

DIARY

Book 258

April 27 - 30, 1940

- A -

	Book	Page
Angas, L.L.B. (Major)		
Pinsent-Cochran correspondence concerning - 4/29/40...	258	225
Annenberg, Moe		
See Tax Evasion		
Australia		
See War Conditions		

- B -

Bank for International Settlements		
McKittrick as President: Pennachio (representative, Bank of Italy in Paris) asks Cochran concerning availability - 4/27/40.....		45
Brazil		
See Latin America		
Business Conditions ...		
Economic Developments: Noble (Commerce Department) report - 4/26/40.....		68
Haas memorandum on situation for week ending April 27, 1940..		211

- C -

Canada	
See War Conditions	
China	
See War Conditions	

- D -

Davies, Joseph E. (Special Assistant to Secretary of State)	
Asks for confidential cable from Heath based on conversation with Puhl, of Reichsbank; Cochran memorandum reiterating rule that request must come to HMJr through Hull - 4/30/40.....	261
Denmark	
See War Conditions: Scandinavia	

- F -

France	
See War Conditions	

- G -

Gold	
See also Speeches by HMJr; War Conditions: Canada; United Kingdom	
Recent shipments to Switzerland from Russia and other sources: Report from American Consul, Bern - 4/30/40.....	270
Great Britain	
See War Conditions: Purchasing Mission; United Kingdom	
Greenland	
See War Conditions: Scandinavia - Denmark	

- I -

Book Page

Italy

See War Conditions

- K -

Kennedy, Joseph P.

For letter to FDR, see War Conditions: United Kingdom

- L -

Latin America

Brazil: Resume of 1940 exports - memorandum from

American Consul, Rio de Janeiro - 4/27/40..... 258 46,186

Louisiana

See Tax Evasion

- N -

Norway

See War Conditions: Scandinavia

- S -

Speeches by H.M.Jr

National Democratic Committee, Women's Division:

Conference; present: Foley, Graves, White, Schwarz,

Mrs. Campise (Law Enforcement statistics) -

4/29/40..... 140

a) H.M.Jr discusses with Mellett - 4/30/40..... 323

b) Draft discussed with White - 5/1/40:

See Book 259, page 35

c) Last draft: Book 259, page 70

d) Reading copy: Book 259, page 296

e) Viner's comments: Book 259, pages 98 and 231

f) Conference; FDR's comments repeated:

Book 259, page 99

g) "A Day in the Treasury" - a speech drafted by Miss Knight: Book 259, page 160

h) Copies to Great Britain, France, and Sweden:

Book 259, page 415

Switzerland

See Gold

- T -

Tax Evasion

Annenberg case: Campbell (William J.) thanks H.M.Jr for letter and cooperation - 4/29/40.....

100

Louisiana: Resume of cases - Helvering memorandum -

4/27/40.....

5

Virgin Islands

	Book	Page
Bill to transfer to the Government of Virgin Islands all taxes collected **** on articles imported into United States from Virgin Islands: Treasury report sent to Bureau of Budget - 4/30/40.....	258	298

War Conditions

Airplanes:

Resume of deliveries and orders of combat planes, November 4, 1939, to end of October, 1941, as prepared for FDR - 4/27/40.....	48
a) Collins' memorandum commenting on discrepancies - 4/29/40.....	63

Information clause part of contract: French and British Governments suggest "assurance of their governments that United States accredited agents will be kept currently advised concerning performance of American-made aircraft under combat conditions" in lieu of clause.....	19
a) Actual notes from British and French Ambassadors - 5/2/40: See Book 259, page 92	
Conference on French needs; present: HMJr, Bloch-Laine, Collins, and Young - 4/30/40.....	315

Australia:

Owners of twenty specified dollar stocks ordered to sell them and pay proceeds to Commonwealth's account at Federal Reserve Bank of New York - 4/30/40.....	248
---	-----

Canada:

Measures designed to relieve acute exchange situation reported from American Legation, Ottawa - 4/30/40..	262
a) State Department report.....	266

China:

Burma's transit trade with China in March 1940.....	187
Stabilization of Chinese currency through use of Stabilization Fund and HMJr's objection thereto discussed at 9:30 meeting - 4/30/40.....	344
a) Hornbeck's right-about-face comment.....	345

Exchange market resume - 4/27/40, et cetera.....	60,204,287
--	------------

France:

Rueff resume of "political, economic, and financial principles of the war" brought by Matthews to HMJr - 4/27/40.....	8
---	---

Italy:

Withdrawal of balances to be watched closely by Harrison and HMJr for FDR - 4/29/40.....	169,182,196, 327,334
a) Congress asked for report on long-term investments - 4/29/40.....	176
b) HMJr discusses with Welles - 4/30/40.....	330

- W - (Continued)

	Book	Page
War Conditions (Continued)		
Italy (Continued):		
Foreign Investments in the United States:		
White memorandum - 4/29/40.....	258	224
British ships ordered to take Cape route to East:		
Berle report - 4/30/40.....		237
Stock prices listed at Milan, July 1939 through April 1940.....		250,337
Purchasing Mission:		
Steel: HMMJr asks Johnson and Compton to sit in on discussion with Allied Purchasing Mission - 4/29/40..		93,95
Conference; present: representatives of Treasury, War, and Navy - 4/29/40.....		130
Conference; present: representatives of Purchasing Mission, Army, Navy, and Treasury - 4/30/40.....		302,315
a) Memorandum: Steel orders to be placed in United States.....		313
Vesting Order: Official sales of British-owned dollar securities - 4/29/40.....		203
Scandinavia:		
Denmark:		
Greenland: Coast Guard advises against sending large crusing cutter before middle of June; availability of other craft discussed - 4/29/40.....		90
a) Conference: HMMJr, Gaston, and Waesche - 4/30/40.....		292
Norway and Denmark:		
Legislation to give United States authority to include stocks and bonds discussed by HMMJr with Pittman.....		152
Glass.....		156,202
McNary.....		158
Johnson.....		163
Harrison.....		167
Johnson.....		172
Wagner.....		178
(4/29/40)		
Foley reports on progress of bill.....		198,200
a) Passes without amendments.....		201
Belgian Ambassador's comment on various aspects of Executive Order concerning transfer of funds - (4/25/40).....		241
Shipping:		
Harris memorandum on situation - 4/29/40.....		88
a) Scandinavian influence discussed		
List of American vessels approved by United States Maritime Commission for sale and/or transfer, together with sales price received, July 1, 1939, through March 31, 1940 - 4/29/40.....		101

- W - (Continued)

	Book	Page
War Conditions (Continued)		
Strategic Materials:		
United States Purchases: Resume of appropriations for - Collins memorandum - 4/27/40.....	258	53
Informal Committee really doing work for Army and Navy Munitions Board consists of Feis and Green (State Department), two Army officers, and two Navy officers; Young suggests to HMMJr need for close contact with Committee - 4/29/40.....		118
Tin and Rubber Contracts: Restrictive clause discussed at conference with Thurman Arnold and representatives of the industries - 4/29/40..		119
a) Welles memorandum - 4/1/40: See Book 259, page 13		
Switzerland:		
Protection of Swiss deposits if country is invaded discussed by Swiss Minister and Berle - 4/30/40....		247
United Kingdom:		
Mackenzie King calls on HMMJr; continued purchases by United States of gold from British Empire and possible earmarking against agricultural commodities, et cetera, discussed - 4/29/40.....		65
Kennedy's letter to FDR suggesting legislation to stop purchase of gold and proposed reply discussed at conference; present: HMMJr, Bell, White, Haas, Cochran, Cotton, and Young - 4/29/40.....		123



DEPARTMENT OF STATE
WASHINGTON

April 27, 1940.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and encloses one copy of strictly confidential telegram from the American Embassy, Paris, April 26, 1940, No. 533.

TO THE SECRETARY
RECEIVED
OFFICE OF THE
SECRETARY OF STATE

APR 27 1940

RECEIVED
APR 27 1940

PARAPHRASE OF TELEGRAM RECEIVED**FROM: American Embassy, Paris, France****DATE: April 26, 1940, 4 p.m.****NO.: 533****STRICTLY CONFIDENTIAL.****FOR SECRETARY MORGENTHAU.**

I was asked by Reynaud to express his most hearty thanks to you for the information you gave me today; he said that he did not have any important information of a similar nature to give to you.

BULLITT.**EA:LWW**

JR

GRAY

Ankara

Dated April 27, 1940

Rec'd 12:50 p.m.

Secretary of State,
Washington.

45, April 27, 1 p.m.

Department's 27, April 26, 5 p.m.

There are two checks dated March 26 for three hundred and two hundred dollars respectively drawn by Dendanske Landmands Bank in favor of P. Friis, the Danish Charge d'Affaires.

MACHURRY

EMB

PARAPHRASE OF TELEGRAM SENT

TO: American Consul, Naples, No. 95.

ALSO TO: American Consul, Genoa, No. 94.

DATE: April 27, 1940, noon.

The Secretary of the Treasury requests that you please cable promptly any change in the sailing schedule of Italian liners for New York, cable expenses to be paid by the Treasury.

HULL.

EA:LWV



OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

TREASURY DEPARTMENT

WASHINGTON

April 27, 1940.

deary
L & Gray
w. l. b. i. l.
L &

MEMORANDUM FOR THE SECRETARY.

In view of the considerable comment which has been made concerning the so-called "Louisiana cases", I desire to submit the following report covering the results of the investigation which was instituted in that state in 1932 by special agents and revenue agents of the Bureau of Internal Revenue.

Over four hundred individuals, partnerships and corporations were examined in this investigation. These taxpayers were either connected in some manner with the control of the administration of the state government, or transacted business therewith, or were political racketeers, gamblers, race track operators, etc., who collected or paid tribute. Twenty-three individuals and one corporation were indicted, of whom twelve were convicted and one was acquitted. The indictments against the others were nolle prossed by the Department of Justice. Fines totaling \$13,950.00 were imposed on those convicted and one individual was sentenced to prison for eighteen months.

The known results from a monetary standpoint are reflected in the following table:

	<u>Recommended for Assessment</u>	<u>Collected</u>	<u>Pending</u>	<u>Deposited or Levied on</u>
Taxes	\$2,032,639.97	\$1,242,972.69	\$258,227.72	(\$135,763.28)
Penalties	551,413.89	126,021.27	121,992.72	
Interest		263,239.13		
Totals	<u>\$2,584,053.86</u>	<u>\$1,632,053.09</u>	<u>\$380,220.44</u>	<u>\$147,330.56</u>

The difference between the taxes and penalties proposed for assessment and the amount collected is accounted for by the lowering of the liability following evidence and information submitted at conferences which was not available in the original examination and the elimination of penalties either by death or following conferences and reexaminations in which it was determined that the

assertion of the fraud penalty could not be sustained before the Board of Tax Appeals. Cases shown as pending are before the Circuit Court of Appeals, the Board of Tax Appeals or the Chief Counsel's office.

It is particularly desirable to call attention at this time to the many collateral cases that were disclosed as the result of the investigation of the principals. It was found that many companies considered graft paid as a legitimate deduction from income, and these items were disallowed. Numerous others had handled other matters improperly for income tax purposes, and one group, consisting of fifty individuals, an estate and six corporations, was found to have made a practice of establishing losses on sales of securities for the purpose of claiming income tax deductions. Investigation of these collateral cases resulted in the collection of \$1,044,580.48, which is in addition to \$258,184.16 collected in those in which prosecution was instituted.

In addition, the indirect results of the investigation were many. For instance, a number of the individuals who received graft in years prior to 1932 and failed to report it in their income tax returns became scared by the investigation and included this income in subsequent years. Additional collections totaling \$329,288.55 are attributable to this situation. Similarly, numerous delinquent and amended returns were filed, and general collections increased when the results of the investigation became known.

When the monetary benefit from the indirect result of the investigation is added to the known collections of \$1,632,053.09, and consideration is given the strong probability of substantial collections from the pending cases which involve \$380,220.44, of which \$147,330.56 is either deposited or protected by lien, it is evident that \$2,000,000.00 is a conservative estimate of the collections that will finally be obtained from the so-called "Louisiana cases". This may be summarized as follows:

Total actual collections to date	\$1,632,053.09
Estimated collections from pending cases involving \$380,220.44	250,000.00
Estimated indirect results exclusive of \$329,288.55 included above	<u>150,000.00</u>
Grand total	\$2,032,053.09

W. J. Helvering
Commissioner.

April 27, 1940

Dr. Feis

Mr. Cochran

Will you kindly send the following cablegrams:

"AMERICAN CONSUL NAPLES:

At request of Secretary Morgenthau please cable promptly at Treasury expense any change in sailing schedule of Italian liners for New York."

"AMERICAN CONSUL GENOA:

Same message as above."

It is respectfully requested that the State Department's cable office telephone Mr. Cochran promptly upon the receipt of any responses to the above messages.

Over the weekend or after office hours Mr. Cochran can be reached through the Treasury's telephone central.

HEJ:cmk
4.27.40

Excellence
Principes
 PRINCIPES
 DE LA POLITIQUE ÉCONOMIQUE ET FINANCIÈRE
 DE GUERRE.

Les formes modernes de guerre totale exigent que le pays qui combat jette dans la balance la totalité de ses moyens.

27/40
L. 40

C'est à la technique de cette mobilisation totale qu'est consacrée la présente étude. Elle tend à préciser les méthodes par lesquelles la force du pays en guerre, dans ses chances de succès, pourront être portées au niveau le plus élevé possible, compte tenu de ses ressources. Elle permet, en même temps, de préciser la nature et de mesurer l'importance des sacrifices qui doivent lui être demandés et, par là, elle tend à les rendre acceptables, puisqu'elle en montre l'inéluctable nécessité.

Enfin, elle pose la question du cadre politique dans lequel doit être placé l'économie de guerre pour atteindre son plus haut rendement: contrainte ou liberté.

I.- LE PROBLÈME DE L'ÉCONOMIE DE GUERRE DANS UN RÉGIME SANS MONNAIE.

1.- Pour poser simplement le problème de l'économie de guerre, il convient de le débarrasser des obscurités qu'y introduisent les phénomènes monétaires et, à cette fin, de l'envisager dans une économie supposée sans monnaie, où les produits s'échangeraient uniquement contre des produits, non contre des unités monétaires.

Imaginons que dans un pareil univers, supposé en équilibre, c'est-à-dire où les besoins de l'Etat sont couverts par un prélèvement sur les ressources des individus, les dépenses publiques se trouvent brusquement augmentées, par exemple, du fait d'une guerre.

Comment cet excédent de dépenses sera-t-il couvert?

2.- Pour répondre à cette question, il faut, en premier lieu, observer que dans un pays la masse des richesses à consommer, au cours d'une certaine année, est faite de la masse des services produits au cours de cette même année, tant par les hommes que par tous les capitaux existants:

machines, immeubles, stocks accumulés. (1)

C'est cette masse de services qui constitue le revenu national, masse totale des richesses consommables pendant la période considérée.

Elle peut être plus ou moins élevée en fonction de conditions qui seront précisées plus loin; mais dans des conditions données d'utilisation des capitaux existants, elle présente une limite maximum, atteinte lorsque ces capitaux sont utilisés au plein de leur rendement possible.

