources which had accounted for 80 percent of her revenues. To make matters worse the apparatus of the financial and money markets in the coastal cities fell into the hands of the Japanese. Since December 7, the fall of Hong Kong and the complete loss of the International Settlement have still further impaired the financial structure of the Free Government of China.

In these circumstances the Chinese Government had to bear a double financial burden. It had not only to expand its expenditures, but it also had to create a new financial and banking system in the unoccupied area. It is not easy even in peace-time to carry out such changes. Considering

the terrific obstacles with which the Chinese Government has been and still is confronted, it has succeeded amazingly well in continuing its resistance to the enemy.

We must face the fact, however, that the Chinese financial and monetary system has been severely strained in the process. The budget is desperately unbalanced. Prices are rising rapidly and at an accelerated rate. The accompanying economic and social dislocations are serious threats to the Chinese war effort. It would be unwise for the United States to ignore these weaknesses or to withhold any aid within its power.

On several occasions in the past the United States Government has rendered financial assistance to China. In general that assistance was designed to finance the import of goods and to help stabilize the exchange position of China's currency. In these financial arrangements China has made payments on schedule and even ahead of schedule.

And, under the most difficult circumstances, they have maintained the export to the United States of commodities vital to our war effort. Indeed, the Government of China has carried out to the letter every obligation to us which it has assumed.

The Chinese Government has now urgently requested that we come to their financial support so as to enable them more effectively to carry on their war effort. We have been constantly informed as to the financial and economic situation within China. That information makes clear that the granting of the financial assistance now being requested would make a substantial contribution toward strengthening the domestic economy of China.

The Chinese Government has informed us that the financial aid which the proposed Joint Resolution would make available could be used by it in a variety of ways to strengthen the financial and economic situation within China. Without

attempting at this time to specify the particular arrangements which would be entered into with China and which would most effectively carry out the common objectives of China and ourselves, we are fully satisfied that arrangements can be worked out which will be of great financial and economic help to the internal economy of China and will enable China more effectively to carry on its war effort.

I think that you will be particularly interested in the splendid record that the Government of China has maintained in the repayments of the loans we have already made, notwithstanding the extremely difficult circumstances under which she has been operating. Mr. Jesse Jones, no doubt, can describe to you the gratifying way in which China has handled the loan which the Export-Import Bank has made to China.

You will recall that in December 1940, with the approval of the Congressional committees, I made a \$50 million

- 7 -

stabilization arrangement with China. A similar arrangement was made to China by the British. Under these arrangements, the Chinese governmental banks put up \$20 million, the British government put up £5 million, and the U. S. Treasury \$50 million, the Chinese contribution to be a cushion for the U. S. contribution. So far, the Chinese Stabilization Board has not called on the United States for any portion of the United States participation and has used its own share for the management of its foreign exchange. I may say here, too, that the joint management of that Fund gives us every hope that future sums made available to them will be used judiciously and effectively.

As you know, this Government is giving very substantial Lend-Lease aid to China. Of course, because of the tremendous transportation difficulties, as well as the many-fold demands on American war production, it will take time before the bulk of this Lend-Lease commitment can be delivered to China.

- 8 -

These arrangements are proving in practice to have been well-designed for their specific purposes and to be to the mutual advantage of both countries. They are designed, however, to meet the specific problems involved in the flow of goods to and from China, the stabilizing of the foreign exchange value of the yuan, and the supplying of war material.

The additional assistance now proposed is much more comprehensive in scope and is designed especially to make possible a strengthening of the internal economic and financial structure of China. Furthermore, this financial aid is of a different character from the stabilization loans and Export-Import Bank loans referred to. The proposed aid contemplated here should be regarded as the financial counterpart of lend-leasing war materials. It is designed to the same end -- namely, the successful prosecution of the war, and should be evaluated in the same terms.

- 9 -

The passage of the Joint Resolution authorizing the President to render financial aid to China, will be an outstanding contribution to the common war effort. It will be a demonstration to our friends and a warning to our enemies that the United States stands ready with every weapon in its arsenal to assist all who are joined with us in this fight for freedom.

I hope that in the light of the foregoing, you will see fit to give this Joint Resolution your prompt and wholehearted support.

D-2

HDW:JV:BB:rel
2-2-42

February 2, 1942.

Dear Archie:

It was very good of you to send me the facts and figures contained in your letter of January 29th, which I read with a great deal of interest. I was also glad to have the word concerning Mr. and Mrs. Chen.

Thank you again for your comment on my part in the aid that has been given to China. I shall always be glad to have you keep me informed of your program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Archie Lochhead,
President, Universal Trading
Corporation,
630 Fifth Avenue,
New York, New York.

File M. C.

GEF/dbs

UNIVERSAL TRADING CORPORATION

13CHIEFLY HEAD
1000000000

530 FIFTH AVENUE
NEW YORK, N. Y.

January 29th, 1942

My dear Mr. Secretary:

Since Pearl Harbor you may have wondered from time to time how your train child, Universal Trading Corporation, has been faring. Accordingly I am writing you this brief report to keep you posted to date.

Of the \$25,000,000 wood oil credit maturing on December 31, 1943, we have borrowed \$22,000,000 and have already repaid \$18,500,000. Of the \$20,000,000 tin credit maturing in installments from two to seven years after each advance we have borrowed \$13,000,000, and have already repaid \$2,200,000. I have no doubt that the balance of both loans will be paid; and on time - unless shipments of wood oil and tin are temporarily suspended because of war developments.

In spite of almost insuperable difficulties, Mr. Chen has managed to keep up exports from China of wood oil and tin. We have just heard from our principals in Rangoon that they have succeeded in loading 2,200 tons of wood oil there. Further shipments will be made whenever space is provided by the United States Maritime Commission, upon which we must depend for ships.

While we are naturally proud of this record, we take greater satisfaction from knowing that our efforts have substantially contributed to the national defense program. For the past nine months we have worked closely with the O.P.M. and have acted unofficially as their agent in supplying all urgent requirements of wood oil to manufacturers engaged in defense work. In addition, since Pearl Harbor we have furnished the United States Navy 2,100 tons and the Defense Supplies Corporation 5,500 tons for its strategic stock pile. After all these defense provisions we still hold 3,000 tons which we are authorized to distribute to the defense trade under instructions from government authorities. The distribution of our tin shipments is also carried out in close cooperation with the government authorities.

You will be glad to hear that Mr. and Mrs. Chen were just able to get away from Hongkong before its fall, and are now safe in Chungking.

The great work for China which you undertook almost single-handed in 1938, is more deeply appreciated by the Chinese than you

- 2 -

may realize, and really laid the ground for the close collaboration now being worked out between the two allies. It should be a source of great satisfaction to you as an American that your plans for helping China have also been the means of obtaining strategic materials which otherwise would have been lacking for the United States war effort.

With kindest personal regards, I remain

Yours sincerely,



Archie Lochhead

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

February 2, 1942
11:15 a.m.

HNJr: Hello.

Stephen
Spingarn: Mr. Secretary.

HNJr: Yes.

St: Stephen Spingarn.

HNJr: Yes.

St: You know I'm handling the Treasury end of the war powers bill on the Hill.

HNJr: Yes.

St: I'm at the House Judiciary Committee now, and you know that provision of the bill that removes the restriction on the Federal Reserve Banks of buying direct from the Treasury.....

HNJr: Yeah.

St: The suggestion has been made by the Chairman that he's received advice from certain quarters that the Treasury is against that. I told him that my information has been that while the division is sponsored by the Federal Reserve, the Treasury has no objection, and Oscar Cox had told me that he had cleared it with you.

HNJr: Not only have we no objection, but I've told the press about a week ago that I was for it.

St: That's right. And I told the Committee that I would check with you and get that confirmation.

HNJr: Now I told the press that I was for it.

St: Right.

HNJr: And I - that's over a week or ten days ago.

St: Right. Well, I'll report that back to the Committee.

- 2 -

HMJr: Okay.

S: Thank you, sir.

February 2, 1942
4:37 p.m.

Leon
Henderson: Hello. This is Leon.

HMJr: Hello, Leon.

H: Remember the other day you had some information that Archangel was open?

HMJr: Yes.

H: Well, I checked today with Robeson. He said our Naval Attache there reported that on Friday it was still frozen, and not only that but one of the two big ice-breakers they had relied on had been bombed.

HMJr: Well, I've been kidded before. Evidently they've been kidding me again.

H: Well, I asked - do you know Robeson at all?

HMJr: No.

H: Robeson is - if you want anything - he's the fellow that handles the emergency shipping.

HMJr: Yeah.

H: When you want accurate information, I've found this over a period of time, that that fellow is a - he's in the Maritime, you know.....

HMJr: Yeah, I know.

H:and he's a swell operator, and he's very clean-cut about what he has to say.

HMJr: Good.

H: He said they sent out everything that they could - that was available to take - to Russia last month.

HMJr: Yeah.

H: That he had some boats available and nothing

to go, and he sent coal to South America with them rather than see them sit around.

HMJr: Yeah.

H: And about seventeen actually landed and about thirty-two went out of here.

HMJr: I see.

H: And when you want anything - I suggest you take his name down and.....

HMJr: I have.

H: And when you get a little thing like that, you might check with him.

HMJr: I think it's a good idea.

H: Because otherwise they may kid you and.....

HMJr: That's possible.

H:that's the last thing in the world that you ought to be done to.

HMJr: Righto.

H: All right, Henry.

HMJr: Thank you.

H: Good-bye.

TREASURY DEPARTMENT

155

INTER OFFICE COMMUNICATION

DATE FEB 2 1942

TO Secretary Morgenthau
FROM E.H. Foley, Jr.

Re: Luscombe Airplane Corporation

Pursuant to your approval, an investigation of the records and personnel of the Luscombe Airplane Corporation at Trenton, New Jersey, was begun on Monday, February 2.

The investigating staff is headed by James M. Williamson, Chief of the Alcohol Tax Division of the Office of Chief Counsel of the Bureau of Internal Revenue. In addition to guards and stenographers, Mr. Williamson will be assisted by the following personnel:

Lawrence Lesser, attorney
George E. McMurray, Jr., attorney
Frank H. Coe, investigator from Erwin May's staff
Morris F. Kahn, engineer and investigator from the Bureau of Internal Revenue.

S. J. 76

OK.

M.H.

FEB 2 1942

My dear Mr. Secretary:

You will be interested to know that a Treasury Department staff has begun an investigation of the records and personnel of the Luscombe Airplane Corporation, at Trenton, New Jersey.

Information at present available to the Treasury Department indicates that a substantial part of the stock of the Luscombe Airplane Corporation is owned or controlled by a foreign national, one Leopold Flots. Accordingly, the Corporation is under the freezing control of the Treasury Department.

The War Department will be kept advised of the progress and the results of this investigation.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of War.

*n.m.c.
copies to Foley*

By *M. J. H. H. H.*

*Happins
6/25*

MS:lhk 1-31-42

FEB 2 1942

My dear Mr. Secretary:

You will be interested to know that a Treasury Department staff has begun an investigation of the records and personnel of the Luscombe Airplane Corporation, at Trenton, New Jersey.

Information at present available to the Treasury Department indicates that a substantial part of the stock of the Luscombe Airplane Corporation is owned or controlled by a foreign national, one Leopold Klotz. Accordingly, the Corporation is under the freezing control of the Treasury Department.

The Navy Department will be kept advised of the progress and the results of this investigation.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of the Navy.

H. M. C.

Copies to Foley

DWS:lh 1-31-42

By Messenger

[Signature]
5.25

You will be interested to know that a Treasury Department staff has begun an investigation of the records and personnel of the Luscombe Airplane Corporation, at Trenton, New Jersey.

The Civil Aeronautics Board will be kept advised of the progress and the results of this investigation.

(Signed) H. Morgenthau, Jr.

Hon. L. Welch Pogue,
Chairman,
Civil Aeronautics Board,
Washington, D. C.

N. M. C.
copy to Foley

By Messenger

Regraded Unclassified

TREASURY DEPARTMENT
Washington

159

FOR

FOR IMMEDIATE RELEASE
Monday, February 2, 1942

Press Service

The Treasury Department announced today that a staff of Treasury representatives under J. M. Williamson, of the Office of the General Counsel of the Treasury Department, has begun an investigation of the records and personnel of the Luscombe Airplane Corporation at Trenton, New Jersey. The corporation is under the freezing control of the Treasury Department.

o o o

(Initialed) H. H. W., Jr.

DJS:BB/ma - 2/2/42

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, February 2, 1942.

Press Service
No. 30-5

The Treasury Department announced today that a staff of Treasury representatives under J. M. Williamson, of the Office of the General Counsel of the Treasury Department, has begun an investigation of the records and personnel of the Luscombe Airplane Corporation at Trenton, New Jersey.

The corporation is under the freezing control of the Treasury Department.

-oOo-

TO: Secretary Morgenthau

The purpose of the attached memorandum is to familiarize you with a matter which will probably be raised at Cabinet meeting by the Attorney General in the near future: the proposed creation of a general governmental committee to consider charges of un-American activities against Government employees and make advisory recommendations to agency heads involved. The proposal is patterned after the Treasury Un-American Activities Committee set-up.

As I have indicated in the attached memorandum, it is my recommendation that the Treasury support the proposal, which will afford assurances that both Government and employee interests will be considered in the disposition of these cases, and will provide some degree of uniformity in the treatment of matters which are now handled in widely disparate fashion in different agencies.

MR. FOLEY

TREASURY DEPARTMENT

162

INTER-OFFICE COMMUNICATION

DATE FEB 2 1942

TO Secretary Morgenthau
FROM Mr. Foley

At my request, Spingarn recently attended a number of interdepartmental conferences on ways and means of handling charges of un-American activities against Federal personnel so as to protect both the interests of the Government and the basic rights of the employee in each case. Participating in these conferences have been chief law officers of various Government agencies including Jim Rowe of Justice, Jerry Reilly of the Labor Board, Warner Gardner, the Solicitor of the Labor Department, Telford Taylor, the General Counsel of the Federal Communications Commission, and others.