3.- Dans un pareil univers, les dépenses publiques, c'est-à-dire les besoins de l'Etat, ne peuvent être couverts, dans la mesure où ils ne sont pas assurés par les services produits par des capitaux appartenant à l'Etat, que par un prélèvement sur les services fournis par des hommes (service militaire, service de travail) ou par des capitaux appartenant à des particuliers (service de transport fournis par des chevaux ou des automobiles, service de fabrication fourni par des usines, etc...).

(1).- C'est la notion de revenu élaborée par M. Irving Fisher dans son ouvrage classique: "De la notion de capital et de revenu". Selon l'analyse de Fisher, les hommes ne peuvent consommer que des services: services de nourriture débités par des aliments, services de défense débités par des tanks ou des explosifs. Les capitaux sont de véritables générateurs de services et s'épuisent à une allure qui dépend généralement de la vitesse de débit.

Tout ce que l'Etat consomme doit être prélevé sur ce que les particuliers consomment ou consommeront à sa place.

4.- Ceci étant, si l'on se trouve en face d'une brusque augmentation des dépenses publiques, cette augmentation ne pourra être couverte que par augmentation du prélèvement effectué sur les revenus individuels. A cet égard, deux hypothèses doivent être envisagées:

a) ou le revenu national peut être augmenté du montant des besoins nouveaux à pourvoir - par exemple, par augmentation du rythme ou de la durée du travail humain - ou de la vitesse du débit des services fournis par les capitaux existants.

En ce cas, le surcroît de dépenses peut être couvert par prélèvement sur l'augmentation du revenu national sans prélèvement sur les revenus que les particuliers consommeraient antérieurement à leur consommation individuelle.

Encore faut-il, pour que ce résultat soit atteint, que l'Etat prélève l'intégralité des revenus supplémentaires produits par l'augmentation de travail des hommes et des capitaux. Or, il est tout à fait invraisemblable qu'il puisse en être ainsi. On ne saurait espérer une augmentation du travail

qu'en laissant au travailleur une partie du surplus qu'il produit. De ce fait, même dans le cas où l'on réussirait à augmenter le revenu national à concurrence des besoins supplémentaires à pourvoir, il faudrait, pour pouvoir augmenter la part de ceux qui produisent plus, effectuer un prélèvement compensatoire sur les revenus, donc sur le bien-être, de ceux qui n'ont pas voulu ou pas pu augmenter leur production.

b) En général, le revenu national ne pourra être augmenté dans la mesure où les besoins de l'Etat auront crû. En ce cas, les besoins nouveaux de l'Etat ne pourront être couverts que par prélèvement sur les revenus anciens des individus, donc par restriction de leur consommation individuelle.

5.- Cette courte analyse suffit à fixer le problème économique de la guerre et les solutions qu'il exige.

Les besoins supplémentaires de l'Etat ne pourront être couverts que par une augmentation de la production nationale ou une diminution des consommations individuelles.

Peut-être trouvera-t-on bien pesant le raisonnement employé pour arriver à cette constatation de simple bon sens.

Il semble cependant que l'on ne saurait trop s'attacher à projeter la lumière de l'évidence sur une conclusion

qui sera le point de départ et la seule justification des rigueurs d'une politique de guerre totale; et la meilleure preuve qu'il faut la démontrer, c'est qu'un grand nombre de personnes se refusent encore à en admettre l'inductable nécessité.

Quoi qu'il en soit, dans sa simplicité, elle fixe certains des caractères nécessaires d'une politique économique de guerre.

6.- Pareille politique doit, en premier lieu et à tout prix, porter au maximum le revenu national. Or, le revenu national est fait, d'une part, des services produits par les hommes dans leur travail quotidien, d'autre part, des services débités par les capitaux existants: usines, outillage, moyens de transport, combustibles, stocks alimentaires, etc...

Ainsi, pour augmenter le revenu national, il faut augmenter autant qu'il est possible, la durée et l'intensité du travail des hommes ainsi que le rythme de débit des services fournis par les capitaux.

Il n'est pas douteux qu'un débit de services ainsi intensifié augmentera la rapidité de l'usure des capitaux utilisés. Ceux-ci ne peuvent, en général, débiter qu'une

quantité limitée de services, variable d'ailleurs, avec les conditions d'entretien et d'utilisation. L'utilisation intensive, par l'usure accélérée qu'elle provoque, est l'un des facteurs importants de l'appauvrissement d'un pays en guerre.

7.- En ce domaine, il est un mode particulier d'augmentation du revenu national qu'il nous faut examiner ici: c'est l'utilisation des stocks que constituent les réserves de capitaux accumulés: stocks de charbon, de minerai, de valeurs étrangères ou d'or.

En brûlant des stocks de charbon accumulés, on majore le revenu annuel de l'énergie calorifique qu'ils libèrent.

Pareillement, en vendant à l'étranger de l'or ou des valeurs étrangères antérieurement accumulés, on incorpore au revenu annuel le pouvoir d'achat que leur utilisation fournit.

L'utilisation intensive des réserves est la deuxième méthode qui permet d'augmenter en temps de guerre le revenu national. Elle constitue un véritable processus de décapitalisation par épuisement des réserves de services que contiennent les capitaux accumulés. C'est là un phénomène d'usure analogue à celle qu'inflige aux hommes et à toutes les formes d'outillage l'utilisation intensive en temps de guerre. C'est aussi la seconde source et peut être la plus importante de l'appauvrissement qu'impose la pratique de la guerre totale.

Le développement de ce processus de décapitalisation exige d'ailleurs un contrôle symétrique de la capitalisation des revenus. En temps de guerre, on ne peut admettre que des services prélevés sur le revenu national soient capitalisés sous des formes qui ne soient pas directement utiles à la guerre, telles que palais, voitures de luxe ou valeurs étrangères. Dans l'économie individualiste du temps de paix, ce sont les individus et les individus seuls qui décident non seulement de l'emploi qu'ils font de leurs revenus, mais de la mesure dans laquelle ils accumulent ou consomment du capital. Le mécanisme des taux assure à chaque instant l'adaptation nécessaire entre les besoins de l'économie et les dispositions des individus. Ici, plus rien de pareil: ce n'est plus en fonction de fins individuelles, mais des fins collectives dont l'Etat a la charge, que doit être décidée la mesure dans laquelle les capitaux devront être consommés.

Pour qu'il puisse en être ainsi, il faut que les capitaux qui appartiennent à des nationaux ne puissent être soustraits à l'emprise de l'Etat, par exemple par transfert à l'étranger, où ils resteraient, certes, propriété de nationaux, mais où leur utilisation intensive, par incorporation au revenu annuel des services qu'ils sont susceptibles de débiter, pourrait être évitée.

En temps de guerre, on ne doit donc exporter sans autorisation de l'Etat ni outillage, ni minerais, ni valeurs

étrangers, ni or, parce que l'Etat seul peut et doit juger de la mesure dans laquelle les services produits par ces capitaux sont nécessaires à la défense nationale. Cette interdiction est d'ailleurs de tous points analogue à celle qui vise l'émigration des personnes qui, si elles pouvaient s'expatrier librement, auraient la possibilité d'échapper à la réquisition que constitue le service militaire.

De la même façon, l'Etat doit interdire l'investissement à l'étranger de revenus ou de produits d'exportation qui seraient ainsi susceptibles de lui échapper. Il exige leur rapatriement sous des formes qui seront utiles à la guerre. D'où nécessité du choix par l'Etat des marchandises par l'intermédiaire desquelles la contre-partie des exportations et des revenus étrangers sera rapatriée, choix d'autant plus nécessaire que le frêt, en temps de guerre, sera plus limité.

8.- Le revenu national peut, enfin, être majoré par l'emprunt à l'Etranger de capitaux dont les services seront rapidement consommés, et dont la restitution n'aura lieu que par prélèvement sur le revenu des années ultérieures. C'est une pareille source d'emprunt, que l'accord franco-britannique du 4 Décembre 1939 nous ouvre, sous condition de réciprocité à l'égard de la Grande-Bretagne, pour tous les capitaux que nous pourrions trouver dans ce pays.

9.- Si le revenu national ne peut être augmenté à concurrence des besoins nouveaux de l'Etat, ou si l'intégralité des revenus supplémentaires ne peut être prélevée par l'Etat, le prélèvement de l'Etat devra s'opérer pour partie sur les revenus que les nationaux consacraient antérieurement à leurs propres besoins. L'Etat devra restreindre les consommations individuelles.

Deux méthodes peuvent être utilisées à cette fin: l'impôt et l'emprunt.

10.- L'impôt devra être aussi élevé que possible, sous la seule réserve qu'il reste productif.

Or, une majoration d'impôt cessera d'être productive lorsqu'elle sera compensée par une augmentation du même montant des charges de l'Etat. Il en sera ainsi, notamment, lorsque toutes les rémunérations individuelles seront augmentées dans la même proportion que les impôts.

Ainsi, pour que l'impôt reste productif, il faut qu'il effectue un prélèvement véritable sur les facultés de consommation des individus.

Le niveau à partir duquel l'impôt deviendra inutile, en provoquant une augmentation parallèle des revenus de l'impôt

est impossible à préciser a priori: il dépend de l'état psychologique et social, de l'autorité du gouvernement, de sa faculté de faire accepter des sacrifices réels par les populations. Il dépend aussi de la forme des impôts et des catégories de contribuables auxquels ils s'appliquent. Pour toutes ces raisons, le choix d'une fiscalité de guerre est une question d'art politique, non de science économique.

On peut cependant fixer quelques-uns des caractères auxquels des impôts de guerre doivent répondre:

- ils doivent limiter autant qu'il est possible le pouvoir d'achat des individus; ils seront donc d'autant plus efficaces qu'ils provoqueront moins de variations des rémunérations individuelles (impôts directs plutôt qu'impôts indirects);
- ils doivent saisir la plus grande part possible des revenus supplémentaires, sans les faire disparaître entièrement, pour ne pas supprimer le profit, moteur de la production;
- ils doivent frapper les dits revenus dès leur apparition, donc par un système de stoppage à la source.

11.- Les considérations précédentes montrent que l'Etat ne pourra espérer trouver par l'impôt la totalité des ressources qui lui sont nécessaires. Il devra donc emprunter ce qu'il n'aura pu obtenir par voie fiscale.

L'emprunt, comme l'impôt, est un prélèvement sur les

revenus des individus, donc une restriction de leurs facultés de consommation. Cette restriction est volontaire ou forcée, suivant que l'emprunt lui-même l'est ou non.

La seule différence entre l'impôt et l'emprunt est que le prélèvement opéré par l'impôt est définitif, alors que le prélèvement opéré par l'emprunt sera remboursé sur le revenu des années ultérieures. Mais, hors cette différence - subalterne au moment où les biens prélevés sont consommés - les deux formes de prélèvement sont équivalentes, puisqu'elles réduisent à concurrence de leur montant les facultés de consommation individuelles.

On voit ainsi combien il est absurde de dire que l'emprunt permet de rejeter sur les générations futures le paiement des dépenses publiques. Des dépenses actuelles ne peuvent être couvertes que par des prélèvements actuels sur des facultés de consommation actuelles.

On voit aussi l'erreur que l'on commettrait en considérant le prêt à l'Etat dans une économie en nature comme une forme d'épargne ou de capitalisation des revenus. Dans une pareille économie, un titre d'emprunt n'est pas un capital, mais la reconnaissance d'un droit sur des revenus qui n'existent pas encore.

12.- Si l'emprunt est forcé, il n'est qu'un impôt remboursable. La promesse de remboursement peut être utile pour faire accepter plus facilement par le contribuable les sacrifices qu'on lui impose. Elle implique cependant un danger: celui de faire assumer par l'Etat des engagements de remboursement ultérieur.

En effet, le produit des emprunts, que ceux-ci soient volontaires ou forcés, sera très rapidement consommé. Il ne majorera donc pas le revenu national des exercices à venir, comme il l'aurait fait s'il avait servi à créer des capitaux, qui auraient débité des revenus pendant toute leur période d'amortissement. Le service et le remboursement de ces emprunts aussitôt consommés ne pourront être effectués que par un prélèvement sur des revenus qu'ils n'auront pas contribué à former.

Le souci des réalités doit donc conduire à réduire au minimum possible la part de l'emprunt volontaire ou forcé dans le financement de la guerre.

13.- Si l'emprunt reste volontaire, son rendement est incertain puisqu'il demeure subordonné à la libre décision du titulaire de revenus, de se priver d'une partie du pouvoir d'achat qu'il aurait pu consacrer.

Pour favoriser la décision, il faut, en premier lieu, créer une mystique de la restriction. Il ne suffit pas de faire de la propagande pour l'emprunt, il en faut faire pour la non-consommation. Il faut décider les individus à utiliser jusqu'à la dernière goutte les revenus qu'ils peuvent tirer des capitaux qu'ils détiennent. Il faut interdire le stockage et prohiber le neuf. Il faut créer le point d'honneur des vêtements usés et des souliers défilés.

14.- Cependant, si l'action sur la psychologie des individus ne suffit pas, il existe une autre méthode pour rendre obligatoire la souscription volontaire à un emprunt facultatif: empêcher les individus d'employer leurs revenus autrement qu'en les prêtant à l'Etat.

A cette fin, deux procédés:

- les écarter de la consommation en provoquant par voie fiscale des hausses de prix tenues pour prohibitives;
- interdire la demande par la voie du rationnement, lequel peut être obtenu, soit par un système de cartes, soit par le contingentement et le contrôle des livraisons chez un fournisseur choisi une fois pour toutes.

La première méthode est applicable aux articles de luxe, la seconde doit être étendue à tous les produits de

première nécessité, dont on ne saurait, sans inconvénients graves, admettre la hausse des prix.

II.- LE PROBLÈME DE L'ÉCONOMIE DE GUERRE EN RÉGIME MONÉTAIRE.

15.- L'analyse qui précède conduit à une conclusion simple: dans une économie en nature, l'Etat ne peut augmenter ses dépenses que dans la mesure où ses nationaux produisent plus ou dépensent moins.

Cette conclusion serait sans appel dans un univers sans monnaie, où le montant des prélèvements opérés par l'Etat sur les ressources des particuliers fixe une limite absolue à sa faculté de dépense.

Elle paraît, au contraire, appeler des réserves dans un monde où existent des unités monétaires (monnaie proprement dite ou crédits de banque) et des banques qui les créent (Banques d'émission et banques privées). Dans un pareil univers, qui est l'univers réel, un emprunteur peut obtenir d'une banque, sous condition de remboursement, un "pouvoir d'achat" qui semble créé de toutes pièces, parce qu'en apparence, il ne tire

pas son origine d'un prélèvement effectué sur des ressources préexistantes. Tel est notamment le cas d'un Etat qui, ayant épuisé ses ressources disponibles, obtient une "avance" de sa Banque d'émission, avance qui est consentie par remise d'un certain nombre d'unités monétaires que l'Etat utilise sous forme de billets de banque ou de crédits pour continuer ses paiements.

15.- Ces avances en monnaie posent une question essentielle: quel pouvoir d'achat apportent-elles à celui qui les obtient?

Pour répondre à cette question, imaginons le cas d'un pays dont le revenu national annuel représente, au niveau des prix du moment, une valeur de 500 milliards de francs, les dépenses de l'Etat représentant annuellement 300 milliards de francs obtenus, pour 100 milliards, par l'impôt, pour 100 milliards, par l'emprunt, et les dépenses des particuliers s'élevant annuellement à 100 milliards de francs. Le système est en état d'équilibre et peut durer indéfiniment, le total des dépenses étant égal au revenu national défini par le niveau des prix et les possibilités physiques de production.

Supposons que, brusquement, par suite d'une guerre, les dépenses publiques se trouvent majorées de 50 milliards de

francs. L'Etat, qui ne peut interrompre ses paiements, demande à la Banque et obtient d'elle une avance équivalente. Il dépensera ainsi dans l'année 330 milliards au lieu de 300, soit 30 milliards de plus que ce qu'il aura prélevé sur les revenus de ses nationaux. La dépense totale annuelle sera de 330 milliards au lieu de 300.

Quel sera l'effet de cette majoration?

Deux hypothèses doivent être envisagées, selon que la production nationale annuelle, donc le revenu national, aura été ou non augmentée.

Si la production nationale annuelle a été augmentée, - par exemple par diminution du chômage ou augmentation de la durée quotidienne du travail des hommes et de machines - d'une masse de produits valant 30 milliards de francs, les 30 milliards supplémentaires dépensés par l'Etat serviront à payer les 30 milliards de marchandises produites en excédent par le pays. L'augmentation des dépenses de l'Etat sera, en elle-même, sans effet sur les prix.

Si, au contraire, la production nationale ne varie pas, il y aura, pour acheter ce qui vaut 300 milliards, un "pouvoir d'achat" de 330 milliards.

Pour prévoir l'effet de cette disparité, il suffit d'observer que si pour acheter 1.000 tonnes de charbon on é-

pense 100.000 Frs, le charbon vaut 100 Frs la tonne et ne peut avoir un autre prix. Si l'on dépense 110.000 Frs, il vendra 110 Frs la tonne et il ne pourra en être autrement. L'augmentation de 10 % de la dépense totale aura majoré de 10 % le prix du produit acheté - et cette augmentation sera inéluctable.

Parallèlement, dans l'exemple antérieurement envisagé, la dépense totale ayant augmenté de 10 %, le niveau général des prix augmentera de 10 % et il ne pourra en être autrement. Ce qui, en moyenne, valait 100 Frs antérieurement vendra désormais 110 Frs.

Or, cette augmentation de prix signifie qu'avec les 230 milliards qu'il dépense maintenant, l'Etat obtiendra une masse de produits qui valait antérieurement $\frac{230}{1,10}$ soit 209 milliards de francs. Le "pouvoir d'achat" annuel de l'Etat aura augmenté de 9 milliards de francs.

Mais, dans le même moment, si l'on suppose que les particuliers continuent à consacrer à leurs dépenses le montant antérieur, soit 100 milliards de francs, ils n'obtiendront plus avec ce montant que la masse de produits qui valait antérieurement $\frac{100}{1,10}$, soit sensiblement 91 milliards de francs.

Le pouvoir d'achat de l'Etat aura augmenté de 9 milliards de francs, celui des particuliers aura diminué de 9 milliards de francs.

On voit ainsi que le financement par création d'unités

monétaires n'est pas différent quant à sa nature du financement par l'impôt ou par l'emprunt. Comme ses derniers, il est un instrument de prélèvement sur le pouvoir d'achat des particuliers. Il ne donne à l'Etat que ce qu'il a pris aux particuliers. Il est un impôt, mais aveugle entre tous, puisque il ne comporte jamais ni abatement à la base, ni progressivité.

L'inflation, c'est en somme l'instrument auquel l'Etat doit recourir lorsqu'il ne peut dépenser moins, ni prélever plus, directement, sur le pouvoir d'achat des individus. Ce qu'il ne peut obtenir directement, il l'obtient alors indirectement par un transfert de pouvoir d'achat obligatoire et occulte. Certes, l'inflation est légitime lorsque l'intérêt national exige que l'Etat, arrivé au terme de ses possibilités de dépense, ne cesse pas de dépenser. Mais, sa véritable nature, ses conséquences inévitables, exigent, puisque elle n'est que le plus mauvais des impôts, qu'il n'y soit recouru que dans la mesure où elle est strictement inévitable, c'est-à-dire qu'elle soit remplacée le plus tôt et le plus vite possible par de vrais impôts ou par de vrais emprunts qui, eux, font directement en plein jour le prélèvement monétaire que l'inflation se borne à dissimuler.

17.- L'analyse qui précède ne décrit pas tous les effets possibles du financement par création d'unités monétaires,

puisque'elle n'envisage pas d'autres conséquences que celles qui résultent des dépenses de l'Etat. Or, dans l'hypothèse précédemment envisagée, les fournisseurs de l'Etat, qu'ils aient ou non produit davantage, auront en cours d'année reçu un pouvoir d'achat supplémentaire de 50 milliards de francs. Il reste maintenant à savoir l'emploi qu'ils feront de ce pouvoir d'achat.

Ils peuvent:

- l'exporter;
- le thésauriser ou le consacrer au remboursement de crédits antérieurement consentis;
- le livrer à l'Etat par l'impôt ou le lui prêter par l'emprunt;
- l'employer à majorer leurs demandes de produits.

La première hypothèse, celle de l'exportation, implique sortie d'or ou demande de change d'égale montant, suivant que l'on est en régime de circulation métallique ou de cours forcé. La prohibition d'exportation de capitaux, dont on a montré plus haut la nécessité en période de consommation intensive des réserves de capitaux, exclut l'éventualité. Nous pouvons donc ne pas l'envisager ici. Nous tenons seulement à marquer en passant que dans un pays dont la balance des comptes est en équilibre, la hausse des prix qui peut résulter d'une augmentation de la dépense totale, doit provoquer, même en dehors de tout mouvement psychologique, un déficit de la balance

des comptes, donc en régime de circulation métallique, une expulsion de pouvoir d'achat. Celle-ci ne prendra fin que lorsque le niveau des prix sera revenu à son niveau antérieur, c'est-à-dire, toutes conditions égales, lorsque l'intégralité du pouvoir d'achat supplémentaire aura été ainsi expulsée. Ceci montre que, même sans "crise de confiance", l'exportation des capitaux est le corollaire nécessaire et inévitable du financement par l'inflation. Si des mouvements psychologiques ne la produisaient pas, elle serait la conséquence mécanique de la perturbation apportée à la balance du commerce, par la création de pouvoir d'achat.

Le deuxième emploi possible: thésaurisation ou remboursement de crédits antérieurement consentis, annule à due concurrence le pouvoir d'achat supplémentaire mis à la disposition des individus. A partir du moment où il intervient, tout se passe comme si ce pouvoir d'achat n'existait pas. Sa création n'aura donc entraîné aucune conséquence autre que celles précédemment envisagées à la suite de son utilisation par l'Etat.

Le troisième emploi: versement à l'Etat sous forme d'impôt ou de prêt, annule aussi le pouvoir d'achat nouvellement créé et permet à l'Etat, s'il n'effectue aucune dépense supplémentaire autre que celle qui a provoqué l'émission de ce pouvoir d'achat, de rembourser la banque qui l'a émis à concurrence du pouvoir d'achat récupéré. On dit en ce cas que "le circuit joue" à concurrence du même montant.

Pour préciser la mesure maximum dans laquelle le circuit peut jouer, il suffit d'observer que si les détenteurs de pouvoir d'achat le prêtent librement à l'Etat, ils ne prêteront que les unités monétaires qui ne leur sont pas strictement indispensables.

Or, la dépense supplémentaire de 50 milliards, qu'elle résulte d'un accroissement de la production sans hausse de prix ou d'une hausse de prix sans accroissement de la production exige, toutes conditions égales, une augmentation des encaisses individuelles de même proportion.

Autrement dit, si le total des encaisses individuelles - monnaie proprement dite ou crédits de banque - nécessaire pour assurer le financement de dépenses totales s'élevant annuellement à 500 milliards, est, par exemple, de 100 milliards (monnaie circulant à la vitesse moyenne de trois changements de main par an), l'augmentation de dépense totale de 50 milliards exigera une augmentation de 10 milliards des encaisses nécessaires. Les individus, en ce cas, ne pourront retourner à l'Etat, sur les 50 milliards de pouvoir d'achat supplémentaire qu'ils auront reçu, que 20 milliards de francs. Le circuit comportera un résidu nécessaire de 10 milliards. Il ne pourra donc jouer qu'à concurrence des 2/5 du pouvoir d'achat mis en circulation.

Pour qu'il n'en fût pas ainsi, il faudrait que l'Etat eût réduit par l'impôt ou par l'emprunt la dépense totale des particuliers du montant de ses dépenses supplémentaires, c'est-à-dire, dans l'hypothèse précédente, de 100 à 70 milliards de francs. En ce cas, la dépense totale restant de 300 milliards de francs, l'ensaisse nécessaire n'aurait pas varié: le circuit pourrait jouer à plein. Aucune inflation ne serait possible.

Mais, en ce cas aussi, aucune inflation n'eût été nécessaire, puisque l'Etat aurait trouvé, par un prélèvement direct, un prélèvement réel, sur les revenus des individus, les 30 milliards supplémentaires dont, par hypothèse, il avait exclusivement besoin.

Quel qu'il en soit, on voit que dans le cas où il y a eu "inflation", le circuit ne doit pas normalement jouer à 100 % et, qu'au surplus, dans le cas où il doit être alimenté par des prêts librement consentis, il ne jouera à concurrence du maximum possible que lorsque les individus consentiront à prêter à l'Etat toute la partie du pouvoir d'achat supplémentaire qu'ils auront reçu, non requise par l'augmentation de leurs besoins d'ensaisse.

Or, il n'y a aucune raison pour qu'il en soit ainsi. Les bénéficiaires de pouvoir d'achat supplémentaire peuvent, en effet, en faire le quatrième emploi précédemment envisagé: l'employer à la majoration de leurs demandes de produits.

Dans ce cas, la dépense totale sera majorée du montant de leurs dépenses supplémentaires et, sauf accroissement de la production capable de satisfaire à ce supplément de dépenses civiles, le niveau général des prix augmentera dans la même proportion.

Pour fixer, dans l'hypothèse où la production parvenue à sa limite ne peut suivre la demande, le maximum de la hausse des prix possible, il faut rechercher le montant maximum des dépenses supplémentaires que, dans l'hypothèse envisagée, la majoration de 30 milliards des dépenses de l'Etat peut engendrer.

Les dépenses supplémentaires de l'Etat auront augmenté à due concurrence les ressources des individus. Avec ces ressources supplémentaires, s'ils ne les prêtent pas à l'Etat, ne les thésaurisent pas ou ne les emploient pas à rembourser des crédits antérieurement consentis, ils pourront effectuer des dépenses supplémentaires qui majoreront les revenus normaux de ceux qui en bénéficient, lesquels, à leur tour, pourront majorer leurs dépenses. Le montant des majorations de dépenses possibles est fonction de la rapidité avec laquelle les bénéficiaires de ressources supplémentaires les dépenseront.

Son maximum, toutes autres conditions supposées inchangées, notamment quant au volume de crédit existant, est fonction de la vitesse de circulation des encaisses supplémentaires mises en circulation.

Si l'on suppose que toutes ces encaisses ont été conservées par le public et qu'au bout d'un certain temps elles se sont mises à circuler à une vitesse de trois changements de main par an, une augmentation de dépense annuelle de 50 milliards de francs par l'Etat pourra provoquer une augmentation de dépense totale annuelle de 90 milliards de francs, donc, dans l'hypothèse précédemment envisagée, une nouvelle hausse de prix de 30 %.

Toutefois, on ne saurait trop insister sur le fait qu'il n'y a là qu'une limite maximum et que, dans la réalité, elle ne sera jamais atteinte. Les bénéficiaires de recettes supplémentaires ne les considéreront que pour partie comme des revenus. Ils voudront les capitaliser et pour cela les prêteront à l'Etat. Par ailleurs, ils ne prendront de décision quant à l'emploi de recettes inaccoutumées qu'au bout d'un certain temps, ce qui aura pour effet de réduire considérablement la vitesse de circulation des unités monétaires nouvelles. D'ailleurs, une partie importante des recettes supplémentaires n'est pas immédiatement disponible: c'est celle qui apparaît sous forme de bénéfices d'entreprises et n'est susceptible d'être dépensée, après amputation par l'impôt, que lorsqu'elle aura été effectivement distribuée.

Néanmoins, l'analyse précédente montre que le fonctionnement optimum du circuit n'est, en aucune façon une nécessité. Suivant les dispositions psychologiques des individus,

suivant qu'ils sont plus ou moins pressés "d'employer leur argent", suivant qu'il leur plaît plus ou moins de l'épargner, donc qu'ils ont plus ou moins confiance dans l'avenir, suivant qu'ils ont plus ou moins le désir d'acheter des produits pour les consommer ou les stocker, le circuit jouera plus ou moins. Dans l'hypothèse la plus favorable, il rapportera à l'Etat une fraction de sa dépense non couverte par des prélèvements, fraction qui dépend de la vitesse de circulation de la monnaie et que nous avons évaluée à $2/3$. Dans l'hypothèse la moins favorable, il ne rapportera rien.

Entre ces deux limites, la fraction qui reviendra à l'Etat ne dépendra que de la mesure dans laquelle les individus accepteront de ne pas consacrer à des achats l'intégralité de leur pouvoir d'achat disponible. C'est le renoncement à l'achat, et lui seul, qui assurera le fonctionnement optimum du circuit.

13.- Cette constatation permet de préciser les méthodes propres, en régime d'inflation, à faire jouer le circuit dans la proportion la plus élevée possible, autrement dit, à réduire au minimum l'inflation et ses conséquences.

Le but est d'obtenir que les bénéficiaires de revenus supplémentaires ne les utilisent pas à des achats.

Le moyen est d'exercer sur ces revenus le prélèvement le plus élevé possible: par l'impôt d'abord, par l'emprunt

librement consenti ensuite. Si, comme il est certain, ces deux procédés n'assurent pas à l'Etat le retour de l'intégralité du pouvoir d'achat supplémentaire mis en circulation, il ne reste qu'une méthode pour obliger ses détenteurs à ne pas le dépenser, c'est de les empêcher d'acheter.

Si l'on réussissait à obtenir qu'ils réduisent leurs achats dans la mesure où l'Etat a augmenté les siens, autrement dit qu'ils acceptent de n'acheter que ce qui reste à vendre après que l'Etat a acquis tout ce qu'il désire acquérir, on aurait fait disparaître toute possibilité d'inflation, on serait revenu au procédé de financement antérieurement étudié dans l'hypothèse d'une économie sans monnaie.

Quant aux moyens d'interdire d'acheter à des porteurs de pouvoir d'achat, ils sont au nombre de deux: le rationnement et la hausse des prix. Comme nous l'avons montré précédemment, le premier doit être employé à l'égard des articles de première nécessité, le second à l'égard des articles de luxe, à la condition que la hausse des prix résulte d'un impôt et non d'une majoration de profit du vendeur.

Ainsi, lorsque l'inflation n'aura pu être évitée, et il en sera souvent ainsi en pratique lorsque les dépenses publiques auront été brusquement majorées, l'Etat aura l'impérieux devoir de stériliser le pouvoir d'achat supplémentaire

laissé aux mains des individus en limitant leurs demandes par le rationnement d'une part, par la surcharge fiscale des produits non rationnés d'autre part.