The matter arose as a result of the list of almost two thousand alleged communists that Representative Dies sent the Attorney General a few months ago. The F.B.I. has been investigating each of these cases, and the question now arises as to what should be the procedures for handling the investigation reports when they are completed. The conferees, however, agreed that the problem was larger than

- 2 -

this, that cases were continually arising in each of the agencies in which such charges were made against employees. The present methods of handling these cases differ widely. In some agencies persons so charged have been fired out of hand without any notice or hearing. Other agencies have proceeded more judicially in these cases. Spingarn explained the Treasury Un-American Activities Committee set-up, and there was general agreement that this represented an admirable solution of the problem.

After considerable discussion, the conferees came to the conclusion that the best thing to do was to establish a general governmental committee to deal with these cases. The committee would be composed of both Government officers and public members: the public members to be retired judges, leading members of the bar, and other persons whose character and fairness would command general respect; the Government members to be officers of similar character who would not be vulnerable to attack on the ground that they were fellow travelers or had radical associations. The committee would be large enough so that it could operate by subcommittee and

- 3 -

in the field. It would consider the investigation reports in the cases referred to it, hold hearings when justified, and report its findings and recommendations to the appropriate agency head in connection with each case. Such recommendations would be purely advisory, however (and indeed could not be legally otherwise), and the agency head could then retain or fire the employee involved as he saw fit.

Because of his experience with the Treasury Un-American Activities Committee, Spingarn was asked to prepare a draft of an Executive Order establishing such committee, and I attach a copy of the Order he prepared. It establishes an "Advisory Committee on Subversive Activities" to be appointed by the President and requires all agencies except Army and Navy to refer to the committee all cases now pending or which may hereafter arise in such agencies in which charges of un-American activities have been made against an officer or an employee. After appropriate consideration in accordance with procedures which it is to establish (which are required by the Order to be so framed as to further the

- 4 -

best interests of the Government in time of war and adequately to protect the essential rights of accused officers and employees), the committee is to transmit its findings and communications to the appropriate agency head who is not bound by them but can follow them or not as he sees fit. Agency heads, moreover, are expressly authorized to transfer or suspend accused officers or employees at any time before or after their cases may be referred to the committee. For obvious reasons the War and Navy Departments are not required (as are the other agencies) to refer their cases to the committee, but they are authorized to do so if they wish.

The proposed Executive Order has now received the approval of all the conferees. The Attorney General is expected to bring the matter up for discussion at Cabinet meeting in the near future.

I recommend for your consideration that the Treasury support the proposal. It is true that the Treasury is handling its own cases without the trouble that some of the other agencies are experiencing. Our Un-American

Activities Committee has received general approbation. (See, for example, Jerry Kluttz's column in the Washington Post of November 26, 1941, which after the statement that "Treasury Secretary Morgenthau is credited with supplying a practical answer to a very delicate problem" briefly describes our set-up). However, I don't think that because we have been able to handle our own cases without too much trouble we should refrain from helping other agencies which have been less fortunate. A general governmental committee along the lines indicated would provide a very desirable degree of uniformity in the treatment of these cases and would give assurance that in the disposal of these cases consideration would be given both to the interests of the Government and those of the employee.

S. W. - 7h

EXECUTIVE ORDER

ESTABLISHING AN ADVISORY COMMITTEE TO CONSIDER
CHARGES OF SUBVERSIVE ACTIVITIES MADE AGAINST
OFFICERS AND EMPLOYEES OF THE UNITED STATES.

By virtue of and pursuant to the authority vested in me as President of the United States by the Constitution and statutes of the United States, and in order to provide for more uniform consideration and disposition of charges of subversive activities against officers and employees of the United States with due regard to the best interests of the United States in its war efforts and the essential rights of officers and employees against whom charges are made, it is hereby ordered as follows:

1. There is hereby established in the Executive Office of the President an Advisory Committee on Subversive Activities (hereafter referred to as the Committee) to consider charges of subversive and disloyal activities made against officers and employees of the United States.

2. The Committee shall consist of a chairman and a vice-chairman, to be designated by the President, and such other members representing the Government and the public as the President may from time to time hereafter appoint.

3. It shall be the duty of the Committee, in accordance with such procedures as it may prescribe, to consider any case referred to it (1) by the head of any department, agency or corporation of the United States in the Executive branch of the Government (hereafter

referred to as agency head and agency, respectively), based upon charges against a civilian officer or employee of such agency that such officer or employee is disloyal or advocates, or is a member of an organization that advocates, the overthrow of the Government of the United States by force or violence, or that such officer or employee is otherwise engaged in subversive activities, or (2) any case referred to it by the Attorney General based upon such charges against any civilian officer or employee in any agency.

4. (a) Except as otherwise provided in subparagraph (b) of this paragraph, each agency head is hereby directed to refer to the Committee each case currently pending or which may hereafter come to his attention, in which charges of the character described in paragraph 3 have been made against an officer or employee of his agency, and the Attorney General is hereby directed to refer to the Committee each case currently pending or which may hereafter come to his attention in which such charges have been made against an officer or employee of any agency: Provided, however, That no case shall be referred to the Committee until an investigation of the charges in such case has been made by the appropriate agency or agencies. A copy of such investigation report or reports shall be transmitted to the Committee at the same time that the case is referred to it.

(b) Nothing in this Order shall apply to officers and enlisted men of the military establishments or to civilian officers and employees of the War Department or the Navy Department (including the Coast Guard) and their field services: Provided, however, That the Secretary of War or the Secretary of the Navy may, in his discretion,

refer any case involving a civilian officer or employee of his Department to the Committee in accordance with the provisions of this Order.

5. After appropriate consideration, the Committee shall transmit its findings and recommendations to the appropriate agency head, and (if the case was referred to the Committee by the Attorney General) to the Attorney General. The findings and recommendations shall be purely advisory in character and after their consideration the agency head shall take such action, if any, as in his judgment the circumstances require. The agency head may, however, transfer or suspend such officer or employee at any time before or after the case is referred to the Committee, if in his judgment such action is necessary to protect the interests of the Government.

6. The Committee shall prescribe its procedures, but they shall be framed so as to further the best interests of the Government in time of war and adequately to protect the essential rights of officers and employees against whom charges have been made. The Committee may act through subcommittees of one or more members, and may appoint persons not members of the Committee to act as members of field subcommittees outside the District of Columbia, and such persons and field subcommittees shall have all the rights, powers, and privileges of regular members and subcommittees of the Committee.

7. The Committee is hereby empowered to employ such persons as it may deem necessary; to fix the compensation of such persons; to incur all necessary expenses for services and supplies; and to direct such travel of members and employees at public expense as it may deem necessary in the accomplishment of its work. Members of

the Committee shall serve without compensation in that capacity, but each of the members of the Committee shall receive payment for his actual and necessary expenses for transportation, and in addition a subsistence allowance of ten dollars per diem while away from his official station in the case of governmental members, or while away from his place of residence in the case of public members, in connection with the work of the Committee. Employees of the Committee shall receive such travel and other allowances as civilian employees of the United States receive generally by law.

8. All of the expenses of the Committee shall be paid on vouchers approved by the Chairman (or other person authorized by the Committee) from allocations to be made to the Committee for that purpose from the Emergency Fund for the President.

9. All executive officers and agencies of the United States are hereby authorized to furnish the Committee such facilities, services, and cooperation as it may from time to time request.

10. The Committee shall make a public report at least semi-annually of its procedures, disbursements, and by general classification, the number and nature of cases referred to and handled by it and the findings and recommendations therein.

THE WHITE HOUSE,

January ____, 1942.



The National Archives

Washington, D. C.

NOTE CONCERNING THE FRANKLIN D. ROOSEVELT LIBRARY AT HYDE PARK, N. Y.

Papers recently transferred to the Franklin D. Roosevelt Library by the President include letters, memoirs, and diaries of various officers of the United States Navy, 1775-1898; Mr. Roosevelt's diplomas and certificates of membership in various organizations, 1905-41; copies of letters, reports, and memoranda received by the Office of the Secretary of the Navy from naval units and bureaus, 1913-20; and copies of the official stenographic reports of the President's press conferences, January-June 1941. Material recently acquired relating to the history of Dutchess County, N. Y., includes correspondence and other papers of the DePeyster family, 1697-1865, and diaries, notebooks, and bird-banding records kept by Maunsell S. Crosby of Rhinebeck, N. Y., 1909-31.

The Second Annual Report of the Archivist of the United States as to the Franklin D. Roosevelt Library (19 p.), just published, describes the activities of the Library during the fiscal year 1940-41 and includes a descriptive list of material deposited in the Library by the President or acquired by it from other sources to June 30, 1941. Copies of the Report may be obtained from the Division of Information and Publications of The National Archives, Washington, D. C.

February 2, 1942

SECOND ANNUAL REPORT OF THE
ARCHIVIST OF THE UNITED STATES
AS TO THE
FRANKLIN D. ROOSEVELT LIBRARY
1940-1941

THE NATIONAL ARCHIVES

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SECOND ANNUAL REPORT OF THE
ARCHIVIST OF THE UNITED STATES

AS TO THE

FRANKLIN D. ROOSEVELT LIBRARY

HYDE PARK, N. Y.

+

For the Fiscal Year Ending June 30

1941



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1942



THE PRESIDENT'S ROOM, FRANKLIN D. ROOSEVELT LIBRARY

THE FRANKLIN D. ROOSEVELT LIBRARY

(As of November 15, 1941)

SOLOM J. BUCK—Archivist of the United States.

FRED W. SHIPMAN—Director of the Franklin D. Roosevelt Library.

NATIONAL ARCHIVES PUBLICATION NO. 19

LETTER OF TRANSMITTAL

THE NATIONAL ARCHIVES,

Washington, D. C., November 15, 1941.

To the Congress of the United States:

In compliance with section 208, title II, of the joint resolution, approved July 18, 1939 (53 Stat. 1062-1066), which requires the Archivist of the United States to make to Congress "at the beginning of each regular session, a report of the preceding fiscal year as to the Franklin D. Roosevelt Library," I have the honor to submit herewith the second annual report on the Franklin D. Roosevelt Library, which covers work performed under the direction of my predecessor, R. D. W. Connor, during the fiscal year ending June 30, 1941.

Respectfully,

SOLOM J. BUCK,
Archivist of the United States.

SECOND ANNUAL REPORT OF THE ARCHIVIST OF THE UNITED STATES AS TO THE FRANKLIN D. ROOSEVELT LIBRARY

Four days after the beginning of the fiscal year under review, on July 4, 1940, the building for the Franklin D. Roosevelt Library, then virtually completed, was turned over to the Government of the United States by the Franklin D. Roosevelt Library, Inc., a nonprofit New York corporation that had constructed it from funds privately subscribed, and was accepted for the Government by the Archivist of the United States, who is responsible for the administration of the Library. During the year finishing touches were put on the building, equipment was installed, and the grounds were landscaped, all without cost to the Government; a small but well-qualified staff was appointed; large quantities of manuscripts, books, and museum objects were received, chiefly from the President; and the work of arranging this material was begun. Sufficient progress in arrangement had been made by the last day of the fiscal year to permit the opening to the public of the exhibition rooms and museum portions of the building, and accordingly, on June 30, the building was formally dedicated by the President.

The institution that was thus made available to the American people will serve primarily as a depository for the manuscripts, books, prints, paintings, and other historical material accumulated by Franklin D. Roosevelt. This material includes his public and personal papers covering the years of his services as New York State senator, 1910-13, as Assistant Secretary of the Navy, 1913-20, as Governor of New York, 1929-33, and as President of the United States; political material relating especially to the Presidential campaigns of 1920, 1924, 1928, 1932, 1936, and 1940; letters, log books, and other manuscripts relating to American history, especially the history of the American Navy since 1775, and paintings, drawings, prints, and models of many famous American naval vessels; a small but valuable collection of material relating to the history of the State of New York, and particularly of Dutchess County; and a library of some 15,000 books and pamphlets, some of them rare, many of them autographed copies from the authors, and the great bulk of them important works for American history. The Library hopes also to acquire by gift or deposit the papers of other persons and organizations that have been influential during the

period since 1910 and to build up a comprehensive collection of related books and pamphlets. Thus there will be made available under Federal control and for the use of the public an extensive collection of source material relating to this important epoch in American history.

BUILDING AND EQUIPMENT

When the U-shaped, Dutch colonial building of stone, set far back from the New York Albany Post Road on a 16-acre tract deeded without cost to the Government by the President from the Roosevelt Hyde Park estate, was turned over to the Archivist on July 4, it was far from ready for final occupancy. In the months that followed the remaining work was done and "tenant changes" to increase the usefulness of the building were made. Stacks and shelves for the storage of manuscripts and books were already in place, but 35,000 fiber boxes for the preservation of manuscript material and a machine for the playing of sound recordings of speeches and other historical events were obtained. Cases, tables, shelves, and similar equipment were purchased or constructed for the museum objects. Outside the building, the grounds around the Library were landscaped, a public parking space, a ticket booth, and walks were constructed, and fences and signs were erected. All this work was done without cost to the Government by the Franklin D. Roosevelt Library, Inc., working in close cooperation with the President, the Archivist, and the members of the Library staff and using funds donated by more than 28,000 public-spirited citizens.

THE STAFF

To supervise the completion of the building and the installation of its equipment and to care for the manuscripts, books, museum objects, and other materials that were to come to the Library, the Archivist proceeded soon after the beginning of the year to appoint a staff for the Library. Fred W. Shipman, a member of the National Archives staff since June 1935 and Chief of the Division of State Department Archives since March 1936 and previously a research worker for the American Antiquarian Society and a historical expert in the Department of State, was appointed Director of the Library on July 16. Edgar B. Nixon, also formerly employed as a historical expert in the Department of State in connection with the publication of the *Territorial Papers*, was appointed associate archivist at the Library on November 1. James L. Whitehead, formerly State Supervisor of the WPA Survey of Federal Archives in Pennsylvania, and John S. Curties, formerly area project supervisor of the Historical Records Survey in New York and instructor in history in several municipal colleges in New York City, were appointed assistant archivists on

November 18, 1940, and April 28, 1941, respectively; and Eleanor G. McGonagle, formerly cataloger in the library of Tufts College and research secretary for the Mount Vernon Ladies Association, was appointed junior archivist and cataloger on November 12, 1940. This professional staff was supplemented in the course of the year by the appointment of a museum aide, a secretary to the Director, two clerks, and a laborer. As the Library is a field agency of The National Archives, the staff of the latter institution is used in connection with such administrative matters as equipment, finances, and personnel.

The professional work is organized along three distinct lines of activity as determined by the three major types of material in the Library—manuscripts, printed material, and museum objects—but no professional worker on the staff will be restricted to any single one of the three lines of activity. Each worker will be expected to acquire a general knowledge of all material in the Library, and as the work on the manuscripts progresses he will be assigned a field of specialization, which will necessitate not only complete familiarity with relevant portions of the holdings of the Library but also an acquaintance with the extent, location, and value of related materials, both manuscript and printed, that may be in existence elsewhere. He will also be responsible for all the steps in the arrangement and description of the materials in his immediate charge from the time of their receipt to their final analysis and description. To familiarize the staff further with the techniques employed in the Library and the subject matter of its holdings, a series of staff meetings was held during the year as part of an in-service training program.

MATERIAL RECEIVED

As soon as the Library building was turned over to the Government, the President started sending material to it, and throughout the year he continued to turn over material to the Library as rapidly as it could be absorbed. No material for the collection was purchased and only a small quantity was received through gifts from persons other than the President. In accepting these gifts care was exercised to observe the provision of the law creating the Library that limits the material the Library may acquire from other sources by gift, purchase, or loan to "historical books related to and other historical material contemporary with and related to the historical material acquired from the donor," that is, from Franklin D. Roosevelt. This provision wisely prohibits the acquisition of items or collections intrinsically interesting but unrelated to the purposes to which the institution is dedicated.

Manuscript material.—During the fiscal year 1941 approximately 2,656 linear feet of manuscript material was received, 1,563 feet

from the President and 493 feet from other sources. The papers from the President fall into three groups relating respectively to his activities as a leader of the Democratic Party, as Governor of New York State, and as President. Papers in the last group comprise about three quarters of the manuscripts received to date, and of them only a few are concerned with the executive and policy-making aspects of the Presidential office. Most of them consist of letters to the President offering advice or criticism on national issues or soliciting aid on matters of personal or local character.

The following are the groups of papers that have been received from the President:

- Campaign correspondence. 1924. 10 feet. Relates to Mr. Roosevelt's service as chairman of the New York State committee for the nomination of Alfred E. Smith as Presidential candidate of the Democratic Party.
- Campaign correspondence and papers. 1928-30. 5 feet. Chiefly letters received by Mr. Roosevelt in his capacity as campaign manager for Alfred E. Smith during the Presidential campaign of 1928.
- Campaign correspondence. 1928-33. 163 feet. Letters and telegrams to Mr. Roosevelt from Democratic Party officials and workers and from the general public, with copies of his replies.
- Personal correspondence while Governor of New York State. 1923-33. 46 feet.
- Campaign correspondence and papers. 1930-36. 20 feet. Financial records of the 1932 Democratic National Campaign Committee; 1936 election campaign literature; and analyses of the political situation in 1936.
- Addresses as Governor and President. 1930-40. 10 volumes, typed. Carbon copies of official stenographic reports of the addresses.
- Correspondence. 1932-33. 29 feet. Letters to Mr. Roosevelt, for the most part from the general public, relating largely to the campaign for the Presidential nomination and election and to the inauguration.
- Addresses as Presidential candidate and President. 1932-40. 22 items. Drafts and final copies of the addresses of July 2, 1932, August 14, 1933, March 4, 1937, and December 29, 1940, with corrections and additions in pencil in Mr. Roosevelt's hand.
- White House alphabetical file. 1933-36. 1,050 feet. Letters to the President from the general public, with abstracts of letters forwarded to various agencies of the Government and of letters placed in other White House files, and copies of replies.
- President's personal file relating to gifts. 1933-37. 12 feet. Letters to the President accompanying gifts, with copies of his replies.
- Papers relating to trips of the President. 1933-38. 14 feet. Correspondence and memoranda dealing with arrangements, itineraries, speeches, interviews, and administrative matters.
- Correspondence relating to radio addresses and messages. 1933-39. 17 feet. Letters commenting on the issues touched upon in the President's speeches, with copies of his replies.
- Papers on national politics. 1933-39. 6 feet. Letters, reports, and memoranda from Democratic Party leaders submitting analyses of the political situation throughout the country.
- White House press releases. 1933-39. 4 feet. Chiefly mimeographed releases, with some brief releases in typewritten form, and a number of memoranda on the preparation of the releases.

- Greetings and invitations. 1933-40. 69 feet. Birthday greetings, letters relating to the Birthday Balls, and congratulations on anniversaries of the President's elections and inaugurations and other occasions.
- Press conferences of the President. 1933-40. 16 volumes, typed. Carbon copies of official stenographic reports.
- Correspondence on the Bonus Bill. 1935. 11 feet. Letters opposing or supporting the Patman Adjusted Service Certificate Bill.
- Relief authorizations. 1935. 4 feet. Copies of letters from the President authorizing the transfer of relief funds to specific projects.
- Correspondence on the Judiciary Reorganization Bill. 1937. 85 feet. Letters in support of or opposing the Judiciary Reorganization Bill, divided pro and con, with copies of the President's replies.
- Third term correspondence. 1937-40. 37 feet. Letters to the President urging or opposing his candidacy for a third term.
- Correspondence and papers of Louis McHenry Howe. 1913-20, 1930-36. 51 feet. This material relates to Howe's term of service as assistant to Assistant Secretary of the Navy Franklin D. Roosevelt and to his secretaryship to Mr. Roosevelt as Governor of New York and as President.

The following groups of papers have been received from the persons, organizations, and agencies named at the beginning of the descriptions:

- Harry L. Hopkins. Papers as Works Progress Administrator. 1933-38. 125 feet.
 - Mrs. Franklin D. Roosevelt. Correspondence. 1930-31. 2 feet.
 - Democratic National Committee. Patronage correspondence. 1938-40. 5 feet. Letters to the committee with reference to positions in the Government.
 - Democratic National Committee, Women's Division. Campaign records, correspondence, and literature. 1934-40. 34 feet.
 - National Committee of Independent Voters. Campaign records and correspondence. 1936-40. 27 feet.
 - Commerce Department. National Recovery Administration documents. 1933-36. 230 feet. Copies of the codes formulated by the NRA, of the Executive orders of the President placing them in effect, and of histories of the making of the codes.
 - Interior Department, Bituminous Coal Division. Copy of the official record in Docket 15, presenting a detailed account of the Division's actions in establishing minimum prices and marketing rules and regulations. 1939-40. 67 feet.
- Printed material.*—The Library received 2,469 books and 673 pamphlets from the President, including 359 books relating to the history of the United States Navy, 673 nineteenth century pamphlets and periodicals containing biographies of prominent American naval men, 94 books on Dutchess County history, and 2,016 books on history, economics, biography, and current affairs. Many of the President's books and pamphlets have added interest because they contain comments and notations in his hand or because they are inscribed copies presented by the authors. In addition, 1,319 books and 10,242 pamphlets, for the most part Government publications, were received from other sources. Thus the Library had acquired by the end of the year 3,788 books and 10,915 pamphlets.

Museum material.—In his long career the President has collected or has had given to him hundreds of museum objects. During the year the Library received from the President naval prints and pictures and ship models, which he had spent many years in collecting; rare and beautiful items, such as oriental rugs, Chinese carvings, Scandinavian glassware, and Arabic metal work, which had been given to him by friends and admirers from all over the world; and hundreds of trinkets, souvenirs, relics, and curios, which had been sent to him by men, women, and children from all parts of the United States as evidence of their esteem and good will. By groups, this material consisted of 161 naval prints and paintings and other pictures; 113 ship models; 550 coins, medals, medallions, and pieces of jewelry; 51 walking sticks; 44 flags and pennants; 27 gavels; 18 paperweights; 14 vases; and 842 other objects of a miscellaneous character. The holdings of the Library were also enriched by the receipt from other sources of 32 pictures and 18 miscellaneous objects, bringing the total number of museum objects received during the year to 1,850.

ARRANGEMENT AND DESCRIPTION OF MATERIAL

Manuscript material.—Most of the papers thus far received have been products of active, well-organized offices and were consequently well arranged in files at the time of the creation of the records. When such files are received, no attempt is made to change their arrangement; only files lacking identity or original arrangement or papers obviously misfiled are arranged in the Library. The papers received are therefore ordinarily removed from the filing cases, packing boxes, or other original containers, are supplied with new folders if necessary, and are then placed in fiber boxes each of which holds approximately 3 linear inches of material. The boxes are given identifying labels and are laid flat on steel shelves, usually in rows two boxes high on each shelf.

By the end of the year inventories based on careful examination and study of the papers had been made of all papers received from the President with the exception of his correspondence during the period of his governorship, and the following five groups of papers of the President, amounting to 743 linear feet in all, had been labeled and shelved: Correspondence, 1932-33; White House alphabetical file, 1933-36 (in part); President's personal file relating to gifts, 1933-37; Correspondence on the Bonus Bill, 1935; and Correspondence on the Judiciary Reorganization Bill, 1937. The work of arranging and describing the manuscript material had not progressed sufficiently far, however, to permit its use for research.

Printed material.—Books and pamphlets relating to the history of the United States Navy and to the history of Dutchess County and

books formerly a part of the Roosevelt family library are kept in special groups, but all other printed material with the exception of Government publications is being arranged in a single subject classification based on that used by the Library of Congress. Printed Library of Congress cards are used for cataloging whenever feasible, but most of the books received from the President require special identification and cataloging to indicate such facts as the presence of his autograph, notations in his hand, or signatures by authors on presentation copies. The subject entries indicated on the Library of Congress cards are supplemented by additional entries for all topics of importance within the Library's field of interest. Printed material received from Government agencies is arranged alphabetically by the names of the agencies, and checking cards have been made for documents regularly issued. During the year the titles of the 2,469 books received from the President were alphabetically listed, 302 titles were cataloged, and 1,393 cards were prepared for the public catalog.

Museum material.—A complete inventory was made of the 1,850 museum objects received by the Library during the year, and some 300 of these objects were chosen for initial display. The museum exhibits will be rotated periodically to permit the display of the material not yet used and of new material that may be received. It is desirable for exhibits at the Library to be at once nautical, biographical, artistic, and historical, in short, for them to bear the imprint of the President's interests and to be representative of his activities. It was fortunate, therefore, that the President was able to play a large part in arranging the initial exhibit, particularly in the Naval Exhibition Room.

The objects on display are distributed through several rooms. In the Main Exhibition Room on the first floor a diversified collection of objects is displayed in cases and cabinets, in the Naval Exhibition Room on the same floor numerous ship models are on display, in the Oddities Room on the ground floor over 100 miscellaneous gifts from the general public are placed on open shelves and tables, and in another exhibition room nearby carriages, sleighs, and ice boats of the President and his family are placed; and in all these rooms, except the last, pictures suitable to their surroundings have been hung. In accordance with standard museum practice, cards and labels identifying or explaining the significance of the objects on display are placed with them.

RELATIONS WITH THE PUBLIC AND WITH OTHER INSTITUTIONS

As might be expected, the Library has attracted the attention of the public at large because of its personal relationship to the President of the United States. Representatives of newspapers have visited the Library from time to time and have written articles

about it, and many newspaper men, as well as newsreel photographers, were present at the dedication of the Library. Even though the Library was not opened to the general public, over 1,000 persons visited the building during the year. Among the earlier visitors were persons of national and international importance, as well as many professionally interested individuals, including librarians from the New York State extension service and members of the Society of American Archivists. Distinguished foreign visitors included Crown Princess Martha of Norway, His Excellency the Earl of Athlone, Governor General of Canada, Her Royal Highness Princess Alice, and W. L. Mackenzie King, the Prime Minister of Canada. From the interest evidenced thus far it seems likely that the visitors to the Library will number in the thousands annually.

The general public will be admitted to the exhibition rooms and museum portions of the building beginning with the first day of the new fiscal year. These portions of the building will be open Tuesdays to Saturdays inclusive from 9:30 a. m. to 5 p. m., and Sundays and holidays (including any holiday that falls on Monday) from 11 a. m. to 5 p. m. An admission fee of 25 cents will be charged all visitors except those under 12 years of age, but no fees will be charged for the use of books and papers in the Library when they are made available to investigators. The funds so collected are administered for the benefit of the Library by the Archivist. Under the provisions of the resolution establishing the Library, gifts and bequests to it of personal property may be received and administered as trust funds by a Board of Trustees composed of the Archivist and the Secretary of the Treasury as ex officio members and five others appointed by the President for life. The President has appointed Basil O'Connor, Frank C. Walker, Harry L. Hopkins, and Samuel E. Morison as trustees, and one vacancy on the board remains to be filled.

Other institutions have been especially helpful in the work of the Library. The Library of Congress has supplied bibliographies and catalog cards, subject headings lists, classification schedules, and various other tools used in cataloging and has otherwise been of material aid. The Vassar College Library and the Adriance Memorial Library of Poughkeepsie have been extremely helpful in lending books and answering inquiries. Too much cannot be said of the assistance rendered by the Franklin D. Roosevelt Library, Inc., which, as mentioned earlier in the report, has borne most of the expenses involved in furnishing and equipping the building and in providing the landscaping and other necessary work on the grounds.

FISCAL AFFAIRS

The resolution establishing the Franklin D. Roosevelt Library authorizes the Archivist to pay the expenses incurred by him in carrying out his duties with respect to the Library from the appropriations for The National Archives and requires him to submit to Congress annually a detailed statement of the receipts and expenditures on account of the Library. The expenses incurred by the Archivist for the Library during the fiscal year 1941 were accordingly paid from the appropriations for The National Archives contained in the Independent Agencies Appropriation Act, 1941, approved April 18, 1940 (Public, No. 459, 76th Cong.). Expenditures and obligations for the Library during the year, insofar as it is possible to segregate them, totaled \$23,405, as indicated in the following statement:

Obligations and expenditures for the fiscal year ending June 30, 1941

<i>Salaries and expenses</i>	
Personal services	\$15,010
Supplies and material	1,019
Communication service	2,289
Travel expense	1,784
Transportation of things	3
Repairs and alterations	70
Special and miscellaneous	80
Equipment	2,527
Total salaries and expenses	\$22,788
Printing and binding	617
	\$23,405

Funds for the operation of the Franklin D. Roosevelt Library for the fiscal year 1942 were provided in the appropriations for The National Archives in the Independent Agencies Appropriation Act, 1942, approved April 5, 1941 (Public, No. 28, 77th Cong.).