19.- Si énergiques qu'elles soient, il est peu probable que ces mesures réussissent à faire disparaître toute trace d'inflation. L'inflation existante provoquera une hausse des prix, réaction spontanée du système tendant à porter la valeur des produits à acheter au niveau du pouvoir d'achat offert sur le marché. Cette hausse des prix tendra à mettre en déficit la balance commerciale, et par là, à provoquer, en régime de cours forcé, une baisse de la monnaie, - baisse qui n'est elle-même qu'une réaction spontanée tendant à ramener le niveau des prix évalués en or ou en monnaie étrangère au niveau des prix étrangers.

Si l'on veut éviter les désordres qu'entraîne la hausse des changes, et le risque de "spirale infernale" qu'il implique, l'Etat sera amené à soumettre à autorisation les demandes de change sur le marché. Il réussira ainsi dans la mesure où son contrôle sera efficace à maintenir un cours du change stable. Mais, pareil cours, artificiellement immobilisé en une période de prix croissants, tendra à stimuler les importations, à paralyser les exportations, et appellera nécessairement, si l'on veut ménager les réserves d'or, le contrôle

complet du commerce extérieur, adjuvant nécessaire du contrôle des changes.

20.- L'étude qui précède permet de dégager les principes essentiels qui doivent inspirer une politique économique et financière de guerre; ces principes sont les suivants:

- augmentation au maximum possible de la production nationale;

- consommation au rythme jugé nécessaire par les autorités publiques, en fonction de leurs prévisions sur la durée probable de la guerre, de toutes les réserves de capitaux et interdiction de la capitalisation des revenus, sauf besoins de guerre étant justifiés;

- réduction, par l'impôt ou par l'emprunt, de la consommation civile à la partie du revenu national ainsi majoré qui restera libre lorsque les besoins militaires auront été couverts;

- si la consommation civile ne peut être ramenée à ce niveau, il y aura inflation. Pour atténuer autant que possible les conséquences inévitables de l'inflation, l'Etat devra prohiber, par rationnement et hausse fiscale de prix, l'utilisation du pouvoir d'achat supplémentaire mis entre les mains de la population civile, assurer par voie d'autorité le contrôle du marché des changes et la direction du commerce extérieur.

3^e Partie : les raisons de la contrainte dans un régime de guerre

37

Ces conclusions précisent l'étendue des mesures de contrainte nécessaires au fonctionnement d'une économie de guerre. Elles montrent qu'il est impossible de laisser au seul mécanisme des prix le soin d'orienter les demandes individuelles et, par là, de déterminer l'emploi que les détenteurs de pouvoir d'achat en feront sur le marché.

Dans une économie libre, chaque individu dispose à son gré de la part de ses ressources - produits de son travail, revenus des capitaux lui appartenant, produits de la vente de ses capitaux - qui n'est pas prélevée par l'Etat sous forme d'impôt. Il peut, notamment, aménager librement, entre le présent et l'avenir, les dites ressources, consommer ses réserves au rythme qu'il lui plaît de fixer, épargner la fraction de ses revenus qu'il décide de ne pas consommer. Le niveau et les variations du taux d'intérêt sont qu'un des facteurs de sa décision, mais assurent l'équilibre entre les offres et les demandes sur le marché des capitaux.

De la même façon, les variations de prix adaptent à chaque instant les facultés de production aux demandes qui s'expriment sur le marché, de telle façon que chaque demande trouve en face d'elle, à chaque instant, l'offre susceptible de la satisfaire, de telle façon aussi que chaque détenteur de pouvoir d'achat en tire les satisfactions auxquelles il attache le plus de prix, compte tenu de toutes celles que la

marché serait susceptible de lui offrir.

Ainsi, chaque détenteur de pouvoir d'achat est maître de la part du revenu national qui lui est assignée par le volume du pouvoir d'achat dont il dispose. Il la façonne à son gré, à seule fin d'en tirer pour lui et pour les siens le plus de satisfactions possible. Il exerce donc, dans la limite de ce pouvoir d'achat, une souveraineté absolue.

L'Etat intervient sur le marché comme un simple particulier. En dépensant son pouvoir d'achat, il aménage, par l'action de ses demandes, la part de la production nationale répondant à la fraction du revenu national qu'il a prélevée par l'impôt, par l'emprunt, - et, éventuellement, par l'inflation. Dans la limite du pouvoir d'achat qu'il détient, il est maître absolu des activités productives, au même titre que le plus humble des acheteurs du marché. En dehors de ce pouvoir d'achat, il n'est rien.

Cette limitation de la souveraineté économique de l'Etat est légitime, tant que la tâche qui lui est assignée est elle-même limitée. Rien plus, elle est alors indispensable, car seule, elle permet aux hommes de tirer des facultés de production existantes le plus de satisfactions possible. Mais elle ne saurait être admise, lorsque la Nation doit sauvegarder son existence même, contre un adversaire qui met en oeuvre, pour la supprimer, la totalité des forces dont il peut disposer.

En ce sens, les moyens mis à la disposition de l'Etat ne sauraient être limités à une fraction quelconque des ressources du pays. C'est la totalité de ses ressources qui doit être employée pour obtenir dans la lutte un avantage décisif.

Comment imaginer, en effet, que des aspirations individuelles, des préférences ou des goûts puissent être retenus alors que toute satisfaction individuelle, si grande soit-elle, qui diminue si peu que ce soit la force du pays dans la lutte, doit être écartée. Comment imaginer que des ressources puissent être épargnées en vue de l'avenir, alors que, sans victoire, il n'y aura pas d'avenir.

Dans un pays en guerre, il n'est plus de fins individuelles, mais seulement une fin collective unique: la victoire.

Si donc en temps de guerre le mécanisme des prix intérieurement analysé devait subsister, il faudrait qu'à partir du moment où toutes les fins privées disparaissent, l'Etat devint le seul détenteur de pouvoir d'achat, que seul il conserve le droit de modeler les résultats productifs, en vue des besoins militaires de la nation.

Parallèlement impliquerait le transfert intégral à l'Etat de toutes les ressources des individus, de leurs époux, enfants que des services qu'ils peuvent fournir. Sur ces ressources, l'Etat leur restituait seulement celles qui

seraient strictement nécessaires pour entretenir l'existence des individus, assurer leur conservation en vue de leur utilisation maximum au service du pays en guerre, non plus en vue de leur satisfaction maximum.

Cette transformation, comporterait, il est vrai, un changement profond de la structure et des ressorts de notre organisation économique. Elle provoquerait des difficultés d'application quasi irréductibles et une immense diminution de rendement.

Aussi, pour éviter ces inconvénients, l'Etat s'est-il borné à réquisitionner en nature les hommes et les capitaux dont il a directement besoin pour l'équipement de ses armées. Il continue à "acheter", donc à payer en unités monétaires, presque tout ce qu'il fait fabriquer pour des fins militaires, autrement dit, presque tout ce qui exige recours aux services d'un entrepreneur.

Par là, il met entre les mains des individus du pouvoir d'achat. Il leur laisse donc le moyen d'exercer un droit de vote dans le plébiscite constant que constitue le mécanisme des prix, donc de faire en sorte qu'à concurrence de leur pouvoir d'achat, la production soit ce qu'ils veulent qu'elle soit.

Pour que ce mécanisme soit admissible, il n'est qu'une condition: que les individus veulent ce qu'ils doivent

vouloir pour que l'Etat soit dans la guerre le plus fort possible.

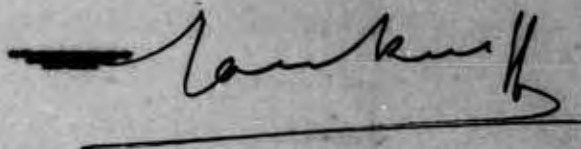
Or, nul ne peut affirmer que si on laisse les individus agir librement, cette condition sera toujours satisfaite. Assurément, ils désirent la victoire et l'appellent de leurs vœux. Mais on ne peut légitimement attendre ou espérer que dans leurs actes, ils n'obéissent qu'à des motifs d'intérêt général et, si on ne l'exige pas d'eux, qu'ils négligent entièrement les intérêts dont ils ont la connaissance immédiate et la responsabilité directe, les leurs et ceux de la famille dont ils ont la charge.

La contrainte n'est que le moyen d'obtenir que les individus fassent de leur pouvoir d'achat l'emploi qu'ils devraient faire si leurs actes étaient inspirés du seul désir de porter au plus haut point possible les chances de succès de leur pays.

Assurément, elle diminue les rendements et appauvrit le pays, mais elle évite que des forces soient consacrées à des productions qui doivent être tenues pour vaines dans la mesure où elles n'augmentent pas la force militaire du pays.

La contrainte apparaît ainsi comme le moyen de concilier le maintien du régime individualiste et les exigences de l'économie de guerre. Elle fait en sorte que les actes indi-

visuels soient ce qu'ils seraient dans un régime de liberté si tous les individus avaient volontairement renoncé à leurs aspirations propres, si toutes les volontés étaient tendues vers un but unique, le seul légitime dans un pays en guerre: la victoire.



Banque de France
Cabinet du Gouverneur

43

For Excellence
Commission H. Wengertman,

Secrétaire du Trésor

Matthews brought this
for the Secretary
from Gueff
J.M.P.

TREASURY DEPARTMENT 44
Office of the Secretary
Technical Assistant to the Secretary

Date

5/20/48

TO:

return to

Room

Miss Conway
WMP

From: MR. DIETRICH

STRICTLY CONFIDENTIAL
TREASURY DEPARTMENT

45

INTER-OFFICE COMMUNICATION

DATE April 27, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

There is attached the original of a personal letter which I have received from Pennachio, Representative of the Bank of Italy in Paris, who serves as Alternate Director on the B.I.S. Board.

The term of Sir Otto Niemeyer as Chairman of the B.I.S. Board expires in May, 1940. His successor must be of another nationality. Some of the directors, including the Governor of the Bank of Italy, would like to see Mr. McKittrick made Chairman of the Board. It will be recalled that Mr. McKittrick, an American citizen, was offered the Presidency of the B.I.S., by the members of the Board, and took office on January 1, 1940. This is a purely appointive position within the powers of the Board. For Mr. McKittrick to become Chairman of the Board, however, he first must become a member of the Board.

When our Federal Reserve System failed to join the B.I.S. at its creation in 1930, the Governors of the other founding institutions invited to become members of the Board two American citizens, Messrs. McCarroll and Fraser, upon learning that they were not objected to "by the central bank of this country." The B.I.S. definition of a central bank, according to its statutes, is: "central bank means the bank in any country to which has been entrusted the duty of regulating the volume of currency and credit in that country; or, where a banking system has been so entrusted, the bank forming part of such system which is situated and operating in the principal financial market of that country." As the statutes stand, the Federal Reserve Bank at New York was and is still considered the central bank in the United States. The B.I.S. is aware that legislation has been passed in this country subsequent to 1930 which definitely charges the Board of Governors of the Federal Reserve System with the System's foreign business.

Pennachio asked our impression in regard to the European members of the Board appointing McKittrick as a member of the Board with the view to selecting him for Chairman. I am not aware that any approach has yet been made to the Federal Reserve Board, either directly or through New York. I see no reason why the Treasury should impose any obstacle. If the Secretary agrees, we could sound out the Board, and perhaps also Mr. Harrison, before I give Pennachio any answer as to whether the B.I.S. Board should proceed with their plan and solicit formally the attitude of our "central bank" toward McKittrick's appointment.



Paraphrase of telegram No. 179 from Rio de Janeiro,
April 27, 1940.

Secretary of State,

Washington.

All but six percent of Brazil's exports last year went to eleven countries including the Scandinavian. Brazil had a favorable net balance of trade with these countries of thirty million dollars. Of these eleven countries, the twelve percent of Brazil's total exports which went to Germany have ceased; the purchases of Belgium have been greatly reduced; and the favorable annual trade balance of about eight million dollars with the Scandinavian countries has practically disappeared. Then too since last November Brazil has had an unfavorable trade balance with the United States.

Because of heavy imports of wheat Brazil's trade balance with Argentina remains unfavorable. Important favorable trade balances which Brazil now has are only with Japan, Great Britain, and France. Japan alone will yield an export balance (that balance was less than twelve million dollars last year) if France and Great Britain negotiate bilateral arrangements. For January and February Brazil's net trade balance was unfavorable even though the Scandinavian markets had not yet been lost. In 1939 the total favorable balance of Brazil was \$44,382,318.

The

- 2 -

The Director of Exchange is afraid that this situation, in addition to the Brazilian Government's commitments to transfer foreign companies' earnings, may force the Government to ask that the maturities of the Export-Import Bank credit of nineteen million two hundred thousand dollars be extended. Otherwise it might be necessary, he said, to place restrictions upon imports, a measure which, it is obvious would affect seriously shipments from the United States to Brazil.

CAFFERY

DCA:GHK:MEK



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

April 27, 1940

MEMORANDUM FOR THE SECRETARY

The attached statement was delivered by messenger this morning from the office of Mr. Ballantyne, Secretary-General of the Anglo-French Purchasing Board.

att.

STATEMENT FOR THE PRESIDENT

(to be available April 26th 1940)

Allied Deliveries & Orders of Combat Planes

(excluding training types) since November 4th 1939

Category		Pursuit Type	Bomber and Reconnaissance Type	Total
<u>DELIVERIES</u>				
1.	From November 4th 1939 to April 26th 1940	148	352	500
2.	Estimated deliveries during			
May	1940	65	110	175
June	1940	80	75	155
July	1940	75	65	140
August	1940	85	70	155
September	1940	105	65	170
October	1940	105	40	145
November	1940	95	50	145
December	1940	125	70	195
January	1941	140	100	240
February	1941	140	190	330
March	1941	150	260	410
April	1941	180	290	470
May	1941	220	330	550
June	1941	250	350	600
July	1941	300	320	620
August	1941	300	330	630
September	1941	300	330	630
October	1941	180	205	385
Grand Total from November 4th 1939 to end of October 1941		2,895	3,250	6,145
<u>ORDERS</u>				
1.	Placed between November 4th 1939 and April 26th 1940	1,390	850	2,240
2.	To be placed subsequent to April 26th 1940	1,280	1,980	3,260
Grand Total		2,670	2,830	5,500
N.B. Deliveries immediately prior to war, excluding trainer types		200	153	353

STATEMENT FOR THE PRESIDENT

(to be available April 26th 1940)

Allied Deliveries & Orders of Combat Planes
(excluding training types) since November 4th 1939

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July 1940	75	65	140
August 1940	85	70	155
September 1940	105	65	170
October 1940	105	40	145
November 1940	95	50	145
December 1940	125	70	195
January 1941	140	100	240
February 1941	140	190	330
March 1941	150	260	410
April 1941	180	290	470
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Regraded Unclassified

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* *Amplified*
Apr 27

Received
7 minutes
157

Regraded Unclassified

STATEMENT FOR THE PRESIDENT

(to be available April 26th 1940)

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Regraded Unclassified



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

53

April 27, 1940

MEMORANDUM FOR THE SECRETARY

For the purchase of strategic materials there was appropriated

For the fiscal year 1940	-	\$ 10,000,000
For the fiscal year 1941	-	<u>12,500,000</u>
TOTAL		\$ 22,500,000

Of the \$12,500,000 for the fiscal year 1941, \$3,000,000 was made available upon the passage of the legislation, and this amount will be obligated for prior to July 1, 1940.