APPENDIX I

RESOLUTION ESTABLISHING THE FRANKLIN D. ROOSEVELT LIBRARY, APPROVED JULY 16, 1939

[53 Stat. 1062-1066]

Joint Resolution to provide for the establishment and maintenance of the Franklin D. Roosevelt Library, and for other purposes.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—DEFINITIONS

SECTION 1. As used in this joint resolution—

- (a) The term "donor" means Franklin D. Roosevelt.
- (b) The term "historical material" includes books, correspondence, papers, pamphlets, works of art, models, pictures, photographs, plats, maps, and other similar material.
- (c) The term "Board" means the Trustees of the Franklin D. Roosevelt Library.

TITLE II—FRANKLIN D. ROOSEVELT LIBRARY

SEC. 201. The Archivist of the United States is authorized to accept for and in the name of the United States from the donor, or from such person or persons as shall be empowered to act for the donor, title to a tract of land consisting of an area of twelve acres, more or less, of the Hyde Park estate of the donor and his family, located on the New York-Albany Post Road, in the town of Hyde Park, Dutchess County, State of New York; such area to be selected and carved out of the said estate by the donor and to be utilized as a site for the Franklin D. Roosevelt Library provided for in this title.

SEC. 202. The Archivist is authorized to permit the Franklin D. Roosevelt Library, Incorporated, a New York corporation organized for that purpose, to construct on the area referred to in section 201 of this title a building, or buildings, to be designated as the Franklin D. Roosevelt Library, and to landscape the grounds within the said area. Such project shall be carried out in accordance with plans and specifications approved by the Archivist. The Federal Works Administration is authorized to permit the facilities and personnel of the Public Building Administration to be utilized in the preparation of plans for and in the construction and equipping of the project: *Provided*, That the Franklin D. Roosevelt Library, Incorporated, shall enter into an arrangement satisfactory to the Secretary of the Treasury to reimburse the said Public Building Administration for the costs and expenses incurred for such purposes, as determined by the Federal Works Administration.

SEC. 203. Upon the completion of the project authorized in section 202 of this title, the Archivist shall accept for the Franklin D.

Roosevelt Library, as a gift from the donor, such collection of historical material as shall be donated by the donor. The Archivist may also acquire for the said Library from other sources, by gift, purchase, or loan, historical books related to and other historical material contemporary with and related to the historical material acquired from the donor. The historical material acquired under this section shall be permanently housed in the Franklin D. Roosevelt Library: *Provided*, That the Archivist may temporarily remove any of such material from the said Library when he deems it to be necessary: *And provided further*, That the Archivist may dispose of any duplicate printed material in the said Library by sale or exchange, and, with the approval of the National Archives Council, may dispose of by sale, exchange, or otherwise any material in the said Library which appears to have no permanent value or historical interest. The proceeds of any sale made under this section shall be paid into the special account provided for in subsection (d) of section 205 of this title, to be held, administered, and expended in accordance with the provisions of that subsection.

SEC. 204. The faith of the United States is pledged that, upon the construction of the Franklin D. Roosevelt Library and the acquisition from the donor of the collection of historical material in accordance with the terms of this title, the United States will provide such funds as may be necessary for the upkeep of the said Library and the administrative expenses and costs of operation thereof, including the preservation and care of historical material acquired under this title, so that the said Library shall be at all times properly maintained.

SEC. 205. (a) A Board to be known as the Trustees of the Franklin D. Roosevelt Library is hereby established. The Archivist and the Secretary of the Treasury shall be ex officio members, and the Archivist shall be chairman of the Board. There shall also be five members of the Board appointed by the President for life, but the President may remove any such member for cause. Vacancies on the Board shall be filled by the President. Membership on the Board shall not be deemed to be an office within the meaning of the Constitution and statutes of the United States.

(b) No compensation shall be paid to the members of the Board for their services as such members, but they shall be allowed their necessary expenses incurred in the discharge of their duties under this title. The certificate of the chairman of the Board shall be sufficient evidence that the expenses are properly allowable.

(c) The Board is hereby authorized to accept and receive gifts and bequests of personal property and to hold and administer the same as trust funds for the benefit of the Franklin D. Roosevelt Library. The moneys or securities composing trust funds given or bequeathed to the Board shall be receipted for by the Secretary of the Treasury who shall invest, reinvest, and retain investments as the Board may from time to time determine: *Provided, however*, That the Board is not authorized to engage in any business nor to exercise any voting privilege which may be incidental to securities in such trust funds, nor shall the Secretary of the Treasury make any investments for the account of the Board which could not lawfully be made by a trust company in the District of Columbia, except that

he may make any investment directly authorized by the instrument of gift under which the funds to be invested are derived, and may retain any investments accepted by the Board.

(4) The income from any trust funds held by the Board, as and when collected, shall be deposited with the Treasurer of the United States who shall enter it in a special account to the credit of the Franklin D. Roosevelt Library and subject to disbursement by the Archivist, except where otherwise restricted by the instrument of gift, in the purchase of equipment for the Franklin D. Roosevelt Library; in the preparation and publication of guides, inventories, calendars, and textual reproduction of material in the said Library; and in the purchase, under section 203 of this title, of historical material for the said Library. The Archivist may make sales of any publications authorized by this section at a price which will cover their cost and 10 per centum added, and all moneys received from such sales shall be paid into, administered, and expended as a part of the special account herein provided for.

(e) Unless otherwise restricted by the instrument of gift, the Board, by resolution duly adopted, may authorize the Archivist to use the principal of any gift or bequest made to it for any of the purposes mentioned in subsection (d) hereof.

(f) The Board shall have all the usual powers of a trustee in respect to all funds administered by it, but the members of the Board shall not be personally liable, except for misfeasance. In the administration of such trust funds the actions of the Board, including any payments made or authorized to be made by it from such funds, shall not be subject to review or attack except in an action brought in the United States District Court for the District of Columbia, which is hereby given jurisdiction of such suits, for the purpose of enforcing the provision of any trust accepted by the Board.

Sec. 206. The Commissioner of Public Buildings shall be responsible for the care, maintenance, and protection of the buildings and grounds of the Franklin D. Roosevelt Library in the same manner and to the same extent as he is responsible for the National Archives Building in the District of Columbia. Except as provided in the preceding sentence, the immediate custody and control of the Franklin D. Roosevelt Library, and such other buildings, grounds, and equipment as may from time to time become a part thereof, and their contents shall be vested in the Archivist of the United States, and he is authorized to appoint and prescribe the duties of such officers and employees, including clerical assistance for the Board, as may be necessary for the execution of the functions vested in him by this title.

Sec. 207. The Archivist shall prescribe regulations governing the arrangement, custody, protection, and use of the historical material acquired under this title; and, subject to such regulations, such material shall be available to the public free of charge: *Provided*, That the Archivist is authorized to charge and collect, under regulations prescribed by him, a fee not in excess of 25 cents per person for the privilege of visiting and viewing the exhibit rooms or museum portion of the said Library; and any funds so derived shall be paid by the Archivist into the special account provided for in subsection (d) of section 203 of this title, to be held, administered, and expended under the provisions of that subsection.

Sec. 208. The Archivist shall make to the Congress, at the beginning of each regular session, a report for the preceding fiscal year as to the Franklin D. Roosevelt Library. Such report shall include a detailed statement of all accessions, all dispositions of historical material, and all receipts and expenditures on account of the said Library.

Sec. 209. The costs incurred by the Archivist in carrying out the duties placed upon him by this title, including the expenses of the members of the Board and the costs of the Board's necessary clerical assistance, shall be paid out of the appropriations for The National Archives Establishment as other costs and expenses of The National Archives Establishment are paid; and such sums as may be necessary for such purposes are hereby authorized to be appropriated.

TITLE III—FRANKLIN D. ROOSEVELT RESIDENCE

Sec. 301. The head of any executive department, pursuant to agreement between him and the donor, may accept for and in the name of the United States from the donor, or from such person or persons as shall be empowered to act for the donor, title to any part or parts of the said Hyde Park estate of the donor and his family which shall be donated to the United States for use in connection with any designated function of the Government administered in such department. The title to any such property may be accepted under this section notwithstanding that it may be subject to the life estate of the donor or of any other person or persons now living: *Provided*, That during the continuance of any life estate reserved therein no expense to the United States in connection with the ordinary maintenance of the property so acquired shall be incurred: *Provided further*, That the acceptance hereunder by the United States of the title to property in which any life estate is reserved shall not during the existence of such life estate exempt the property, except to the extent provided in section 304 [303] of this title, from taxation by the town of Hyde Park, Dutchess County, or the State of New York as other real property in the said town, county, or State is taxed under the applicable laws relating to taxation of real property.

Sec. 302. Upon the expiration of all life estates reserved in any property acquired under this title for use in connection with a designated function of the Government, or, if no life estate is reserved, immediately upon the acceptance of title thereto, the head of the department administering the said function shall assume jurisdiction and control over the property so acquired and administer it for the purpose designated, subject to the applicable provisions of law.

Sec. 303. The right is reserved in the Congress to take such action and to make such changes, modifications, alterations, and improvements in connection with and upon any property acquired under this title, during or after the expiration of any life estate reserved therein, as the Congress shall deem proper and necessary to protect and preserve the same; but neither the improvements so made nor any increase in the value of the property by reason thereof shall be subject to taxation during the existence of any life estate reserved in the property.

Approved, July 18, 1939.

APPENDIX II

CEREMONIES INCIDENT TO THE DEDICATION OF THE FRANKLIN D. ROOSEVELT LIBRARY, JUNE 30, 1941¹

INVOCATION BY THE REVEREND PATRICK J. MEE, RECTOR OF THE CHURCH OF REGINA COELI, HYDS PARK, N. Y.

O Almighty and Eternal God, Father of Mercies, in whom we live, move, and have our being, graciously look down upon us here assembled.

Enlighten our minds with the light of Thy holy spirit so that we may be truly wise and ever enjoy His consolations.

Grant to us that peace which can come into our minds only through the fulfillment of Thy commandments.

Direct, we pray Thee, all our actions by Thy holy inspirations, and further them by Thy continual assistance, so that every prayer and work of ours may begin with Thee, and by Thee be happily ended, through the merits of Jesus Christ Our Saviour.

Amen.

REMARKS OF THE HONORABLE FRANK C. WALKER, TREASURER OF THE FRANKLIN D. ROOSEVELT LIBRARY, INC., PRESIDING OFFICER AT THE DEDICATION OF THE LIBRARY

Mr. President, Ladies and Gentlemen:

We are assembled here today to dedicate the Franklin D. Roosevelt Library, not to any individual, not to any group, but rather we are dedicating this splendid historic edifice to the American people.

Here, in the shadows of the birthplace and home of our President, now stands, fully completed, a fine building of dignity and importance that will serve as the storehouse for the records of a period that has no parallel in the history of America and of the world. Within these walls shall be found, in the days to come, a collection of rare documents that will well and truly record much of our part in World War I. Here will be found papers that will faithfully tell the intimate story of the ambitions and aspirations, the suffering and sorrows, and the final triumph of the American people of the New Deal Era—here, conceivably, may come a collection of documents that may provide more accurate source material delineating the world's greatest catastrophe, World War II, than may be found in any one collection of papers of an individual in the world.

This unusual occasion is made possible by the fine understanding and appreciation of our President, who did that which is unique when he presented to the people of America his private records, which tell a story of a most interesting and important era in world history. I

¹ With the exception of the address by Dr. Connor, the material in this appendix is taken from a stenographic report of the ceremonies.

am wondering where else in the world would a Chief Executive be so truly cognizant of the need for close relationship between the statesman and the historian and make such generous disposition of such priceless material.

This, too, is an unusual occasion in another sense, because this grand repository was conceived and came to pass by reason of the generosity of fine Americans, 28,000 in number, from every walk of life, representing every State in the Union and the several possessions.

To you fine representative Americans who helped so nobly to make this possible, I say we are sincerely thankful.

To you, Mr. President, may I say we are most grateful.

ADDRESS OF R. D. W. CONNOR, ARCHIVIST OF THE UNITED STATES

In normal times the average person thinks little and cares less about the past; he is quite content to let the dead past bury its dead; for him the living present is sufficient. But when times are out of joint, when new ideologies appear to challenge traditional ideologies, every champion of either the new or the old looks to the past for help, and feels himself at liberty to use or abuse the helpless Muse of History as suits his purpose.

We ourselves are living in such a time. Everywhere new and strange isms are engaged in a life and death struggle with old and familiar isms. In our own land, according to our American custom, the struggle is being waged within the framework of constitutional principles and practices. Other lands and other peoples have not been so fortunate. From Europe, from Africa, from Asia, come reverberations of war and revolution. But whether waged with ballots or with bullets, the conflicts everywhere, in one respect at least, follow the same historic pattern. In the present as in the past, protagonists of the new and defenders of the old are busily thumbing the pages of history in search of arguments to support their own particular brands of isms. No one who wades patiently through the "public pulse" columns of our daily papers can fail to admire the zeal if not the knowledge of these champions.

The interests which make such uses of history are as numerous and varied as the interests of humanity itself. Ambition to live in history has always been a powerful influence in the conduct of men. From earliest times, conquerors and rulers have had the records of their actions preserved, falsified, or destroyed, as the case might require, in the hope that history might speak well of them; leaders of lost causes have appealed for vindication from the verdict of their contemporaries to the verdict of history; and martyrs of every philosophy have found consolation in handing over their persecutors to history's avenging pen. But respect for the judgments of history is not confined to individuals; society itself, in every form, has acknowledged its power. The Exchange, the Church, the State, have feared its condemnation and courted its praise.

In a national crisis, men instinctively seek to find in the spirit of the past inspiration to strengthen the morale of the present. Not long ago the President appealed to the American people for national unity in the present crisis. Only through national unity, he told us, "can we successfully defend our national heritage" and pass it

on "not only intact, but stronger than ever, to all generations yet to come." But what is our "national heritage" if it is not our national history? And how can we pass it on intact and stronger than ever if we do not respect its truth and defend its integrity? The product of false history is a spurious patriotism, and a spurious patriotism is no more to be desired in a democracy than in an autocracy.

The raw materials of history are the records of past human affairs, and only when such records have been preserved and made available to him can the historian truly reconstruct and interpret the past. It must have been some such thought that inspired the idea that finds concrete expression in this library which we dedicate today. No thoughtful person will seriously question the fact that the political, economic, and social development of both the domestic and foreign affairs of the United States during the past two decades marks the period as a distinctive era in our national history; now can it be doubted that this period will be the subject of intensive study by the historians, political scientists, economists, and sociologists of the future.

Franklin D. Roosevelt, the historian, was quite as well aware of this fact as was Franklin D. Roosevelt, the statesman, when, on December 10, 1938, he announced to the country his plan for the establishment of this library. After describing the rich and varied materials in his collections, he said: "It is my desire that they be kept as a whole and intact in their original condition, available to scholars of the future in one definite locality . . . It is, therefore, my thought that funds can be raised for the erection of a separate, modern, fireproof building . . . so designed that it would hold all of my own collections and also such other source material relating to this period in our history as might be donated to the collection in future by other members of the present Administration." Thus there would be "set up for the first time in this country what might be called a source material collection relating to a specific period in our history."

That plan has now been carried into effect, and we have met here today to dedicate the building and its contents to the service of the American people. We do this in confident expectation that for generations to come, the Franklin D. Roosevelt Library will be the Mecca for scholars and statesmen who would learn how in the midst of a world conflict between autocracy and democracy a free people preserved their freedom and strengthened their democratic institutions.

REMARKS OF SAMUEL E. MORISON, PROFESSOR OF HISTORY AT HARVARD UNIVERSITY

One of my favorite quotations to announce a historical address, however short—especially when a poet is present—is from Don Quixote. "It is one thing to write as a poet, another as an historian. The poet is able to say or sing things, not as they were, but as they ought to be. The historian has to write of them, not as they should have been, but as they were, without adding to them or subtracting from the truth in any way."

Now, Mr. President, it will be possible to write the truth, the whole historical truth, about your administrations, on account of this wonderful collection that you are bringing together in this building.

Yours will be better documented than any earlier Presidential administrations in history. Think, for instance, of the number of unnecessary, futile, misleading books about the great Abraham Lincoln that we might have been spared, had his heirs brought together such a collection of papers as this. But, Mr. President, if you are going to keep a Snug Harbor for all your collections and your papers from the White House, I shall have to warn you to give some of those "oddities" the "deep six" or they will overflow and take up the space needed for documents. I know you are the Nation's No. 1 collector, but collecting can be overdone, even by No. 1. I want to say to the President's neighbors from Dutchess County here assembled, if you feel an impulse to give the President that old bear trunk in the attic, or horse buggy, don't do it!

Not that I am one of those who regard all historical material as being on paper or in ink. Far from it. I should like to see, for instance, in this Library and museum—well, a straw from that *Literary Digest* Straw Vote. I should like to see some of those Blades of Grass that didn't grow in the Streets of our Cities. I should like to see a Plank out of that famous Walk that led out from the White House, and has now happily come full circle, back again.

And when I go below here, Mr. President, down into the hold of this building, I cannot help approving those ice-boats and carriages, even if they do take up a lot of space. They are going to be very interesting to historians in the future.

Mr. President, you and I went to sea first at about the same time, and in the same waters, along the coast of the Bay of Fundy, where there is an awful lot of fog, and I know that learning to sail through the fog has been extremely useful to me, and I shouldn't wonder if it hadn't been sometimes useful to you, Mr. President.

It was down in those regions a summer "yotter" asked a native lobsterman what the lighthouse at "Tit Maman" looked like. The lobsterman said, "Well, sir, I am afraid I don't know. I have been living down here and lobstering for 50 years, but I ain't seen it yet." Now, Mr. President, you know as well as I do that seamen don't like sailing through fog, nor do historians. But owing to the wise and generous provisions that have been made, there will be no historical fog over the history of your administrations.

REMARKS OF THE PRESIDENT OF THE UNITED STATES

Mr. Walker, Dr. Connor:

It seems to me that the dedication of a library is in itself an act of faith. To bring together the records of the past and to house them in buildings where they will be preserved for the use of men and women in the future, a nation must believe in three things.

It must believe in the past.

It must believe in the future.

It must, above all, believe in the capacity of its own people so to learn from the past that they can gain in judgment in creating their own future.

It has been among democracies, I think, through all the recorded history of the world, that the building of permanent institutions like libraries and museums for the use of all the people has flourished.

And that is especially true in our own land, because we believe that people ought to work out for themselves, and through their own study, the determination of their best interest rather than to take another kind of course, rather than to accept such so-called information as may be handed out to them by certain types of self-constituted leaders who decide what is best for them.

And so it is in keeping with the well-considered trend of these difficult days that we are distributing our own historical collections more widely than ever before throughout the length and breadth of our land. From the point of view of their safety—the physical safety of our records—it is, it seems to us in later times, wiser that these records should not be too greatly concentrated. And from the point of view of accessibility of these records, greatly concentrated in any one place in the United States, modern methods, to which we have become accustomed, now make study and dissemination of these records in many places possible for the modern historian.

This particular Library is but one of many new libraries. And so, because it happens to be a national one, I as President have the privilege of accepting this newest house in which peoples' records are preserved—public papers and collections that refer to our own period of history.

And this latest addition to the archives of America is dedicated at a moment when government of the people by themselves is being attacked everywhere.

It is, therefore, proof—if any proof is needed—that our confidence in the future of democracy has not diminished in this Nation and will not diminish.

As all of you know, into this Library there has gone, and will continue to go, the interest and loving care of a great many people. Most of you who are here today are old friends and neighbors of mine—friends and neighbors throughout the years. And so all of you, my friends and neighbors, are in a sense trustees of this Library through the years to come.

We hope that millions of our citizens from every part of the land will be glad that what we do today makes available to future Americans the story of what we have lived, and what we are living today, and what we will continue to live during the rest of our lives.

And so I am grateful to all of you for all that you have done.

I think that the ceremonies are now over, except for one very important addition that relates to the future. Under an act of the Congress of the United States, there was appointed—authorized to be appointed—a Board of Trustees, who will be responsible for this Library from midnight tonight, through the years to come.

I am glad that you have come today, because, as I suggested at lunch to some of the trustees, this is the last chance you have to see this Library free of charge. At midnight tonight the Government of the United States takes over, and it takes over through this Board of Trustees of which Dr. Connor, the Archivist—the National Archivist of the United States—is to be the Chairman, and on which will serve ex officio our own neighbor from this county, the Secretary of the Treasury of the United States—Henry Morgenthau, Jr.

And incidentally, I have appointed a number of very old friends of mine to serve as additional trustees: My old law partner, Basil

O'Connor from New York; and Frank Walker, who in addition to being a very old friend is also the man who carries your mail; and Dr. Morison, an old seafaring friend of mine. And now let us see, who else is there? Oh, I asked him but he couldn't get here today. He was terribly sorry, but he said, quite frankly, that Long Island was cooler than Hyde Park. Another old friend, whom you have seen here many times with me—Harry Hopkins.

And so—and so I am asking the first Federal judge to be appointed from Dutchess County for I don't know how many generations, our old friend Eddie Conger of Poughkeepsie, to step forward when I give out these—I won't call them diplomas, but they look like diplomas—to these new trustees. I am going to ask Federal District Judge Conger to administer the oath of office.

[The oath of office was then administered to Basil O'Connor, Samuel E. Morison, and Frank C. Walker.]

BENEDICTION BY THE REVEREND FRANK R. WILSON, RECTOR, ST. JAMES' CHURCH, HYDE PARK, N. Y.

May the blessing of God Almighty, the Father, the Son, and the Holy Spirit, rest upon our people and upon all our work done in His name. May He give us light to guide us, courage to support us, and love to unite us, now and forevermore.

Amen.

Dear Marriner:

I have your letter of January 28, 1942, enclosing a memorandum which expresses the unanimous view of those present at your meeting on Friday, January 23, on the program of Treasury financing that might be followed during the war period.

I appreciate your sending this to me. I have turned it over to the various staff members for study and we will probably want to discuss it with you at some later date.

Sincerely,

Secretary of the Treasury

Honorable Marriner S. Eccles,
Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

DWB:cs 2-2-42

*Photo file N.M.C.
Original file to Mr. Bell*

TO:

Mr. W. H. Bell 74

Secretary said
read and return
on Friday, 1/30/42

I have copied and
am distributing them
to Morris Viner, Hans Murphy
and Hadley -

sub
1-29-42



From: MR. FITZGERALD

TO:

Mr. Morris

175

P Secretary said to
read this and
return it to him
tomorrow; Thursday.

A. Stevens called
me to this effect +
sent this down
4:40 RWB

1/28/42.

From: MR. FITZGERALD

Noted
1/29/42
AMM

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

JANUARY 29, 1942

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

Dear Henry:

As you know, the members of the Board and of the Federal Open Market Committee have been giving consideration for a considerable period of time to a program of Treasury financing that might be followed during the war period. From time to time we have had informal meetings in Washington the last of which was held on Friday, January 23. At that meeting, in addition to members of the Board, there were present Messrs. Scovell, Lench, and Williams, Presidents of the Federal Reserve Banks of New York, Richmond, and Philadelphia, respectively, Messrs. Goldenweiser and Piser of the Board of Governors, and Messrs. Williams and Rouse of the New York Federal Reserve Bank. As the result of discussions at that meeting, there was prepared the attached memorandum which expresses the unanimous view of those present, and it was understood that I would transmit the statement to you for such consideration as you may wish to give to it. If you or the members of your staff wish to discuss the various aspects of the program, we shall be glad to go to the Treasury for that purpose at a time that is convenient to you.

During the meeting on Friday Mr. Williams of Philadelphia presented a memorandum relating to the subject of business funds for noninflationary war financing and it was agreed that a copy of this memorandum would be sent to you as a supplement to that part of the general memorandum dealing with an issue designed to attract temporarily idle business funds.

Sincerely,

W. S. Eccles
W. S. Eccles,
Chairman.

Enclosure.

The President in his Budget Message submitted to the Congress on January 7, 1942, the following statement concerning "Borrowing and the Menace of Inflation":

"Last year, defense expenditures so stimulated private capital outlays that intensified use of private funds and private credit added to the inflationary pressure created by public spending.

"Under a full war program, however, most of the increase in expenditures will replace private capital outlays rather than add to them. Allocations and priorities, necessitated by shortages of material, are now in operation; they curtail private outlays for consumers' durable goods, private and public construction, expansion and even replacements in nondefense plant and equipment. These drastic curtailments of nondefense expenditures add, therefore, to the private funds available for noninflationary financing of the Government deficit.

"This factor will contribute substantially to financing the tremendous war effort without disruptive price rises and without necessitating a departure from our low-interest-rate policy."

This statement will only be borne out by the event if, in fact, private funds diverted from their normal uses are lent to the Government during the war period. It emphasizes the necessity of taking further steps to obtain the maximum amount of borrowed funds from lenders other than commercial banks.

Qualifying Borrowed Funds from Lenders Other than Commercial Banks

- (1) The President's Budget Message indicated that expenditures of the Federal Government during the fiscal year 1942-1943 (beginning July 1, 1942) would be approximately \$60 billions.
- (2) On the basis of the estimates given in the Budget Message, exclusive the revenue from proposed new taxes, the Federal debt will increase from \$70.4 billion on June 30, 1942, to \$110.4 billion on June 30, 1943, an increase of \$39.8 billion.
- (3) The net public borrowing contemplated in the fiscal year 1942-1943 totals \$33.8 billion.
- (4) Making allowance for possible sales of Defense Savings Bonds under the present selling program and a net increase over the fiscal year 1942-1943 of tax anticipation notes and depository bonds outstanding, it seems likely that \$20 to \$25 billions will have to be obtained by the sale of Government securities to banks and to other lenders and investors.

(5) The grave necessity of the Treasury's taking further steps to obtain the maximum amount of these borrowed funds from lenders and investors other than commercial banks is apparent, if fiscal and monetary policy is to contribute its share to the anti-inflation program. It will require more than additional pressure for the sale of the present series of Defense Savings Bonds, important as that is.

(6) The principal sources of funds, other than the banking system and the small income purchasers of the present series of Defense Savings Bonds, are:

- (a) Insurance companies, other institutional investors of various kinds, public bodies, wealthy individuals, trustees, etc.
- (b) Corporations and other business concerns which, in the aggregate, may now have or may accumulate large idle balances.

These two sources of funds must be tapped by the Government, and preferably should be tapped with obligations which have a special appeal for the holders of such funds but which cannot get into the commercial banking system.

(7) It is suggested that an attempt should be made to reach these funds with two issues, extending the present series of Defense Savings Bonds, one of longer term for insurance companies and similar long-term investors, and one of shorter term for business concerns (and public bodies) with temporarily idle funds.

The general features of such offerings might be as stated below. (The exact rates and maturities of these issues are, of course, subject to review. We are in agreement that the terms of these offerings should not be inconsistent with existing open-market rates and maturities having in mind suggested restrictions upon negotiability and other differences.):

- (a) Long-term issue:
 - Interest rate: $2\frac{1}{2}\%$,
 - Maturity: 15 years or thereabouts,
 - Redemption: At cost value with interest adjustment (as in the case of Series E, F, and G Savings Bonds) on six months' notice after bond has been held for one year,
 - Negotiability: Not negotiable in consideration of redemption feature,
 - Callable: Not callable prior to maturity,
 - Sales Restriction: For the present, limited sale to any one purchaser in any one year, upper limit to be not less than \$1,000,000.

-- 3 --

(b) Short-term issue:
Interest rate:

	Rate of interest payments	Yield
6 months	$\frac{3}{8}$	0.38
1 year	$\frac{5}{8}$	0.50
1 1/2 years	$\frac{7}{8}$	0.62
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5	2	1.30

Maturity: 4 or 5 years, preferably 4 years,
Redemption: Redeemable -- after held six months,
on 60 days' notice at any time,
Negotiability: Not negotiable,
Callable: Not callable,
Sales Restriction: Available in unlimited amounts.

(8) It is also suggested that there be an immediate increase in the supply of Treasury bills to at least \$2.6 billion (not including tax period bills), which would contribute not only to the fluidity of the money market but would also provide an alternative medium for the temporary investment of idle public and business balances. With \$2.6 billion of Treasury bills outstanding, there would still be an adequate margin of reserve buying power in this market to take care of emergency or temporary financing which it might be desirable or necessary to accomplish with additional offerings of bills.

It is also important that consideration regularly be given to issuing additional blocks of Treasury bills to mature in the three or four days following the quarterly tax payment dates.