Of the total \$22,500,000 there was allocated for the purchase of tungsten \$900,000, of which amount \$501,000 has been expended, leaving a balance of \$399,000. At an average price of \$1,100 per short ton of 70% ore, 450 tons of tungsten have been purchased to date. Of the money allocated and available for the further purchase of tungsten, namely \$399,000, approximately 400 tons of 60% ore can be acquired. A decision as to the possible transfer of approximately \$1,000,000 to the funds allocated for the purchase of tungsten is at present under discussion. However, even if this transfer is effected it will provide for the purchase of only 1,000 tons.

Consideration might be given to a barter deal with the British or French under which they would get cotton, wheat and corn in exchange for the 6,000 tons of tungsten. Could such a deal be made it would require purchase by them of tungsten from Chinese sources and correspondingly relieve the Chinese market. Under existing legislative authority a similar arrangement was made through the State Department by the Commodities Credit Corporation under which cotton was bartered for rubber, the rubber in turn delivered to the War Department for storage in connection with the strategic material stockpile.

MP

GRAY

Milan

Dated April 27, 1940

Rec'd 11:30 a. m.

Secretary of State,
Washington

16, April 27, 3 p. m.

FOR TREASURY DEPARTMENT. Today's prices as follows:
200.50; 344; 502; not listed; 970; 205.50; 1655; 65; 228.50;
volume 105,425.

Further declined prices apparently due continued
speculation and pessimism over political situation.

SHOLES

WWC

Exchange-Stabilization Fund**April 27, 1940****Honorable Henry Morgenthau Jr****Beacon New York**

**Milan cable April 27 3 p.m. "Further declined prices apparently
due continued speculation and pessimism over political situation."**

Cochran

**HMG:cmk
4.27.40**

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: April 27, 1940, 4 p.m.

NO.: 538

FOR THE TREASURY. FROM MATTHEWS.

This morning I called on Couve de Murville to say goodbye to him. As for the financial situation of France, I found the same relative optimism on the near-term outlook that Rueff and Governor Fournier had expressed - references, telegram of April 24, No. 526 from the Embassy and telegram of April 24, No. 522 from the Embassy. He said that French expenditures in the United States are showing the upward trend which had been anticipated, and the monthly average is now something over \$80,000,000.

As for cutting the franc loose from the pound, no decision has been reached so far as concerns the free market. Couve said this is a move which could be accomplished through cessation of sterling purchases from foreigners. He wondered whether such a step would have any reaction in the United States. He said that the British could of course say nothing, when I asked him how they felt about it. Reference, telegram of April 17, No. 494; Couve told me that now the declared French holdings of dollar securities amount to \$25,000,000 rather than the \$10,000,000 previously reported.

END SECTIONS ONE AND TWO.

BULLITT.

JR

GRAY

Paris

Dated April 27, 1940

Rec'd 12:35 p.m.

Secretary of State,
Washington.

538, April 27, 4 p.m. (SECTION THREE)

A decree appears in today's Journal Officiel enabling employers to insure their employees against accidents arising from acts of war. Policies will be issued by an association of private insurance companies which will operate under the control of the state. In the event that the premiums paid on the policies issued should be insufficient to cover the claims which may arise the state will make up the balance out of a "national fund to cover risks of war". With a few exceptions all employers will be required to insure their employees against risks of death or permanent disability arising from acts of war.

BULLITT

EMB

PARAPHRASE OF SECTION FOUR, TELEGRAM NO. 538
OF APRIL 27, 1940, FROM PARIS.

For temporary disability risks insurance will be optional.

A Franco-Swiss commercial accord was finally signed yesterday as the outcome of the prolonged negotiations. Certain necessary imports can be obtained by Switzerland thereunder, but she must give full guaranty that such imports will not be reexported to Germany. The Swiss authorities will issue official certificates of origin to enable her exports to get through the blockade of the Allies.

Tomorrow I will leave Paris.

END MESSAGE.

BULLITT.

EA:LWW

MJD

PLAIN

STOCKHOLM

Dated April 27, 1940.

Rec'd. 9:15 p. m.

Secretary of State,
Washington.

405, twenty-seventh.

FROM COMMERCIAL ATTACHE.

State Railway Board recommends 10% increase June 1st in all rates except package goods. Leather stocks reported dwindling. State revenue first nine months fiscal year to March 31 total in millions crowns one thousand two hundred forty which was increase of two eighty-five over year ago, largest single increase one forty-two from special defense tax on income, other increases customs State Railways tobacco, alcoholic beverages, old age pension fund. Government requests appropriation two hundred fifty thousand crowns purchase two short wave telegraphic transmitters.

INFORM COMMERCE.

STERLING

EMB

TREASURY DEPARTMENT

60

INTER-OFFICE COMMUNICATION

DATE April 27, 1940.

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

After opening at 3.51-1/4, sterling moved off in exceptionally light trading to close at 3.50-1/2.

There was no apparent reaction in the market to a report from London stating that the principle of payment for British Empire-produced commodities in certain foreign currencies or in official sterling was expected to be extended to include more commodities and further areas of the Empire. Wool and cotton were cited by the report as commodities which would be most suitable for addition to the next list. One reason why the foreign exchange market showed little concern over the report might be that the chief Empire producer of wool - Australia - already requires payment for this commodity in foreign exchange or official sterling.

Sales of spot sterling by the six reporting banks totaled £ 126,000, from the following sources:

By commercial concerns.....	£	20,000
By foreign banks (Far East, Europe and South America).....	£	106,000
Total.....	£	126,000

Purchases of spot sterling amounted to £ 85,000, as indicated below:

By commercial concerns.....	£	20,000
By foreign banks (Far East and Europe).....	£	65,000
Total.....	£	85,000

The Guaranty Trust Company reported that it had sold cotton bills totaling £ 9,000 to the British Control on the basis of the official rate of 4.02-1/2.

The other important currencies closed as follows:

French francs	.0198-3/4
Guilders	.5312
Swiss francs	.2242-1/2
Belgas	.1690-1/2
Canadian dollars	15-1/8% discount

The Federal Reserve Bank of New York purchased 25,000 belgas for account of the Bank of Latvia.

CONFIDENTIAL

We sold \$100,000 in gold to the Lithuanian Bank, to be added to its earmarked account.

We purchased \$2,000,000 in gold from the earmarked account of the Bank of the Argentine Republic.

The Federal Reserve Bank reported to us the following shipments of gold:

\$3,378,000 from Canada, shipped by the Bank of Canada, Ottawa, to the Federal Reserve Bank, for sale to the U. S. Assay Office.

3,222,000 from the Netherlands, shipped by the Netherlands Bank to the Federal Reserve Bank, to be earmarked for account of the Netherlands Bank.
This gold was shipped on a boat which departed from Antwerp, Belgium.

91,000 from Ecuador, shipped by the Central Bank of Ecuador for its own account to the National City Bank, New York, for sale to the United States Assay Office.

\$6,691,000 Total

The State Department forwarded to us cables stating that the following gold shipments would be made:

\$5,024,000 from Australia, shipped by the Commonwealth Bank of Australia, Sydney, to the Federal Reserve Bank of San Francisco, for sale to the U. S. Mint.

2,959,000 from Hungary, shipped by the National Bank of Hungary, Budapest, to the Federal Reserve Bank of New York. The disposition of this shipment is unknown at the present time.

155,000 from Australia, shipped by the Bank of New South Wales, Sydney, to the American Trust Company, San Francisco, for sale to the U. S. Mint.
\$8,138,000 Total

In a report from the Federal Reserve Bank of New York showing deposits for the account of Asia as reported by New York agencies of Japanese banks on April 24, such deposits totaled \$45,547,000, an increase of \$648,000 since the last report of April 17. Included in this total were \$29,600,000 in deposits with the Yokohama Specie Bank, New York, made by its branches in China, and deposits of \$4,721,000 made by the head office and Japanese branches. The overdraft of the head office and Japanese branches on the books of Yokohama's New York agency was \$84,755,000, an increase of \$1,553,000 since April 17.

The Bombay spot silver quotation worked out to the slightly higher equivalent of 41.71¢.



62

A copy of this to Phil Young to
show George Haas. 4/29/40



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

63

April 29, 1940

MEMORANDUM FOR THE SECRETARY

There is attached hereto a statement prepared from figures that have been reported by the French Air Commission, as well as the British Purchasing Board.

The conclusions indicated on this statement are not in accord with the figures reported on the statement prepared by the Anglo-French Purchasing Board which is also attached hereto.

The combined French and British statement prepared in this office has accurate figures concerning purchases made by the French, and the British share of it is based on definite reports made by the English representatives. It has not been possible to get a combined statement of deliveries from records available here, but that is being worked on at the present. It should be noted that on the combined program 1160 pursuits indicated include the 960 Curtisses and the 200 Bells, they being the only two contracts concerning which definite information has been received. This figure will, of course, be increased as other contracts under the present program are made.

atts.

COMBINED FRENCH AND BRITISH

	<u>Pursuits</u>	<u>Bombers</u>	<u>Total</u>	
ordered prior Nov. 4, 1939	740	1065	1805	
" after " " "	190	790	980	
Combined Program	<u>1160</u>	—	<u>1160</u>	
	2090	1855		3945
delivered prior Nov. 4, 1939	220	350	570	
" after " " "	<u>170</u>	<u>347</u>	<u>517</u>	
	<u>390</u>	<u>697</u>		<u>1087</u>
DUE	1700	1158		2858

Includes Curtiss 960
and Bell 200 Pursuits

April 27, 1940

April 29, 1940

Prime Minister MacKenzie King called on me this morning. Wanted to tell me how sorry he was that he had been unable to spend the afternoon with Mrs. Morgenthau and me during the King's visit but the President of the United States had invited him to go for a swim and, therefore, he had not been able to get out of it and he wanted us both to know it.

He went on with a lot of small talk and then I said, "As long as you are here, I would like to take advantage of your visit." I said, "There is considerable growing sentiment in this country against our continued purchases of gold from the British Empire unless we do some earmarking of the gold against possible purchases of such things as agricultural commodities, et al." I said, "For me to answer the criticism intelligently I have to have accurate information of all the gold and all the monies that the British Empire send to this country and for what use they are made. I don't receive this information now and I think I ought to have it."

I said, "After all, it is in the interest of the Russians and Germans to stop us from buying this gold. I was recently shown a letter from a very intelligent American reporter in Berlin who said that one of their objects was a fight against gold." And I said, "You realize that it is the Democracies that have the gold."

He said, "Well, I will be glad to talk about it with Lord Lothian at lunch." I said, "I like Lord Lothian, but I don't think he's very strong on finances." He agreed with me. And I said, "I think this is something you ought to get directly to Mr. Chamberlain and they ought to send somebody over, like Sir Frederic Fisher, to give me all the information that I need." He thanked me very, very much.

And then I told him my idea that the English and French should make movies officially showing how England and France become the Democracies they are today and what they did to get that way. Also to show

-2-

the various Democratic accomplishments that Germany had prior to Hitler and what they have lost. He said, "Well, don't you think that this will be working against us?" and I said, "No. I have discussed it with the President and he was very enthusiastic." I said, "In passing this on I would appreciate if you did not use my name." I said, "For instance, this play the Lunts put on, 'There Shall Be No Night', is so good that they ought to have ten companies going over the country." He said he had not heard about it but he would go and see it tonight in New York.

He agreed with me, for instance, in Canada he said his grandfather had taken part in the Rebellion of 1837 in Canada and there had been a \$1,000 fine on his head dead or alive. So I said, "How many young children in Canada know about the Rebellion or the part your father took," and he said, "None of them do but we are trying to talk to them over the radio, but your idea of a movie is excellent."

He invited me to come to Canada and hoped I would use him any time I thought he could be useful.

I told him I was so pleased with Arthur Purvis and liked working with him and then he told me that he had appointed Arthur Purvis three years ago as a business man to make a study of unemployment and he had given everything to this at \$1.00 a year and had been most successful at doing it. So I said, "Is he the Harry Hopkins of Canada?" He said, "No, there is a cabinet officer who fills that job, but they wanted a business man to do this to find special jobs for the unemployed and that Purvis had done an excellent job."

Well, a compliment from MacKenzie King along those particular lines is something worth having on account of his own background, he having come out of Hull House.

I found him very charming and very pleasant.

67

BUREAU OF FOREIGN AND DOMESTIC COMMERCE
OFFICE OF THE DIRECTOR

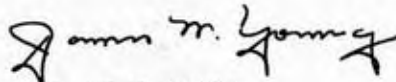
April 29, 1940

From DIRECTOR

To Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury.

For

Sent at the request of Mr.
Noble, Under Secretary of
Commerce.


James W. Young,
Director.

April 26, 1940

ECONOMIC DEVELOPMENTS

INCOME PAYMENTS to individuals in March totaled \$5,936 million, a figure only 4 percent above that of March 1939. While this represents a slight increase over February, the rise was very much less than the usual seasonal so that the adjusted index declined sharply from 88.4 to 87.0. The rise in dollar payments is entirely accounted for by the concentration in March of quarterly dividend and interest payments. On an adjusted basis, farm income fell more markedly than nonagricultural income, due to a contraseasonal decline in income from marketings.

EXAMPLES:

	<u>Income Payments</u>		
	<u>Total</u>	<u>Nonagricultural</u>	<u>Farm</u>
		(1929 = 100)	(1924-29=100)
1939			
August	85.4	86.7	66.5
September	86.8	87.0	73.5
October	88.0	88.8	76.5
November	88.5	89.5	76.5
December	89.5	89.9	79.0
1940			
January	89.5	89.6	79.0
February	88.4	88.8	84.0
March	87.0	88.3	76.0

SIGNIFICANCE: Income payments in March were almost down to the level of last September. Decline in past two months was sharp and approximately equivalent to the rise from August to October under the influence of war impact upon business psychology. Thus, the lag in the decline of income as compared with production is being erased indicating that the production drop is having its expected repercussion upon other areas of the economy. This fact definitely clouds the prospects for consumption—and especially for a continuance of the relatively high sales of consumers' durables.

NO CHANGE in the business situation from the analysis we presented in recent reports is indicated by the latest information available. Most interesting news of the week includes the following items:

1. Sensitive commodity prices have softened during the past week after the moderate rise which followed the German invasion

of Norway. This weakness has been most apparent among import commodities—the group largely responsible for the previous rise.

Index of 28 Commodities

(August 1939 = 100)

	<u>Total</u>	<u>Import</u>	<u>Domestic</u>
April 8	112.7	115.2	111.1
April 18	117.4	119.7	115.9
April 25	115.9	117.1	115.2

2. Steel ingot production declined again this week with estimated output at 60 percent of capacity—despite the lower prices prevailing for certain major steel products. The brief competitive flurry within the industry appears to be over as Carnegie-Illinois and Bethlehem have announced that the price cut would be withdrawn as of May 1 and the previous price schedule held until September. The announcement might drive in some business this week since, according to a Bethlehem statement, orders will be accepted up to May 1 at the reduced price on steel to be delivered before the end of the second quarter.

3. Carloadings increased much less than seasonally last week, with the adjusted index (Dow-Jones) falling from 83.6 to 80.5. The latter figure is a new low for the year and is lower than any week in the last five months of 1939. Excluding coal traffic, because of the mine tie-up last April, the increase in loadings over a year ago is only 4 percent.

4. Auto sales during the second 10 days of April, as well as those for the first third of the month, did not show an extension of the late March rise which brought total March sales up to a relatively favorable total. Sales in both these later periods, as a matter of fact, were well below those in the final third of March. Unless the remainder of April shows improvement, sales will not be large enough to effect any reduction in field stocks (still very high) which should be drawn down at this time of the year. Decided improvement in consumer takings of cars is required to hold production at the current level.