(9) In so far as it is necessary to use bank credit in financing the Treasury's needs, money should be sought from banks with short-term open market issues, that is, with notes and bonds with maturities not exceeding ten years. It may be true that the breadth of the open market will be somewhat reduced by the sale of the restricted issues suggested above. It is more certainly true that to the extent such sales are successful in obtaining for Government use funds which otherwise would have lain idle, the amount of the issues which it will be necessary to place in the open market will be reduced. On balance, and over a period, it would seem most likely that the successful sale of these restricted issues would be a factor of strength, not of weakness, in the open market.

Pattern of Rates

(1) Our experience in the last war, the experience of other countries in this war, and our present capacity for the management of the monetary and credit resources of the country, all indicate that this program should not be cast in the old pattern of rising rates of interest as the war progresses. Price control is required in the field of credit, just as in other fields, when the Government is the principal borrower in the market and the cause of its borrowing is the defense of our national existence.

(2) It is, therefore, desirable, and the existing situation in the money market and the Government security market makes it practicable, to determine and establish a pattern of rates for United States Government securities which will fix, for the present, the general terms of Treasury financing.

(3) It is suggested that the range of rates established by such a pattern should be, for the present, from $1\frac{1}{4}$ - $1\frac{1}{2}$ to $2\frac{1}{2}$ per cent, for obligations other than Series E Defense Savings Bonds. The lower limit of the range and the short-term rates in general could have some flexibility without disturbing the maximum or long-term rate. The $2\frac{1}{2}$ per cent long-term rate approximates closely enough the general pattern of rates which has already been established, and steers a middle course between the danger of a substantial decline in the prices of outstanding securities on the one hand, and the danger of an unattractive program which will not draw the maximum funds from investors and investing institutions on the other.

(4) Within the terms of the general financing program we suggest, the establishment and maintenance of such a pattern of rates does not require the excessive volume of excess reserves which has characterized recent years. It does contemplate that should excess reserves shrink to a point which endangers maintenance of the pattern the Reserve System will provide a sufficient volume of reserves to enable banks to assist the Treasury's financing to whatever extent is necessary.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCINGMEMORANDUM AProposed Plan for Utilizing Idle Business Funds by the Treasury

The war program now calls for expenditures at the rate of \$50-60,000,000,- per year. In physical terms this means (1) that about one-half of our industrial plant will be engaged directly on the production and transportation of war materials, and (2) that about one-half of our human resources will be engaged either in the armed forces or in the production and transportation of supplies for the armed forces. In financial terms it means that the Treasury will have to acquire \$50-60,000,000,000 of purchasing power. If inflation is to be minimized, these funds must be obtained with as little resort to bank credit as possible.

How much can be raised through taxes and borrowed savings? Even if the tax revenue is doubled and borrowed savings exceed one billion dollars a month, there would still be an inflationary gap to bridge. Based upon current estimates of expenditures and reasonable possibilities of expanding real income, it would appear that the Treasury may have to resort to bank credit to a considerable extent, as is indicated in the following examples.

POSSIBLE METHOD OF MEETING TREASURY REQUIREMENTS - IN BILLIONS

	1941-1942	1942-1943	1942-1943 (extreme)
Estimated amount procurable from:			
Taxes.....	\$12	\$24	\$26
Government trust funds.....	2	5	6
Defense Savings Securities.....	8	12	14
Total available.....	\$22	\$41	\$46
Total need of the Treasury (war and ordinary).....	33	53	52
Resort to bank credit, if not available from other sources.	\$11	\$12	\$6

The assumptions as to the amount that can be secured from taxes and borrowed savings are probably over-optimistic, but they suggest the urgency for exploring all possible sources of funds if inflation is to be curbed.

Operations have already been undertaken by the Treasury to raise a large

portion of the required funds through taxation and through the sale of Defense Bonds to individuals. There exists, however, within business enterprise itself, a large volume of potentially inflationary funds, particularly if used for nondefense purposes. Specifically, the funds consist of business balances available after taxation accruals have been set aside and business operating requirements have been met. No adequate provision has yet been made to use this money in the war effort.

Special attention must be given to this potential market for Treasury financing because (1) the amounts involved may become huge as the year progresses, (2) these funds in large part are not properly subject to taxation, and (3) Treasury obligations now available for the investment of these funds are not particularly suitable to the needs of the situation. What is required, obviously, is a special consideration of the kinds of Federal securities best adapted to meet the needs of business concerns for the investment of idle business funds and a special organization to promote the sale of these securities to business enterprises.

Large business balances will arise during 1942 out of (a) surplus earnings not needed for immediate expansion, (b) liquidation of current assets (accounts receivable and inventories), and (c) depreciation accruals. In view of prospective shortages of materials, it is probable that enterprises not engaged directly on war production will not be in a position to replace current inventories during the coming year or to replace capital equipment for which depreciation is taken. It is impossible to estimate closely the funds that may become available from these two sources but their total may well aggregate as much as \$10,000,000,000. Part of the funds so released will be used to repay indebtedness. The remainder of the funds should be invested in Treasury obligations. Such investment will make them available to finance the war effort without inflationary effects and will leave business enterprise in a strong financial position to re-acquire materials and re-equip plant when the emergency is over. The amounts so invested should be as large as possible, because, to minimize inflation, it is essential to postpone as long as possible all deferrable business expenditures.

January 16, 1942.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCINGMEMORANDUM BWhat is the Amount of Business Funds
Available for War Financing?

The minimum amount of business funds in the United States available for investment in Government securities might be placed at \$7 billion. Of this total probably over \$750 million might be procured in the Third Federal Reserve District.

Conservative estimates made informally by the National Bureau of Economic Research at the request of the Federal Reserve Bank of Philadelphia indicate the following volume of business funds that are now available or will become available during 1942.

Sources of funds (Dollar figures in billions)	Total in 1942	Available for investment in Government securities
1. Cash balances.....	\$10.0	\$1.4
2. Inventory.....	26.8	3.7
3. Undistributed earnings.....	2.6	1.1
4. Depreciation accruals.....	4.3	1.9
TOTAL.....		\$7.1
Large concerns (assets over \$1 million).		\$4.6
Small concerns (assets under \$1 million)		2.5

These estimates do not include cash that may be derived from collection of receivables, giving an additional sum of \$500 million.

The break-down by grand totals and by groups shows the following:

(000,000's omitted in figures)	Manu- factur- ing	Trade	Con- struc- tion	Mining	Serv- ices	Public util.	Total
1. Existing cash balances.....	\$5,875	\$1,990	\$420	\$133	\$450	\$1,170	\$10,039
Available - purchase U.S. sec....	1,370	50	---	---	---	---	1,420
2. Existing inventories.....	14,413	10,450	580	80	300	795	26,616
Liquidation in 1942.....	1,325	2,130	0	0	0	0	3,455
Available - purchase U.S. sec. (Net of retiremt. of notes pay.)	1,040	1,608	0	0	0	0	2,648
3. Undistributed earnings.....	1,615	300	93	25	60	505	2,598
Available - purchase U.S. sec....	750	205	50	0	40	50	1,095
4. Depreciation accruals.....	1,985	450	180	110	400	1,200	4,325
Available - purchase U.S. sec....	955	285	45	40	300	300	1,925

January 16, 1942.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCINGM E M O R A N D U M CWhat Type of Treasury Security Would be Most
Suitable for Sale to Business Concerns?

Informal contact with the Presidents and Treasurers of business concerns in Philadelphia indicates:

1. Appreciation of the public need of pressing the sale of Treasury securities to business concerns in order to siphon off cash balances now available or to become available in 1942 through inventory liquidation, collection of receivables, accumulated depreciation accruals, etc.
2. Willingness to participate in a program such as has been suggested by the Federal Reserve Bank of Philadelphia.
3. The importance of bringing out a new type of Treasury security tailor-made to fit the problem of business concerns.

This memorandum is specifically directed toward the last problem - the need for a special type of security for this purpose. There is general agreement that Treasury securities now available are not particularly suited to the investment of idle cash balances of corporations. There is also general agreement that the issuance of a suitable security would make directly available to the Treasury large amounts of cash that at present are left on deposit and are made available only through recourse to the banks.

It is suggested that a special issue of Treasury notes similar to that proposed last year by Chairman Eccles would meet the needs outlined. Such notes would be marketed in the manner outlined in Memorandum D. They would have the following characteristics.

1. Maturity - 3 years, or 5 years.
2. The notes could be issued on a basis that each coupon would be for a definite amount rising from say a 1/2 per cent rate for the first coupon to a 1 per cent rate for three-year maturity and 1-1/2 per cent rate for five-year maturity for the final coupon.
3. Registered.
4. Non-negotiable, but eligible as collateral at the Reserve Bank.
5. Redeemable by the Treasury on three months' notice after six months from purchase. Interest for the portion of the period during which securities are redeemed to be paid at coupon rate for the full period.

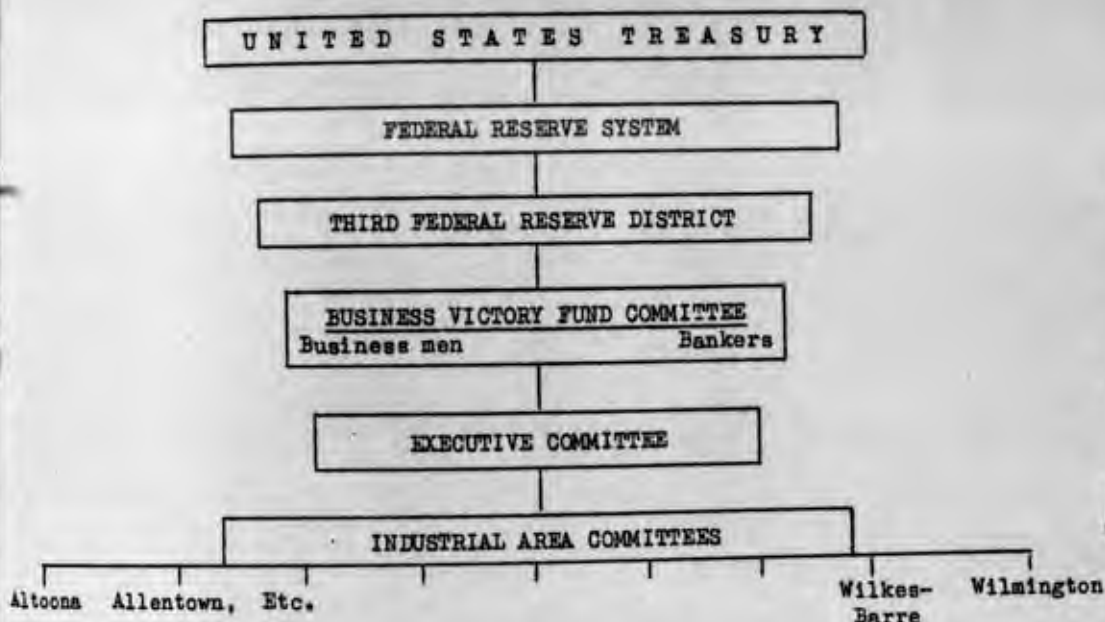
January 16, 1942.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCING

M E M O R A N D U M D

How to Sell Treasury Securities to Business Concerns

PROPOSED VOLUNTARY ORGANIZATION TO PROMOTE THE SALE
OF TREASURY SECURITIES TO BUSINESS CONCERNS
IN THE THIRD FEDERAL RESERVE DISTRICT



Members of regional committees should represent such industries as manufacturing, trade, construction, mining, public utilities, and services, as local conditions warrant.

1. The Federal Reserve Bank of Philadelphia is to set up a well-integrated working organization for the Third Federal Reserve District. It should have an appropriate title, as explanatory and suggestive as possible. For example, it may be designated as --

BUSINESS VICTORY FUND COMMITTEE

2. This organization is to be established by industrial areas, or combination of such areas, having due regard to industrial structure of each area.

- (a) Business Victory Fund Committee is to be represented by one business man and one banker from each area, and by the Federal Reserve Bank.

The primary purpose of this Committee is to provide organizational material and to cover all parts of the District and all leading industries therein.

- (b) This Committee is to appoint an Executive Committee consisting of three business men, three bankers and the President of the Federal Reserve Bank or his alternate.

The function of the Executive Committee is to develop the program and to direct the campaign among business concerns. The Reserve Bank is to provide the needed facilities for this purpose.

3. Regional Committees. Under the direction of the Executive Committee, representatives on the Business Victory Fund Committee are to organize appropriate local committees within their respective areas.

- (a) The size of such committees should be large enough, but not too large, to enable its members to canvass industrial establishments within the areas.

- (b) Committee members should be responsible business executives, as they are to be the effective salesmen of Treasury securities designed for the purpose.

- (c) The chairmen of such local committees should be members of the general committee and should be responsible to the Executive Committee.

4. The supply of Treasury securities is to be handled by the Reserve Bank, as Fiscal Agent -

- (a) The Reserve Bank is to issue the security directly upon receipt of applications and payments, or

- (b) The Reserve Bank may issue the security in due course through the banks authorized for this purpose.

5. The Federal Reserve Bank, as Fiscal Agent, is to be directly responsible for the proper functioning of the organization, assisting the Treasury in every way to assure the success of the campaign.

- (a) The Treasury is to define general policy and to provide suitable security for sale.

- (b) The Bank is to advance the necessary expenses, such expenses to be reimbursed by the Treasury in the usual manner.

January 16, 1942

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCINGMEMORANDUMWould the Proposal to Sell Special Securities
To Business Concerns be Acceptable to Banks?

1. Withdrawals of deposits by business concerns for purchase of Government securities would not result in hardship to banks.
 - (a) As the Treasury spends borrowed funds, banks receive new deposits immediately.
 - (b) Large banks in New York City would probably be the heaviest losers of business deposits but they, too, would soon regain the funds through Treasury operations.
2. Deposit withdrawals may lessen the burden on the capital structure of many banks.
 - (a) While this effect may be temporary, it will indicate the fluidity of funds and tend to lessen the pressure for higher capital ratios.
 - (b) This would be desirable because (1) at present it would be difficult to raise capital locally and (2) it might lessen the concern of supervisory authorities in this respect.
3. As an integral part of the program to curb inflation, the proposed plan would be in the interest of sound banking and credit.
 - (a) Inflation and deflation are injurious to banking; they disrupt values and expose assets to undue risk.
 - (b) A spiral and tailspin of prices impoverish the people, destroy savings, increase cost to the Government and the taxpayer, and undermine the capital and credit structures.
 - (c) The plan provides for noninflationary borrowing as against inflationary borrowing from commercial banks.
4. Active support of the proposed plan by the bankers will aid in war financing, help in curbing inflation, and assist in safeguarding the credit structure against current and prospective dislocations.
 - (a) Wisdom and self-interest require cooperation, as the war must be won regardless of financial difficulties.
 - (b) Cooperation in the use of funds may forestall the need for further over-all and selective credit controls, including adjustment in required reserves.
 - (c) The effect of the proposal will be to minimize a post-war slump.
 - (d) The support of the plan would result in good public relationship.