SIGNIFICANCE: Business is still going down.

FOREIGN TRADE NOTES

Germany: Reports about the Leipzig Fair indicate not only a shortage of raw materials for industries, but also an increased demand for manufactured commodities induced by the "flight into real values." No one wishes to keep cash or to make savings, but rather to invest his money in some real value which offers some security against devaluation. Furniture is chosen by newly married couples as an investment for emergency, since carpets have practically disappeared from the market, and linen goods can be obtained only against submission of a marriage certificate or in cases of utmost need.

Owing to the serious loss of potatoes caused by freezing in the fields and the shipment of large consignments of seed potatoes to Poland, it was expected at the middle of April that potatoes would soon be rationed in Berlin.

In anticipation of a short wheat crop in 1940, and the smaller planting caused by mobilization, the Rumanian Government decided to prohibit all exports of wheat except on outstanding orders.

Italy: A report from Berlin indicates the problem involved in the German undertaking to supply Italy with coal. Under normal conditions, practically all shipments of German coal to Italy go by Rotterdam-Gibraltar. If Germany should attempt to supply Italy with the 12 million tons of coal a year that she ordinarily imports, it is estimated that it would require from 40 to 70 coal trains daily by the three routes available: via Switzerland; the Brenner Pass; and through Trieste. The wide margin of the estimates is due to the uncertainty as to the number of cars that a coal train can take over the Brenner Pass, with its steep grades and many curves. It would require about 2,000 cars daily, and allowing for a round trip of 15 days the total number of cars required will be 30,000, in addition to the locomotives.

U.S.S.R.: The Russian Black Sea shipments passing through Istanbul during February consisted only of 32,700 tons of manganese, practically all of it destined for the United States.

The food shortage rumors have been persistent all winter and the situation became much worse toward the end of the Finnish war. People living more than 100 kilometers outside of Moscow are no longer allowed into the city to buy food, and people leaving Moscow for the country are searched for food. Bread is rationed unofficially to 1 pound per day a person.

Norway: According to cables from Stockholm, the Germans commandeered all grain, oils, fats, and foodstuffs supplies in Oslo, and are shipping them to Germany, giving the owners scrip in payment. Large supplies of petroleum products, including gasoline, have been confiscated, but very little was shipped to Germany, as they are probably intended for the use of the German forces in Norway.

Wood pulp has also been taken over by the Germans, but not shipped to Germany on account of lack of shipping facilities.

Many Norwegian industries manufacturing essential raw materials are now within the territory occupied by the Germans, including such materials as pyrites, sulphur, titanium white, nickel, nitrogen, abrasives, and explosives. In some of these Norwegian enterprises there is important American financial participation, and with others American manufacturers have marketing agreements.

Canada: The Canadian Bacon Board announced on April 17 that in spite of the Danish developments, additional bacon shipments from Canada will not be required by the United Kingdom for some time. This is due to excessive stocks in the United Kingdom, large British and Irish production, scarcity of refrigerated shipping space, and the intention to reduce British bacon consumption.

Bureau of Foreign and Domestic Commerce,
April 25, 1940.

WEEKLY WHOLESALE PRICE INDEXES

(1926 = 100)

Group	1939			1940		Percent increase, April 20, 1940 from	
	Apr. 22	Aug. 26	Sept. 16	Apr. 13	Apr. 20	Apr. 22, 1939	Aug. 26, 1939
All commodities	76.0	74.8	79.3	78.0	78.5	3.3	4.9
Farm products	63.9	61.1	69.7	68.0	69.6	8.9	13.9
Foods	68.7	66.7	75.5	70.8	71.9	4.7	7.8
All commodities other than farm products and foods .	80.7	80.4	82.4	82.7	82.6	2.4	2.7
Hides and leather products .	91.3	92.6	98.3	102.1	102.5	12.3	10.7
Textile products	66.7	67.4	71.4	71.9	71.6	7.3	6.2
Fuel and lighting materials .	73.7	73.2	74.1	72.6	72.4	- 1.8	- 1.1
Metals and metal products .	94.1	93.5	94.9	95.4	95.3	1.3	1.9
Building materials	89.8	89.7	90.7	92.8	92.8	3.3	3.5
Chemicals and drugs	75.8	74.2	77.1	76.9	77.4	2.1	4.3
House-furnishing goods . . .	86.5	87.0	87.1	89.7	89.7	3.7	3.1
Miscellaneous	74.2	73.1	76.1	76.6	76.8	3.5	5.1
Raw materials	68.3	66.2	73.0	72.0	72.9	6.7	10.1
Semimanufactured articles . .	74.4	74.4	82.0	79.2	79.5	6.9	6.9
Finished products	80.4	79.3	82.3	81.2	81.5	1.4	2.8

Source: U. S. Department of Labor, Bureau of Labor Statistics.

SELECTED COMMODITY PRICE SERIES

Commodity	Unit	1939			1940	
		April 26	August 30	Sept. 13	April 17	April 24
Copper, electrolytic, New York	\$ per lb.	10 1/2	10 1/2	12	11 1/2	11 1/2
Lead, prompt shipment, New York	do	4.75	5.05	5.30	5.10	5.10
Zinc, New York	do	4.84	5.14	6.64	6.14	6.14
Rubber, straits, New York	do	48 9/20	49 3/4	1/75	47 1/2	47 3/8
Rubber, plantation, N.Y.	do	16 1/16	16 13/16	22 1/2	19 3/4	19 9/16
Wool, light native cows, Chicago	do	9 1/2	11	15	12 1/3 3/4	12 1/4
Wool, 13-15 denier, 78% scripples, N.Y. .	\$ per lb.	2.49	2.72	3.21	2.69	2.66
Cotton, middling, average, 10 markets	\$ per lb.	8.72	8.53	9.01	10.46	10.46
Print cloth, 60x64, 38 1/2 inches, N.Y. .	\$ per yd.	4 1/8	4 5/8	5 3/8	5	5
Wool tops, May 1940 futures, New York . .	\$ per lb.	2/80.0	1/81.5	1/111.9	97.5	97.0
Wheat, red, 960, duty free, New York . . .	do	2.93	2.92	3.70	2.90	2.84
Wheat, Accra, New York	do	4.90	4.38	6.45	6.25	6.20
Coffee, Santos, No. 4, New York	do	7 1/4	7 5/8	7 3/4	7 1/4	7 1/4
Cash, Chicago	do	6.55	5.65	7.75	6.40	6.42
Cottonseed oil, May 1940 futures, N. Y. .	do	2/ 6.61	1/ 5.61	2/ 7.30	6.93	6.90
Cash, May 1940 fu- tures, Chicago	\$ per bu.	2/ .69 3/4 1/2	.67 1/4 1/2	.85 3/8	1.09 3/4	1.10 3/4
Hogs, good and choice, 220-240 lbs., Chicago	\$ per cwt.	4/ 7.08	6.88	8.13	5.63	6.50
Beef, medium, 750-1,100 lbs., Chi.	do	8.63	8.38	8.88	8.88	9.00

Nominal. 2/ May 1939 futures. 1/ December 1939 futures. 4/ Hogs weighing 220-250 lbs.

Sources: All commodities, with the exception of wool tops, cottonseed oil, hogs, and
beef, are taken from the Journal of Commerce; wool tops and cottonseed oil are taken
from the Wall Street Journal, and hogs and steers are from the U. S. Department of
Agriculture, Bureau of Agricultural Economics.

COMPOSITE PRICES OF PIG IRON, STEEL SCRAP, AND FINISHED STEEL.

Date	Pig Iron ^{1/}	Steel Scrap ^{2/}	Finished Steel ^{3/}
	(Dollars per gross ton)		(Cents per pound)
1939:			
April 25	20.61	14.33	2.286
August 29	20.61	15.62	2.236
September 19	22.61	19.25	2.236
October 3	22.61	22.50	2.236
1940:			
April 16	22.61	16.08	2.211
April 23	22.61	16.13	2.211

^{1/} Based upon average for basic iron at Valley furnace and foundry iron at Chicago, Philadelphia, Buffalo, Valley and Southern iron at Cincinnati.

^{2/} Based upon No. 1 heavy melting steel quotations at Pittsburgh, Philadelphia, and Chicago.

^{3/} Based upon steel bars, beams, tank plates, wire, rails, black pipe, sheets and hot-rolled strip. These products represent 85 percent of the United States output.

Sources: The Iron Age.

PRICES OF PETROLEUM PRODUCTS - IN BULK AT GULF COAST PORTS

Date	Motor gasoline, 65 octane	Light fuel oil, number 2	Diesel oil, ships' bunkers,	Bunker oil, grade "C", cargoes
	(Cents per gallon)			(Dollars per barrel)
1939:				
April 26	4.75 - 4.875	3.00 - 3.75	1.45	0.75
August 30	4.75 - 5.00	3.375 - 3.75	1.45	0.75 - 0.80
September 13	6.25 - 6.875	3.875 - 4.00	1.45	0.825 - 1.00
1940:				
April 17	5.25 - 6.00	4.00 - 4.125	1.70	0.75 - 0.95
April 24	5.25 - 6.00	4.00 - 4.25	1.70	0.75 - 0.95

Source: Platt's Oilgram.

RECEIVED

MAY 3 - 1940

Division of Research and Statistics
Office of the Secretary
Treasury Department

INVESTMENT

MAY 15 1940

SECRETARY OF INVESTMENT
OFFICE

STRICTLY CONFIDENTIAL

Dear Mr. President:

Under date of April 26, 1940, Mr. Pincent, Financial Counselor of the British Embassy, has provided me with the following estimates of United Kingdom purchases of food-stuffs in the United States during the first year of war:

	Million \$ (f.o.b. values)
Maize	1.90
Other cereals	.77
Bacon and ham	1.32
Other meat	1.05
Lard, oleo-oil	1.13
Canned salmon	.92
Apples and pears	.80
Canned fruit	3.45
Dried fruit	.88
Other foods	3.14
Maize starch (mainly industrial)	1.02
	<u>16.38*</u>

The above figures revise earlier estimates, made on February 22, 1940, which were as follows:

Cereals and cereal products	3.5
Meat products	2.5
Fruit	4.5
Canned salmon	1.5
Other	1.0
	<u>13.0*</u>

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

Enclosure 4, 29, 40

~~File to Mr. Thompson~~

Initialed carbon to Lockman

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(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable
Cordell Hall,
Secretary of State,
Washington.

~~File to Mr. Thompson~~

END:cmk:4, 29, 40

Initialed as per to Cochran

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Secretary of the Treasury.

The Honorable
Henry A. Wallace,
Secretary of Agriculture,
Washington.

~~File to Mr. Thompson~~

ENC:ent; 4, 23, 40

Initials carbon to Lockman

April 29, 1940

At the request of the British and French Ambassadors, Mr. Ballantyne delivered the originals of these letters to Mr. Joe Green in the Department of State today.

26 avril 1940.

Monsieur le Secrétaire d'Etat,

Il me revient que l'une des conditions mises par le Département de la Guerre à l'exportation de matériel d'aviation américain était l'inclusion dans chaque contrat d'une clause stipulant que l'acquéreur devrait fournir aux agents accrédités à cet effet par le Gouvernement des Etats-Unis une documentation complète concernant les qualités du modèle, l'équipement et les performances au combat des aéroplanes dont l'exportation aura été autorisée.

J'ai l'honneur de faire connaître à votre Excellence que le Gouvernement français a le plus vif désir de coopérer étroitement avec le Département de la Guerre des Etats-Unis en vue de donner à celui-ci toutes les informations qu'il peut désirer au sujet des performances accomplies en condition de combat par tous les aéroplanes achetés aux Etats-Unis.

Son Excellence

l'Honorable Cordell Hull,
Secrétaire d'Etat des Etats-Unis,
Washington, D.C.

Toutefois, en raison des multiples aspects que comportent les renseignements demandés à cet effet par le Département de la Guerre des Etats-Unis, il serait préférable, semble-t-il, de ne pas inclure l'obligation de communiquer lesdits renseignements dans le texte des contrats passés avec les industriels.

En conséquence j'ai reçu de mon Gouvernement l'instruction de suggérer à Votre Excellence qu'au lieu d'insérer pareille disposition contractuelle, je Lui fasse agréer l'assurance donnée par mon Gouvernement que les agents accrédités par le Gouvernement américain seront tenus informés sur tous les points pouvant intéresser le Gouvernement des Etats-Unis en ce qui concerne les résultats obtenus en conditions de combat par les avions de fabrication américaine. Les autorités françaises seront heureuses de répondre à toutes questions que les agents accrédités souhaiteraient leur poser sur les mêmes sujets.

Je serais reconnaissant à Votre Excellence de bien vouloir faire part d'urgence de la présente communication aux autorités compétentes./.

Veuillez agréer, Monsieur le Secrétaire d'Etat, les assurances de ma haute considération.

WASHINGTON, D. C.,

April 26th, 1940

No. 161

Sir,

I understand that one of the conditions set forth by the War Department in regard to the export of American manufactured aircraft, was the inclusion in each contract of a clause to the effect that the purchaser should supply accredited agents of the United States Government with complete information relative to the suitability of the design, equipment and combat performance, of the aircraft which are released for export.

I have the honour to inform you that His Majesty's Government in the United Kingdom is anxious to cooperate fully with the United States War Department with a view to giving the latter all the information it may wish as to the performance under combat conditions of all American purchased aircraft. However, in view of all the military aspects bearing on the information desired by the United States War Department, it is felt that it would probably be more proper to avoid making the question of information a part of the contractual obligation with the manufacturers. I have therefore been instructed by His Majesty's Principal Secretary of State for Foreign Affairs to suggest to you that in lieu of the inclusion of any such contract provision, you accept the assurances of my Government that they will be glad to keep the United States/

The Honourable

Cordell Hull,

Secretary of State of the United States,

Washington, D. C.

-2-

States Government's accredited agents currently advised on all matters which may be of interest to the United States Government as regards performance of American made aircraft under combat conditions. They will also be glad to answer any questions on the same subject matter which the United States' accredited agents may wish to put forward.

I should be grateful if you would kindly forward this communication urgently to the competent authorities.

I have the honour to be,
with the highest consideration,

Sir,

Your most obedient,
humble servant,

(SGB) LOTHIAN

DEPARTMENT OF STATE

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L. Stettin

AMBASSADE
DE LA RÉPUBLIQUE FRANÇAISE
AUX ÉTATS-UNIS

Washington, le 28 avril 1940.

De

F. L.

Monsieur le Secrétaire d'Etat,

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J'ai l'honneur de faire connaître à Votre Excellence que le Gouvernement français a le plus vif désir de coopérer étroitement avec le Département de la Guerre des Etats-Unis en vue de donner à celui-ci toutes les informations qu'il peut désirer au sujet des performances accomplies en condition de combat par tous les aéroplanes achetés aux Etats-Unis.

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Veuillez agréer, Monsieur le Secrétaire d'Etat, les assurances de ma haute considération.

Adelanteau

MEMORANDUM FOR THE SECRETARY:

APRIL 26, 1940.

Shipping Situation

The declining trend in the volume of export freight moving through the Port of New York appears to have been arrested. Export freight lightered this week was running well over 700 cars per day. Export freight awaiting lighterage aggregated 3076 cars on April 25th compared with 2750 on April 18th. Export freight in storage in railroad terminals and warehouses was 4479 cars on April 25th, also reflecting a slight increase.