January 16, 1942.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

January 28, 1941

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

Dear Henry:

As you know, the members of the Board and of the Federal Open Market Committee have been giving consideration for a considerable period of time to a program of Treasury financing that might be followed during the war period. From time to time we have had informal meetings in Washington the last of which was held on Friday, January 23. At that meeting, in addition to members of the Board, there were present Messrs. Sproul, Leach, and Williams, Presidents of the Federal Reserve Banks of New York, Richmond, and Philadelphia, respectively, Messrs. Goldenweiser and Piser of the Board of Governors, and Messrs. Williams and Rouse of the New York Federal Reserve Bank. As the result of discussions at that meeting, there was prepared the attached memorandum which expresses the unanimous view of those present, and it was understood that I would transmit the statement to you for such consideration as you may wish to give to it. If you or the members of your staff wish to discuss the various aspects of the program, we shall be glad to go to the Treasury for that purpose at a time that is convenient to you.

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Sincerely,



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Chairman.

Enclosure.

TREASURY FINANCING

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"Under a full war program, however, most of the increase in expenditures will replace private capital outlays rather than add to them. Allocations and priorities, necessitated by shortages of material, are now in operation; they curtail private outlays for consumers' durable goods, private and public construction, expansion and even replacements in nondefense plant and equipment. These drastic curtailments of nondefense expenditures add, therefore, to the private funds available for noninflationary financing of the Government deficit.

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Obtaining Borrowed Funds from Lenders Other than Commercial Banks

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(5) The grave necessity of the Treasury's taking further steps to obtain the maximum amount of these borrowed funds from lenders and investors other than commercial banks is apparent, if fiscal and monetary policy is to contribute its share to the anti-inflation program. It will require more than additional pressure for the sale of the present series of Defense Savings Bonds, important as that is.

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The general features of such offerings might be as stated below. (The exact rates and maturities of these issues are, of course, subject to review. We are in agreement that the terms of these offerings should not be inconsistent with existing open-market rates and maturities having in mind suggested restrictions upon negotiability and other differences.):

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Maturity: 4 or 5 years, preferably 4 years,
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(8) It is also suggested that there be an immediate increase in the supply of Treasury bills to at least \$2.6 billion (not including tax period bills), which would contribute not only to the fluidity of the money market but would also provide an alternative medium for the temporary investment of idle public and business balances. With \$2.6 billion of Treasury bills outstanding, there would still be an adequate margin of reserve buying power in this market to take care of emergency or temporary financing which it might be desirable or necessary to accomplish with additional offerings of bills.

It is also important that consideration regularly be given to issuing additional blocks of Treasury bills to mature in the three or four days following the quarterly tax payment dates.

(9) In so far as it is necessary to use bank credit in financing the Treasury's needs, money should be sought from banks with short-term open market issues, that is, with notes and bonds with maturities not exceeding ten years. It may be true that the breadth of the open market will be somewhat reduced by the sale of the restricted issues suggested above. It is more certainly true that to the extent such sales are successful in obtaining for Government use funds which otherwise would have lain idle, the amount of the issues which it will be necessary to place in the open market will be reduced. On balance, and over a period, it would seem most likely that the successful sale of these restricted issues would be a factor of strength, not of weakness, in the open market.

Pattern of Rates

(1) Our experience in the last war, the experience of other countries in this war, and our present capacity for the management of the monetary and credit resources of the country, all indicate that this program should be based in the old pattern of rising rates of interest as the war progresses. Price control is required in the field of credit, just as in other fields, when the Government is the principal borrower in the market and the cause of its borrowing is the defense of our national existence.

(2) It is, therefore, desirable, and the existing situation in the money market and the Government security market makes it practicable, to determine and establish a pattern of rates for United States Government securities which will fix, for the present, the general terms of Treasury financing.

(3) It is suggested that the range of rates established by such a pattern should be, for the present, from $1\frac{1}{4}$ - $1\frac{1}{2}$ to $2\frac{1}{2}$ per cent, for obligations other than Series E Defense Savings Bonds. The lower limit of the range and the short-term rates in general could have some flexibility without disturbing the maximum or long-term rate. The $2\frac{1}{2}$ per cent long-term rate approximates closely enough the general pattern of rates which has already been established, and steers a middle course between the danger of a substantial decline in the prices of outstanding securities on the one hand, and the danger of an unattractive program which will not draw the necessary funds from investors and investing institutions on the other.

(4) Within the terms of the general financing program we suggest, the establishment and maintenance of such a pattern of rates does not require the excessive volume of excess reserves which has characterized Treasury bills. It does contemplate that should excess reserves shrink to a point which endangers maintenance of the pattern the Reserve System will provide a sufficient volume of reserves to enable banks to assist the Treasury in financing to whatever extent is necessary.

CONFIDENTIAL

Federal Reserve Bank of Philadelphia.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCINGMEMORANDUM AProposed Plan for Utilizing Idle Business Funds by the Treasury

The war program now calls for expenditures at the rate of \$50-60,000,000,000 a year. In physical terms this means (1) that about one-half of our industrial plant will be engaged directly on the production and transportation of war materials, and (2) that about one-half of our human resources will be engaged either in the armed forces or in the production and transportation of supplies for the armed forces. In financial terms it means that the Treasury will have to acquire \$50-60,000,000,000 of purchasing power. If inflation is to be minimized, these funds must be obtained with as little resort to bank credit as possible.

How much can be raised through taxes and borrowed savings? Even if the tax revenue is doubled and borrowed savings exceed one billion dollars a month, there would still be an inflationary gap to bridge. Based upon current estimates of expenditures and reasonable possibilities of expanding real income, it would appear that the Treasury may have to resort to bank credit to a considerable extent, as is indicated in the following examples.

POSSIBLE METHOD OF MEETING TREASURY REQUIREMENTS - IN BILLIONS

	1941-1942	1942-1943	1943-1943 (extreme)
Estimated amount procurable from:			
Taxes.....	\$12	\$24	\$26
Government trust funds.....	2	5	6
Defense Savings Securities.....	8	12	14
Total available.....	\$22	\$41	\$46
Total need of the Treasury (war and ordinary).....	33	62	62
Resort to bank credit, if not available from other sources.	\$11	\$21	\$16

The assumptions as to the amount that can be secured from taxes and borrowed savings are probably over-optimistic, but they suggest the urgency for exploring all possible sources of funds if inflation is to be curbed.

Efforts have already been undertaken by the Treasury to raise a large

portions of the required funds through taxation and through the sale of Defense Bonds to individuals. There exists, however, within business enterprise itself, a large volume of potentially inflationary funds, particularly if used for nondefense purposes. Specifically, the funds consist of business balances available after taxation accruals have been set aside and business operating requirements have been met. No adequate provision has yet been made to use this money in the war effort.

Special attention must be given to this potential market for Treasury financing because (1) the amounts involved may become huge as the year progresses, (2) these funds in large part are not properly subject to taxation, and (3) Treasury obligations now available for the investment of these funds are not particularly suitable to the needs of the situation. What is required, obviously, is a special consideration of the kinds of Federal securities best adapted to meet the needs of business concerns for the investment of idle business funds and a special organization to promote the sale of these securities to business enterprises.

Large business balances will arise during 1942 out of (a) surplus earnings not needed for immediate expansion, (b) liquidation of current assets (accounts receivable and inventories), and (c) depreciation accruals. In view of prospective shortages of materials, it is probable that enterprises not engaged directly on war production will not be in a position to replace current inventories during the coming year or to replace capital equipment for which depreciation is taken. It is impossible to estimate closely the funds that may become available from these two sources but their total may well aggregate as much as \$10,000,000,000. Part of the funds so released will be used to repay indebtedness. The remainder of the funds should be invested in Treasury obligations. Such investment will make them available to finance the war effort without inflationary effects and will leave business enterprise in a strong financial position to re-acquire materials and re-equip plant when the emergency is over. The amounts so invested should be as large as possible, because, to minimize inflation, it is essential to postpone as long as possible all deferrable business expenditures.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCING

M E M O R A N D U M B

What is the Amount of Business Funds
Available for War Financing?

The minimum amount of business funds in the United States available for investment in Government securities might be placed at \$7 billion. Of this total probably over \$780 million might be procured in the Third Federal Reserve District.

Conservative estimates made informally by the National Bureau of Economic Research at the request of the Federal Reserve Bank of Philadelphia indicate the following volume of business funds that are now available or will become available during 1942.

Sources of funds (Dollar figures in billions)	Total in 1942	Available for investment in Government securities
1. Cash balances.....	\$10.0	\$1.4
2. Inventory.....	26.6	2.7
3. Undistributed earnings.....	2.6	1.1
4. Depreciation accruals.....	4.3	1.9
TOTAL.....		\$7.1
Large concerns (assets over \$1 million).		\$4.6
Small concerns (assets under \$1 million)		2.5

These estimates do not include cash that may be derived from collection of receivables, giving an additional sum of \$500 million.

The break-down by grand totals and by groups shows the following:

(DOLLARS omitted in figures)	Manu- factur- ing	Trade	Con- struc- tion	Mining	Serv- ices	Public util.	Total
1. Existing cash balances.....	\$5,876	\$1,990	\$420	\$133	\$450	\$1,170	\$10,039
less - purchase U.S. sec....	1,370	50	---	---	---	---	1,420
2. Existing inventories.....	14,413	10,450	580	80	300	795	26,618
Liquidation in 1942.....	1,325	2,130	0	0	0	0	3,455
less - purchase U.S. sec. less - retiremt. of notes pay.)	1,040	1,608	0	0	0	0	2,648
3. Undistributed earnings.....	1,615	300	93	25	60	505	2,598
less - purchase U.S. sec....	750	205	50	0	40	50	1,095
4. Depreciation accruals.....	1,985	450	180	110	400	1,200	4,325
less - purchase U.S. sec....	955	285	45	40	300	300	1,925

January 15, 1942.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCING

MEMORANDUM C

What Type of Treasury Security Would be Most
Suitable for Sale to Business Concerns?

Informal contact with the Presidents and Treasurers of business concerns in Philadelphia indicates:

1. Appreciation of the public need of pressing the sale of Treasury securities to business concerns in order to siphon off cash balances now available or to become available in 1942 through inventory liquidation, collection of receivables, accumulated depreciation accruals, etc.
2. Willingness to participate in a program such as has been suggested by the Federal Reserve Bank of Philadelphia.
3. The importance of bringing out a new type of Treasury security tailor-made to fit the problem of business concerns.

This memorandum is specifically directed toward the last problem - the need for a special type of security for this purpose. There is general agreement that Treasury securities now available are not particularly suited to the investment of idle cash balances of corporations. There is also general agreement that the issuance of a suitable security would make directly available to the Treasury large amounts of cash that at present are left on deposit and are made available only through recourse to the banks.

It is suggested that a special issue of Treasury notes similar to that proposed last year by Chairman Eccles would meet the needs outlined. Such notes would be marketed in the manner outlined in Memorandum D. They would have the following characteristics.

1. Maturity - 3 years, or 5 years.
2. The notes could be issued on a basis that each coupon would be for a definite amount rising from say a 1/2 per cent rate for the first coupon to a 1 per cent rate for three-year maturity and 1-1/2 per cent rate for five-year maturity for the final coupon.
3. Unpledged.
4. Non-negotiable, but eligible as collateral at the Reserve Bank.
5. Redeemable by the Treasury on three months' notice after six months from issuance. Interest for the portion of the period during which securities are redeemed to be paid at coupon rate for the full period.

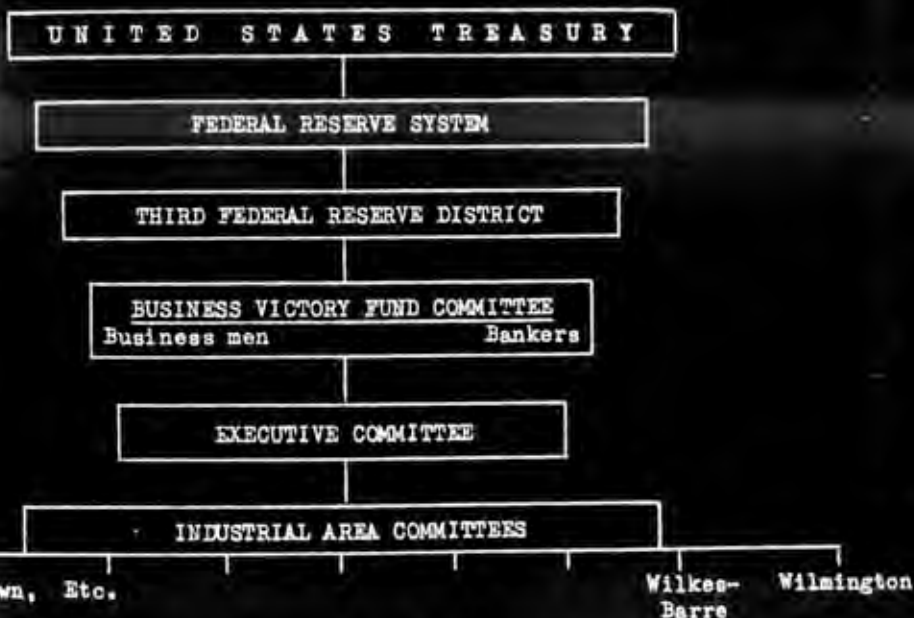
January 1942.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCING

M E M O R A N D U M D

How to Sell Treasury Securities to Business Concerns

PROPOSED VOLUNTARY ORGANIZATION TO PROMOTE THE SALE
OF TREASURY SECURITIES TO BUSINESS CONCERNS
IN THE THIRD FEDERAL RESERVE DISTRICT



Members of regional committees should represent such industries as manufacturing, trade, construction, mining, public utilities, and services, as local conditions warrant.