Lighters with export freight on demurrage, noon April 25th, were 87 cars.

There is also a pick-up in the movement of grain into New York and the quantity in cars, elevators and boats is now over 2,000,000 bushels. The railroads report that there has been a resumption of the movement of grain to Philadelphia and Baltimore.

Very little grain was booked for export this week but the asking rate is firm at 75¢, the last actual trade having been done at 70¢.

The status of Scandinavian ships has been somewhat clarified. Isbrandtsen-Moller despatched one of the Danish Maersk liners to the Far East and the Cosmopolitan Shipping Company are sailing the Norwegian steamer "LISTRA" today for Havre, part of the cargo consisting of French government freight. The "LISTRA" will go in convoy accompanied by several French Maritime Commission ships.

The French Maritime Commission are chartering Greek tonnage for loading from both the Gulf and North Atlantic. A new departure is the quotation of the rate in sterling instead of cents per cubic foot as heretofore. If sterling is based on the open market of, say \$3.50, the rates paid, viz: 1/10 net form, would represent

-2-

reductions, but assuming if, to be reasonable, the sterling is computed on the basis of a twenty cent shilling, rates are in line with previous recent trades.

Another repercussion of the Scandinavian situation is the withdrawal, for the purpose of transporting troops, of the "SCYTHIA", "SAMARIA", "GEORGIC", etc. from the New York-Liverpool run, leaving the Cunard Line with one steamer only scheduled for May. This will create a tight situation unless the British should devise some means of throwing Scandinavian tonnage into the gap.

One bright spot in recent weeks has been the opening up of the Spanish market. Cargo offerings to northern Spain ports are good; credits are a little bit sticky but usually come through. It is thought some portion of the credits being utilized for purchase of tin plate, steel, coal, peas, waste paper, etc., have been provided by the Export-Import Bank.

Carloadings increased about 10,000 cars over the previous week. Encouraging also the jump of about 2400 cars in miscellaneous freight. The remainder of the increase was accounted for largely by grain and ore. The average was 98% of that for corresponding week of ten year period.

Basil Harris.

April 29, 1940.

Dear Mr. President:

Coast Guard officers tell me that it would not be safe to send any of the large cruising cutters of the Coast Guard into any of the Greenland ports before about the middle of June. This would apply to the GEORGE W. CAMPBELL, one of the 327 ft. cutters, which is now provisioned and standing by at New York.

One boats which make Ivigtut, on the southwest coast of Greenland, are usually able to get in about May 15, but these are ice-protected craft. Any lighter ship would have trouble with the pack ice, which begins to drift around from the east coast early in the spring. It is the opinion of Lieutenant Graves of the Ice Patrol that one of the big cutters, such as the CAMPBELL, might be able to enter Julianhaab about June 15.

We have on the east coast, however, three 165 ft. cutters which are reinforced for ice breaking. These are the COMANCHE at New York, the MOHAWK at Cape May and the ALGONQUIN at Portland, Maine. One of these ships, I am told, would have a fairly good chance of pushing her way into Ivigtut before May 15.

If we are able to get more exact information as to present conditions, I shall send it to you promptly. The Danish Legation has been consulted and they agreed to cable and to inform us when they get a message.

Respectfully,

Secretary of the Treasury.

The President,
The White House.

WPS

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April 29, 1940.

Dear Mr. President:

Coast Guard officers tell me that it would not be safe to send any of the large cruising cutters of the Coast Guard into any of the Greenland ports before about the middle of June. This would apply to the GEORGE W. CAMPBELL, one of the 327 ft. cutters, which is now provisioned and standing by at New York.

One boats which make Ivigtut, on the southwest coast of Greenland, are usually able to get in about May 15, but these are ice-protected craft. Any lighter ship would have trouble with the pack ice, which begins to drift around from the east coast early in the spring. It is the opinion of Lieutenant Graves of the Ice Patrol that one of the big cutters, such as the CAMPBELL, might be able to enter Julianhaab about June 15.

We have on the east coast, however, three 165 ft. cutters which are reinforced for ice breaking. These are the COMANCHE at New York, the MOHAWK at Cape May and the ALGONQUIN at Portland, Maine. One of these ships, I am told, would have a fairly good chance of pushing her way into Ivigtut before May 15.

If we are able to get more exact information as to present conditions, I shall send it to you promptly. The Danish Legation has been consulted and they agreed to cable and to inform us when they get a message.

Respectfully,

Secretary of the Treasury.

The President,
The White House.

April 29, 1940
10:07 a.m.

H.M.Jr: Hello.

Operator: Mr. Johnson.

H.M.Jr: Hello.

O: Go ahead.

H.M.Jr: Hello.

Louis
Johnson: Hello.

H.M.Jr: Louis.....

J: Good morning, Mr. Secretary.

H.M.Jr: Good morning. We've got something new again.

J: Nothing has gone wrong?

H.M.Jr: No, no, no, - interesting. Big order for bars of steel for shells and sheets and plates. And they're coming down tomorrow and they need certain technical assistants from the Army and Navy. Hello?

J: Yes.

H.M.Jr: And I was going to ask you and Compton if you were free to come -- drop in at 3:15, whoever is your expert on this thing and we could talk about it.

J: 3:15 tomorrow your office.

H.M.Jr: No, today.

J: Oh, today.

H.M.Jr: Can you do it, today?

J: Yeah, I'll switch this -- 3:15 your office today.

H.M.Jr: Yes, and could you bring whoever supervises.....

J: Well, I'll bring probably Harris in on it.

- 2 -

H.M.Jr: Whoever supervises the steel for shells, sheets and plates.

J: That's steel -- sheets for steel.

H.M.Jr: Yeah, and bars for shells.

J: O. K.

H.M.Jr: They're talking in terms of 100 thousand tons a month.

J: Oh, my!

H.M.Jr: What?

J: That will be hard to do.

H.M.Jr: And they have their experts and they want cooperation from us and I'd like to talk it over with you fellows before I see them.

J: We'll be ready.

H.M.Jr: At 3:15.

J: O. K.

H.M.Jr: Thank you.

J: Thank you, Mr. Secretary. Goodbye.

H.M.Jr: Hello?

J: Yes.

H.M.Jr: This is all confidential.

J: Utterly as far as I'm concerned.

H.M.Jr: Righto.

J: Right. Goodbye.

April 29, 1940
10:14 a.m.

H.M.Jr: Hello.

Lewis
Compton: Good morning, Mr. Secretary.

H.M.Jr: How are you?

C: Fine, thank you, sir.

H.M.Jr: Mr. Compton, if you were not busy at 3:15 this afternoon I was asking you and Mr. Johnson to come over to see me. I've got another big problem from the Allies.

C: I see.

H.M.Jr: They want to start buying 30 thousand tons -- or 35 thousand tons a month and then work up to 100 thousand tons a month of bars for shells, sheets and plates.

C: Shells.....

H.M.Jr: Shells, sheets and plates.

C: Sheets.....

H.M.Jr: Sheets -- steel sheets.

C: Oh yes, and plates.

H.M.Jr: Yeah.

C: Shells for.....

H.M.Jr: Yes, they say here, "Bars for shells, sheets and plates starting at 35 thousand tons a month and going up to 100 thousand. Hello?"

C: Yes, Mr. Morgenthau.

H.M.Jr: Now, they have to get certain technical assistants from the Army and Navy.

C: Yes.

- 2 -

H.V.Jr: And I wondered if you'd bring over whoever is in charge.....

G: I'd better bring Furlong with me, I think.

H.V.Jr: Right.

G: And I'll be there at 3:15, Mr. Secretary.

H.V.Jr: And.....

G: Mr. Morgenthau, while I have you on the phone, in case the opportunity doesn't present itself at the conference today, how does your calendar work out for Wednesday for a trip down to Indianhead?

H.V.Jr: Perfect. I -- I.....

G: If we could leave, say around -- as near noon as possible. It's a two-hour run, you see?

H.V.Jr: Two-hour run.

G: And we could have lunch on the way down, so that would -- that would kill an hour of it.

H.V.Jr: Yeah.

G: It's a very pleasant way to go.

H.V.Jr: Well, I.....

G: I can have a car come down there so that in case you had a dinner engagement or something at night -- we will have a car available in case we're a little late with the inspection, you see?

H.V.Jr: How long does it take to run back? By car?

G: By car -- oh, I'll confirm that but I think that not longer than 45 minutes, I don't think.

H.V.Jr: Well, supposing if we left the Navy Yard at one o'clock wouldn't that be time enough?

G: Well, if we left the Navy Yard at one.....

- 3 -

H.M.Jr:we'd be down there by three.

G: We'd be down there at three.

H.M.Jr: That would give us a couple of hours. Do they work until five?

G: They probably work until -- I'm not sure of the closing time, but they probably work until 4:15. I'll get that dope and have it for you at the 3:15 conference.

H.M.Jr: Yes, if they close that early then I'd leave earlier.

G: Yes.

H.M.Jr: I mean, if they close.....

G: I think they probably close at 4:30 or something like that. The Navy Yard does I know and we're all on a regular schedule of these -- Civil workers all over the country.

H.M.Jr: Well, you can let me know. I'd like to go down very much.

G: I think -- it all depends upon how detailed an inspection you want to make. You could cover a lot of it in two hours.

H.M.Jr: Fine. I'd like to do it very much.

G: Well, that will be fine, and if the weather is right -- if the weather isn't right why we can switch.....

H.M.Jr: And we might even think about it the other way around the possibility -- because I get up very early -- of driving down in the morning and then come back by boat.

G: Well, now that's all right too.

H.M.Jr: Because I'm up very early.

G: Well, if you'd rather do it, then the.....

H.M.Jr: I could leave my house, for instance, at eight o'clock in the morning.

C: Uh-huh.

H.M.Jr: And drive down there and then make the inspection and come back by boat.

C: Eight a.m., and then we could have lunch on board on the way back.

H.M.Jr: Yeah.

C: Well, that -- that will be all right, on Wednesday.

H.M.Jr: I think that that would suit me a little bit better.

C: Well, that would suit me too, it will be fine. We can work it either way.

H.M.Jr: Well, I -- I.....

C: I'll canvass all possibilities and then we'll.....

H.M.Jr: I could leave by eight and go down by car and then come back by boat.

C: Well, then we can -- we can have the boat right down there and then have it -- have lunch on the way back.

H.M.Jr: Fine.

C: Well, that will be fine, Mr. Morgenthau.

H.M.Jr: Let's think of that.

C: Fine. We'll dope it out at 3:15.

H.M.Jr: O. K.

C: Goodbye, sir.

5/2'40

99

Mr. Foley:

Do you agree that this letter
does not need an answer?

Yes ☒

No

McGuire



William J. Campbell
United States Attorney
U. S. Court House
Chicago

100

April 29, 1940.

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

Dear Secretary Morgenthau:

I deeply appreciate your thoughtful note of April 24th relative to the Annenberg case. You were very kind to write me and it means a great deal to me.

I want you to know that it would have been impossible to have achieved any results at all in the Annenberg case had it not been for the splendid assistance and support which you always so generously gave me and which I appreciate more than I can tell you.

Upon the happy termination of this lengthy and at times difficult litigation I believe it also appropriate, as well as fair, for me to call to your attention the splendid assistance that I received from your General Counsel, Mr. Edward H. Foley and his Assistant, Mr. Samuel Klaus. The services of both proved of tremendous value in the ultimate result.

Mr. Klaus, as you know, has been with me ever since the inception of the Annenberg cases and has been appointed my Special Assistant for this purpose. I feel particularly grateful to him and to you for his splendid services.

Again thanking you for your kindness, and with renewed assurances of my personal esteem,

Sincerely yours,

WJC ELB

WILLIAM J. CAMPBELL



101

TREASURY DEPARTMENT
WASHINGTON

April 29, 1940.

MEMORANDUM FOR THE SECRETARY:

Attached is a list of American vessels approved by the United States Maritime Commission for sale alien and/or transfer to foreign registry and flag, together with sales price received, for the period July 1, 1939 through March 31, 1940.

Basil Harris.

Attachment.

102

American Vessels Approved by the United States Maritime Commission for Sale Alien
and/or Transfer to Foreign Registry and Flag, together with the Sales Price
received for the Period July 1, 1939 through March 31, 1940.

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1939								
July	WESTERN EXPLORER \$54,000.	Fishing (oil so.)	115	1938	M. A. Petrich	J. H. Gorvin, Commr. Nat. Resources, Newfoundland Govt., St. Johns	Newfoundland	D
	DAY DAWN \$6,071.40	Yacht (Gas so.)	23	1929	L. M. Rakestraw	Compania Anonima-Central Venezuela, Maracaibo, Venezuela	Venezuelan	D
	YOLANDE \$12,258.	Yacht (Gas So.)	21	1939	Electric Boat Co.	Stewart C. Knox Montreal, Quebec, Canada	Canadian	D

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1919								
July	*WANDERTHIRST	Schooner	343	1917##	Howard Livingston		Panamanian	D
(Cont'd)	(no sale-transfer only)		502					
AUG.	SEABORN	Yacht	510.88	1925##	Goldie Archanna Morrison	Northumberland Ferries, Ltd., Charlottetown, P. Ed. Isl., Canada	Canadian	D
	(sales price not given)	(Oil Sc.)						
	VAUTOGO II	Com'l	7	1907	D. F. Ross	Thos. G. Tilton, Iva Lee, Ontario, Canada	Canadian	D
	\$ 108.00	(Gas.Sc.)						
	SONNY BOY	Fishing	13	1914	Mrs. Mary Soldner	Sociedad Cooperativa de Pescadores del Yaqui, S. C.L.Guaymas, Sonora, Mex.	Mexican	D
	\$ 300.00	(Gas.Sc.)						
	CHINCHA**	Cargo	6,348	1912##	American South African Line, Inc.	Captain Ant. Babarovic, Susak, Yugoslavia	Yugoslavian	AD()D
	\$67,500.	(Steam Sc.)	6,878.88					
Sept.	HENRY T. SHERMAN	Fishing	77	1926	The St. Andrews Bay Foundry & Machine Co.	Elkannah S. Archbald St. Andrews, Colombia	Colombian	D
	\$10,000.	(Oil Sc.)						
	ALBERT F. PAUL	Schooner	735	1917	C. C. Paul & Co.	J. L. Publicover Dublin Shore, Nova Scotia, Canada	British	D
	\$ 6,000.							
	WESTERN PRIDE#	Fishing	118	1930	Western Boat Bldg. Corp.	J.H.Gorvin, Commissioner of Natural Resources, Newfoundland Gov., St. Johns, Newfoundland	Newfoundland	D
	\$39,000.	(Oil Sc.)						
	IMPERIAL	Fishing	37	1914	Watt J. Walsh	La Industrial de Ensenada, S.A. Ensenada, Mexico	Mexican	D
	\$7,500.	(Oil Sc.)						