1. The Federal Reserve Bank of Philadelphia is to set up a well-integrated working organization for the Third Federal Reserve District. It should have an appropriate title, as explanatory and suggestive as possible. For example, it may be designated as -

BUSINESS VICTORY FUND COMMITTEE

2. This organization is to be established by industrial areas, or combination of such areas, having due regard to industrial structure of each area.

(a) Business Victory Fund Committee is to be represented by one business man and one banker from each area, and by the Federal Reserve Bank.

The primary purpose of this Committee is to provide organizational material and to cover all parts of the District and all manufacturing industries therein.

- (b) The Committee is to appoint an Executive Committee consisting of three business men, three bankers and the President of the Federal Reserve Bank as his alternate.

The function of the Executive Committee is to develop the program and to direct the campaign among business concerns. The Reserve Bank is to provide the needed facilities for this purpose.

3. Regional Committees. Under the direction of the Executive Committee, representatives of the Business Victory Fund Committee are to organize appropriate local committees within their respective areas.

(a) The size of such committees should be large enough, but not too large, to enable its members to canvass industrial establishments within the areas.

(b) Committee members should be responsible business executives, as they are to be the effective salesmen of Treasury securities designed for this purpose.

(c) The chairmen of such local committees should be members of the general committee and should be responsible to the Executive Committee.

4. The supply of Treasury securities is to be handled by the Reserve Bank, as Fiscal Agent -

(a) The Reserve Bank is to issue the security directly upon receipt of applications and payments, or

(b) The Reserve Bank may issue the security in due course through the banks authorized for this purpose.

5. The Reserve Bank, as Fiscal Agent, is to be directly responsible for the administration of the organization, assisting the Treasury in every way to insure the success of the campaign.

The Treasury is to define general policy and to provide suitable securities for sale.

The Reserve Bank is to advance the necessary expenses, such expenses to be reimbursed by the Treasury in the usual manner.

BUSINESS FUNDS FOR NONINFLATIONARY WAR FINANCING

M E M O R A N D U M

Would the Proposal to Sell Special Securities
To Business Concerns be Acceptable to Banks?

1. Withdrawals of deposits by business concerns for purchase of Government securities would not result in hardship to banks.
 - (a) As the Treasury spends borrowed funds, banks receive new deposits immediately.
 - (b) Large banks in New York City would probably be the heaviest losers of business deposits but they, too, would soon regain the funds through Treasury operations.
2. Deposit withdrawals may lessen the burden on the capital structure of many banks.
 - (a) While this effect may be temporary, it will indicate the fluidity of funds and tend to lessen the pressure for higher capital ratios.
 - (b) This would be desirable because (1) at present it would be difficult to raise capital locally and (2) it might lessen the concern of supervisory authorities in this respect.
3. As an integral part of the program to curb inflation, the proposed plan would be in the interest of sound banking and credit.
 - (a) Inflation and deflation are injurious to banking; they disrupt values and expose assets to undue risk.
 - (b) A spiral and tailspin of prices impoverish the people, destroy savings, increase cost to the Government and the taxpayer, and undermine the capital and credit structures.
 - (c) The plan provides for noninflationary borrowing as against inflationary borrowing from commercial banks.
4. Active support of the proposed plan by the bankers will aid in war financing, help in curbing inflation, and assist in safeguarding the credit structure against current and prospective dislocations.
 - (a) Wisdom and self-interest require cooperation, as the war must be won regardless of financial difficulties.
 - (b) Cooperation in the use of funds may forestall the need for further over-all and selective credit controls, including adjustment in required reserves.
 - (c) The effect of the proposal will be to minimize a post-war slump.
 - (d) The support of the plan would result in good public relationship.

January 18, 1942.

TREASURY DEPARTMENT

200 ✓

INTER OFFICE COMMUNICATION

DATE February 2, 1942

TO Secretary Morgenthau
FROM George Buffington

You may be interested in the attached one sheet poster being sent to exhibitors by the National Screen Service Corporation. I am also attaching a photostatic copy of the publicity which appeared in the Motion Picture Herald on January 31.

G.B.

Donald Duck Shows the Nation How

Disney Cartoon
Distributed Free
for Treasury

TREASURY DEPARTMENT

WASHINGTON

January 28, 1942

To the Moving Picture Exhibitor Addressed

Dear Sir:

Very soon you will be offered a new Donald Duck picture in technicolor entitled "The New Spirit" which is very entertaining. It was made especially for the United States Treasury by Walt Disney as a contribution to the nation's war effort. It carries a patriotic message to every American, showing through the medium of Donald Duck how each citizen can do his or her bit by paying his income tax promptly.

This picture will have widespread publicity, and I believe your patrons will be looking for it eagerly. It will be offered to you free and I hope that you will elect to show it.

Since its greatest effectiveness will be between now and March 15, I further hope that you will show it as soon as you can get it, and then send it along without delay so that the next exhibitor may show it promptly.

I shall appreciate very much your cooperation.

Sincerely yours,

Special permission has been granted by the Secretary of the Treasury to exhibitors allowing them to reproduce this letter, with signature, in any promotional or advertising material in connection with defense bond drives or other patriotic endeavors.

initials the well-known cartoon character Jerry was in order.

The December 1941 issue of the cartoon was distributed with Secretary Morgenthau in Washington and Disney was roughing out his script.

The Disney plant dispatched the footage to the Technicolor plant in Burbank, January 1942. The plant delivered an inspection

copy of the film to the Treasury Department office in Hollywood for the picture. It supplied the first copy of the film to the Treasury Department office in Washington, D. C. The total order of 4,000 copies had been delivered by Technicolor to National Screen Service for mailing to exhibitors.

All parties to the enterprise—National Screen Service, the Treasury Department and the exhibitors—were to share the cost of the film.

January 29, 1942

Asks Exhibitors' Aid On Disney Tax Short

Secretary of the Treasury Henry Morgenthau has addressed a letter to all exhibitors urging them to show the Disney Donald Duck cartoon, "The New Spirit," made for the Treasury Department and stressing the importance of early income tax payments. The subject is being distributed through the War Activities Committee—Motion Picture Industry by National Screen Service.

A reproduction of the letter and a review of the subject are on Page 1.

Uncle Sam Needs Your Help



(TREASURY DEPARTMENT)

WASHINGTON

January 28, 1942

To the Moving Picture Exhibitor Addressed

Dear Sir:

Very soon you will be offered a new Donald Duck picture in technicolor entitled "The New Spirit" which is very entertaining. It was made especially for the United States Treasury by Walt Disney as a contribution to the nation's war effort. It carries a patriotic message to every American, showing through the medium of Donald Duck how each citizen can do his or her bit by paying his income tax promptly.

This picture will have widespread publicity, and I believe your patrons will be looking for it eagerly. It will be offered to you free and I hope that you will alert to show it.

Since its greatest effectiveness will be between now and March 1st, I further hope that you will show it as soon as you can get it, and then send it along without delay so that the next exhibitor may show it promptly.

I shall appreciate very much your cooperation.

Sincerely yours,



Above is a facsimile of a letter addressed by Secretary of the Treasury Morgenthau to exhibitors, urging them to show the Disney income tax subject, "The New Spirit." Special permission has been granted by Morgenthau for reproduction of the letter, with signature, by exhibitors for advertising purposes. A review of the subject will be found in the adjoining column at the right.

OFFICE OF
WILLIAM RANDOLPH HEARST
WYNTOON
McCLOUD, CALIFORNIA

203

February 2, 1942.

Hon. Henry Morgenthau, Jr.,
THE SECRETARY OF THE TREASURY,
Washington, D. C.

My dear Mr. Secretary :

I appreciate very highly your
kind letter of January 30.

Every American desires to be of some service
in the present situation, and it is a great gratifica-
tion to know that you feel that our newspapers are
making a real contribution.

We will continue to do our utmost, stimulated
by your generous encouragement, for which we all thank
you most sincerely.

Very faithfully yours,

W. R. Hearst

C O P Y

204

January 30, 1942

Dear Mr. Hearst:

The "Buy a Bomber" campaign now being conducted by your newspapers parallels the plan whereby the people of certain cities have provided funds for military equipment by the purchase of Defense Bonds and Stamps.

The regular purchase of Defense Bonds and Stamps by every American is a program which gives each of us continual opportunities to strike added blows for freedom.

Your newspapers are making a real contribution to this program.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. William Randolph Hearst
Syntoon
McCloud, California

(Mr. Duffie has file)

STANDARD FORM NO. 14-A
APPROVED BY THE PRESIDENT
MARCH 12, 1926

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

William Randolph Hearst
San Simeon California

January 9, 1942

Delighted to hear that your newspapers are urging their
readers to buy bombers with Defense Savings Stamps stop ~~stop~~
~~wonderful contribution to winning the war~~ Every little
purchase will help if it is repeated every payday stop Every stamp
you can sell will strike a blow for freedom

Henry Morgenthau, Jr.
Secretary of the Treasury

Ferdinand Kuhn, Jr., Ext. 332

TREASURY DEPARTMENT

WASHINGTON

205

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR
Official

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

2-18117

JAN 2 1942

My dear Mr. Postmaster General:

Thank you very much for your good letter of January 24. I am deeply grateful for the superb cooperation which you personally and also your associates are giving us in the Defense Savings Program.

Our people tell me that they have met several times in the last few days with Mr. Helmer and Mr. Hargrove of your Department. I understand that these men have been designated to carry on the work so ably carried on by Mr. Imus during the past year.

You may be sure that every assistance will be given in the preparation of the Postal Bulletin which you suggest. We know you will feel free to call upon us at any time that you believe we can help.

Sincerely,

(Signed) E. Harrison, Jr.

The Honorable,
The Postmaster General,
Washington, D. C.

EWS:MTR

*Please take to Mr. C.
Original file in room 1000
of telephone*



Office of the Postmaster General

Washington, D. C.

January 24, 1942.

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

My dear Mr. Secretary:

I have received with your letter of January 7, a copy of your letter of December 29 to the heads of bureaus and divisions of your Department with respect to the purchase of defense savings bonds and stamps by employees of the Department, urging that where possible employees make larger per capita purchases.

I have arranged for meetings with postmasters, and thus far have met with postmasters in Boston, New York and Washington, and contemplate several other meetings in the course of the next three weeks. At these conferences, among other things, I have been encouraging the postmasters to devote special emphasis to the participation by employees in the defense bond and stamp program.

I have in mind that sometime after this series of conferences it might be helpful, at least to the postal service, if I issued a postal bulletin explaining not only the necessity for participation because of the needs of the government, but also calling attention to the fact that the withdrawal of past savings is not as important as the use of current income. In that connection, I would appreciate having some member of your Defense Savings Staff collaborate with Mr. Arthur C. Helmer, of this Department, in the preparation of such a bulletin.

I feel confident that as a result of these conferences and such a bulletin, the amount of bonds and stamps purchased regularly by employees of the postal service would be materially increased.

Sincerely yours,

Frank Anderson
Postmaster General.

FCW IC

February 2, 1942

Dear Lew:

I am very sorry to have to accept your resignation as Chairman of the Defense Savings Committee for Greater New York.

You have been of immense help to us in establishing our New York organization, and I should like you to know how much all of us at the Treasury appreciate what you have done. I am sure that with the foundation that has now been laid, we can expect fine results.

Your new work in England will enable you to give still greater service on one of the front lines of the war effort, and I wish you every success in the important work which you are about to undertake.

Sincerely,

(Signed) Henry

Hon. Lewis W. Douglas,
Co-Chairman, New York State
Defense Savings Committee,
1270 Sixth Avenue,
New York, N. Y.

WAG/mff
FK/hkb

2/2/42

*File to Thompson
then file to nmc*

James: ans by Monday



TREASURY DEPARTMENT
DEFENSE SAVINGS STAFF
NEW YORK

HEADQUARTERS—1270 SIXTH AVENUE, NEW YORK, N. Y.—CIRCLE 6-3100

ALBANY
STATE BANK BUILDING

BUFFALO
MARINE TRUST BUILDING

ROCHESTER
LINCOLN ALLIANCE BUILDING

January 28, 1942

NEW YORK STATE COMMITTEE

SIR HENRY H. LEHMAN
HONORARY CHAIRMAN

ROBERT C. PATTERSON, JR.
STATE CHAIRMAN

MR. LITTLE HILL
VICE-CHAIRMAN

WILL FORD
STATE ADMINISTRATION

BRUCE D. SMITH
ASSOCIATE STATE ADMINISTRATION

LEWIS W. DOUGLAS
CHAIRMAN, GREATER NEW YORK

MR. COURTLANDT D. BURGESS
VICE-CHAIRMAN

EDWARD H. LETCHWORTH
CHAIRMAN, UPSTATE NEW YORK

MR. OSCAR BOLDS
VICE-CHAIRMAN

EXECUTIVE COMMITTEE

ROY EMERSON
CHAIRMAN

STUART POPE
VICE-CHAIRMAN

HENRY BRUNER

FRANK S. COLUMBUS

EDITH C. DONOVAN

ARTHUR GETTMAN

ALFRED S. GIFFORD

IRVING H. HEDMANN

ARTHUR H. KUCHNER

THOMAS J. LYONS

WILLIAM J. MYERS

AMUEL W. REYNOLDS

LEONARD G. ROUSE

MR. ROSE SCHNIEDERMAN

GUSTAVE STERN

Dear Mr. Secretary:

I suppose it isn't necessary - perhaps it isn't even proper - for me to submit in writing my resignation as Chairman of the Defense Savings Staff for the lower New York area, but at any rate I want you to know in black and white how grateful I am to you for having let me help a little in the establishment of the organization. I want you to know, too, that I am not without regret in resigning as Chairman for this area.

I hope to see you next week.

Ever faithfully yours,

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



474 Halvern Drive ✓
Brentwood 210
Los Angeles
California

2/2

My dear Mr Secretary, -

I want to thank
you most warmly for
my appointment as a
member of the Treasury
Defense Board Staff.

I don't have to tell you how
happy I am to have this
opportunity to serve the
country in these difficult
times and I can assure
you that I shall work

very hard and enthusias-
tically -

With sincere appreciation
of your thoughtful letters
and best regards to you
and Mrs Morgenthau -

Cordially yours

Eleanor Wilson Wilcox

Feb 2nd 1942