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1939								
Sept.	H. H. ROGERS	Tanker	8,807	1916	Standard Oil Co. of	Panama Transport Co.,	Panamaian	DE
(Cont'd)	\$101,710.06				New Jersey	Panama City		
	CHARLES PRATT(\$105,297.14)		8,982	1916	"	"	"	"
	BEACONLIGHT (\$266,160.)	"	6,926	1920	"	"	"	"
	W. H. LIBBY (\$325,703.56)	"	7,992	1921##	"	"	"	"
	I. C. WHITE (\$171,293.77)	"	7,052	1920	"	"	"	"
	H. M. FLAGLER(\$54,754.35)	"	8,207	1918	"	"	"	"
	JOSEPH SEEP (\$241,337.47)	"	7,088	1920	"	"	"	"
	ELISHA WALKER(\$261,702.11)	"	7,007	1920	"	"	"	"
	BEACONHILL (\$284,090.)	"	6,941	1919	"	"	"	"
	STANDARD (\$270,922.74)	"	9,724	1914##	"	"	"	"
	GEO. H. JONES(\$85,265.94)	"	6,914	1919	"	"	"	"
	DEAN EMERY(\$160,225.28)	"	6,664	1919	"	"	"	"
	BEACONOIL (\$277,010.)	"	6,893	1919	"	"	"	"
	W. C. TEAGLE(\$148,993.77)	"	9,551	1917	"	"	"	"
	JAMES McGEER(\$114,868.42)	"	9,859	1917	"	"	"	"
			119,574					
Oct.	RIDGE	Yacht	28	1924	Charles S. Elder	Peter R. Jack, Halifax	Canadian	D
	(\$ 3,000.)	(Gas.Sc.)				Nova Scotia		
	ROCKET	Tug	39	1901	T.J. McCarthy SS Co.	Newaygo Timber Co.,Ltd.,	Canadian	D
	\$ 4,000.	(St.Sc.)				Port Arthur, Ontario		
	C. J. BARKDULL	Tanker	6,773	1917	Standard Oil Co. of	Compania de Petroleo	Venezuelan	D
	\$33,525.				New Jersey	Lago, Caracas, Venezuela		
	*LARA# **	Cargo	2,967	1919	Grace Line Inc.		Panamaian	D
	(no sale)	(St.Sc.)						
	*CACIQUE# **	Cargo	2,718	1918	"		"	D
	(no sale)	(St.Sc.)						
	TRANSFORD II	Tanker	1,703	1920	Transford Corp.	Trinidad Leaseholds,Ltd.	British	D
	(\$110,000.)					Maidenhead, England		
	SUSAN A. MORAN	Tye	344	1912	Moran Towing Corp.	Govt. of Colombia	Colombian	D
	(\$10,000.)					Minister of Public Works		

Date	Name of Vessel	Type	Gross Tonnage	Year Built	- 4 - Owner	Purchaser	Registry	Restrictions
Oct.	IANAMO (no sale)	Cargo (St.Sc.)	3,211	1914	United Fruit SS. Corp.		Honduran	D
	SAGUA (no sale)	Cargo (St.Sc.)	3,298	1914	" " "		"	D
	WHITE CAPE (\$3,000.)	Fishing (St.Sc.)	303	1916	Gutterson & Gould, Inc.	St. John Tug Boat Co. East St. John, New Brunswick, Canada	Canadian	D
	SATURN (\$3,000.)	Fishing (St.Sc.)	292	1920	" "	" " "	"	D
	POINT ESTERO (\$235,000.)	Cargo (St.Sc.)	4,713	1920	Swayne & Hoyt, Inc.	A.G. Pappadakis, a Greek citizen residing at New York, N.Y.	Panamanian	D
	LUCKY LADY III	Yacht (Gas Sc.)	18	1923	Harry McKinney Los Angeles, Calif.	Jack Stahl, a citizen (no change) of Latvia, residing at Torrance, Calif.		D
	SCANMAIL (\$3,500,000.) (for the 14 vessels)	Comb. cargo/Pass.	5,152.85	1919	Moore-McCormack Lines, Inc.	Lloyd Brasileiro Rio de Janeiro, Brazil	Brazilian	D
	SCANYORK	"	5,163.92	1919	"	"	"	D
	SCANSTATES	"	5,163.92	1919	"	"	"	D
	SCANPENN	"	5,152.52	1919	"	"	"	D
	MORMACSTAR (St.Sc.)	Cargo	4,941.02	1919	"	"	"	D
	MORMACSEA	"	4,955.11	1919	"	"	"	D
	MORMACPORT	"	4,942.32	1919	"	"	"	D
	MORMACTIDE	"	4,951.58	1919	"	"	"	D
	SOUTHFOLK	"	4,925.04	1919	"	"	"	D
	SOUTHLAND	"	5,052.63	1919	"	"	"	D
	SOUTHERNER	"	5,083.09	1919	"	"	"	D
	SOUTHLURE	"	4,986.74	1920	"	"	"	D
	MORMASUN	"	4,996.15	1920	"	"	"	D
	COMMERCIAL BOSTONIAN	"	2,730.10	1919	"	"	"	D
			94,634.29					
Nov.	LINE B (oil sc.)	Fishing	136	1936	Jos. P. Oisler & Frances A. Wandtke, San Francisco	J. H. Gorvin, Commissioner of Natural Resources, Newfoundland Govt.	Newfoundland	D
	YOSEMITE (\$50,000.)	Ferry (St.Sc.)	1,782	1923	Southern Pacific Golden Gate Ferries Ltd. San Francisco	Compania Argentina- Uruguay de Navegacion y Turismo, S.A. Montevideo, Uruguay	Uruguayan	D

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1939 Nov.	PRESIDENT MADISON \$350,000.	Com. cargo/pass. (St. Sc.)	14,187	1921	Harry E. Warner Trustee, American Mail Line, Seattle, Wash.	Jose Cojuangco, Manila, Philippine Philippine Islands		F
	GOTHAM \$20,000.	Tug (St. Sc.)	412	1913	Gotham Marine Corp. New York, N.Y.	Lakehead Transporta- tion Co., Ltd., Port William, Ontario	Canadian	D
	BRANT \$25,000.	Fishing (St. Sc.)	414	1919	Portland Trawling Company, New York, N.Y.	The French Line Paris, France	French	D
	PLOVER (\$26,000.)	"	411	1920	"	"	"	"
	COOT (\$26,000.)	"	409	1919	"	"	"	"
	LOON (\$16,000.)	"	409	1919	"	"	"	"
	PENGUIN (\$16,000.)	"	377	1919	"	"	"	"
	BELLFLOWER (\$65,000.)	Cargo (St. Sc.)	5,085	1919	Hyman-Michsels Co., Chicago, Illinois	A. G. Pappadakis, a Citizen of Greece	Panamaian	D
	KENNEBEC (\$20,000.)	Com'l (St. Sc.)	400	1919	Boston Dry Dock Co. Chelsea, Mass.	The French Line, Paris, France	French	D
	BARRENFORK (\$17,500.)	Tug (St. Sc.)	418	1919	S. A. Guilds, Charleston, S.C.	"	French	D
	FRANGO (\$100,000.)	Whaling (St. Sc.)	6,400	1917	The American Whaling Co., Inc., New York, N.Y.	Frango Corporation, Panama City, Panama	Panamaian	G
	*De BARDELEBEN (\$17,500.)	Tug (St. Sc.)	429	1919	DeBardeleben Coal Corp., Birmingham Alabama	The French Line, Paris, France	French	D
			<u>32,269</u>					

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1939 Dec.	PETER KOENIG (\$10,000.)	Com'l (St.Sc.)	688	1912	Koenig Coal & Supply Co., Detroit, Mich.	J.Earl McQueen, Am- herstburg, Ontario	Canadian	D
	QUEEN OF SCOTS (\$ 6,000)	Yacht (St.Sc.)	658	1904##	Anthony Joseph Drexel, Phila., Pa.	M. Grahame White, Southampton, Eng.	British	D
	CHEERIO TOO (no purchase)	Yacht (Gas Sc.)	23	1925	John P. Phelps, American citizen residing at Caracas, Venezuela	(Transfer only)	Venezuelan	D
	SANTA ISABEL (\$70,000.)	Cargo (St.Sc.)	2,647	1920	a Santa Steamship Corp., New York, N.Y.	Krogtstad Dampskibsforseri A/S., Oslo, Norway	Norwegian	AD
	WALTER D. MUNSON (\$150,000.)	Cargo (St.Sc.)	3,703	1917	Munson Line, Inc., New York, N.Y.	Nicholas B. Rethymnis London, Eng. (Greek citizen)	Greek	AD
	MUNDIXIE (\$125,000.)	Cargo (St.Sc.)	3,285	1921	"	"	"	AB(2)D
	IOLANDA (nominal)	Yacht (St.Sc.)	1,647	1908##	Edith Bishop Nichol- son, Newport, R.I.	Edgar A. Millett, London, England	British	D
	WHITNEY OLSON (\$ 50,000.)	Schooner	1,558	1917	Oliver J. Olson & Co. & C.J. Hendry Co., San Francisco, Cal.	Canadian Transport Co. of Vancouver, B.C.	Canadian	D
	GEO. L. OLSON (\$50,000.)	Schooner	1,428	1917	"	Canadian Transport Co. of Vancouver, B.C.	Canadian	D

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1939 Dec.	SAN DIEGO (\$37,500.)	Schooner	1,487	1918	Wood & Hart Inc. San Francisco, Cal.	Canadian Transport Co. of Vancouver, B. C.	Canadian	D
	COMERIO (\$70,000.)	Cargo (St.Sc.)	3,349	1910##	Agwilines, Inc. New York, N.Y.	Giuseppe Bozio, Genoa, Italy	Italian	AD
	SANKATY (\$3,600.)	Ferry (St.Sc.)	463	1911	Washington Trust Co., Westerly, R. I.	Northumberland Ferries, Ltd., Charlottetown, Prince Edward Island, Canada	Canadian	D
	**AMERICAN MERCHANT# (\$500,000.)	Comb. cargo/pass. (St.Sc.)	7,430	1921	United States Lines Co., New York, N.Y.	North Atlantic Transport Co., A/S, Oslo, Norway	Norwegian	D
	**AMERICAN TRADER# (\$500,000)"		7,461	1920	"	"	"	"
	**AMERICAN SHIPPER# (\$500,000)"		7,430	1921	"	"	"	"
	**AMERICAN FARMER# (\$500,000)"		7,430	1920	"	"	"	"
	**AMERICAN BANKER# (\$500,000)"		7,462	1920	"	"	"	"
	**AMERICAN TRAVELER# (\$500,000)"		7,555	1920	"	"	"	"
	**AMERICAN IMPORTER# (\$500,000)"		7,590	1920	"	"	"	"
	**PRESIDENT HARDING# (\$600,000)"		13,869	1921	"	"	"	"
			87,163					
1940 Jan.	CAPT. A. F. LUCAS (\$30,000.)	Tanker (St.Sc.)	4,188	1904	Standard Oil Co. of California, San Francisco, Calif.	Salbon Transport Corp., Colon, Panama	Panamaian	D
	SAN LUCAS (\$275,000.)	Cargo (St.Sc.)	6,517	1919##	Pacific-Atlantic SS Co., Portland, Ore.	Canadian International Paper Co.	Canadian	D
	CANADIAN (\$367,000.)	Cargo (St.Sc.)	5,802	1920	American Hawaiian SS Co., New York, N.Y.	Compania Transatlantica Centro Americana S.A. Panama City, Panama	Panamaian	D

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1940 Jan.	JACKSON (\$10,000.)	Ferry (Elec.Sc.)	224	1927	Florida Ferry Co., Jacksonville, Fla.	Pedro Barboza, Mara- caibo, Venezuela	Venezuelan	D
	ELMER E. GRAY (\$5,200.)	Fishing (Oil Sc.)	121	1903	Gorton-Pew Fisheries Co., Ltd., Gloucester, Mass.	Louis Sheaves, Port- aux-Basque, Newfound- land	British	D
	#WEST NILUS** (\$290,000.)	Cargo (St.Sc.)	5,495	1920	Pacific Argentine Brazil Line, Inc., San Francisco, Calif.	Compania de Vapores Cardina S.A., Panama City	Panamaian	D
	#WEST PORTAL** (\$300,000.)	"	5,333	1920	"	"	"	"
	DELAWAREAN (\$100,000.)	Cargo (St.Sc.)	5,705	1920	American Hawaiian Steamship Co., New York, N.Y.	Runciman (London) Ltd., London, England	British	D
	LOUISIANAN (\$100,000.)	"	5,484	1919	"	"	"	"
	TENNESSEAN (\$100,000.)	"	6,379	1919	"	"	"	"
	INDIANAN (\$100,000.)	"	5,582	1919	"	"	"	"
	WARAN** (\$124,260.)	Cargo (St.Sc.)	6,038	1919	Lykes Brothers Steam- ship Co., Inc., New Orleans, La.	Runciman (London) Ltd., London, England	British	D
	OAKWOOD** (\$125,175.)	"	6,071 62,939	1920	"	"	"	"
Feb.	STAR OF FINLAND (\$50,000.)	Sailing vessel (Sch.)	1,699	1899	D. H. Bates, Portland, Ore.	South Pacific Trading Co., Inc. (C.F. Sharp & Co., Inc., Manila, P.I., agents)	Philippine	"
	SIR THOMAS J. LIPTON (\$10,000.)	Sailing vessel (Sch.)	1,358	1918	"	"	"	"

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1940 Feb.	I. R. 3 (\$30,000.)	Com'l (Oil Sc.)	2,375	1920	H. J. Emard, Seattle, Wash.	Vancouver Steam- ships, Ltd., Vancouver, B.C.	British	D
	PRESIDENT WILLMORE (\$300,000. less 5% comm.)	Cargo/ pass. (St.Sc.)	15,575	1903	American President Lines, Ltd., San Francisco, Calif.	Compania Trans- atlantica Centro- Americana S.A., Panama City, Panama	Panamanian	D
	TEXAS BANKER (\$186,000. for this and 2 vessels following)	Cargo (St.Sc.)	2,606	1919	Newtex Steamship Corp., New York, N.Y.	Sir Wm. Reardon Smith & Sons, Ltd., Cardiff, Wales	British	D
	TEXAS TRADER	"	2,674	1919	"	"	"	"
	TEXAS RANGER	"	2,689	1919	"	"	"	"
	VIGILANT (\$15,000.)	Sailing vessel (Sch.)	1,603	1920	City Mill Co., Ltd., Honolulu, A.H. Kuhn, Soule Tug & Barge Co., Cora E. King, J.O. Stearns, Frances B. Stearns, all of Hoquiam, Wash., and Emily S. Dalton, Aberdeen, Wash.	Canadian Trans- port Co., Ltd. Vancouver, B.C.	British	D
	CONTENT (\$10,000.)	Oil Sc. Yct.	180	1929	Howard E. Spaulding, Shelburne, Vt.	R.W. Sawyer of Nassau, N. P. Bahama Islands	British	D
	TRANSFER (\$11,000.)	Ferry	1,511	1887	Morris Paseman Detroit, Michigan	J. Kovinsky & Sons, Ltd., Windsor, Ont.	Canadian	D

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1940 Feb.	POINT CLEAR (\$275,000.)	Cargo (St.Sc.)	4,839	1920	Swayne & Hoyt, Ltd., San Francisco, Calif.	A.G. Pappadakis, Galatz, Roumania	Greek	D
	POINT BONITA (\$275,000.)	"	4,782	1918	"	"	"	"
	POINT ARENA (\$275,000.)	"	4,673	1917	"	"	"	"
	POINT ANCHA (\$312,500.)	"	4,727	1919	Gulf Pacific Mail Line	"	"	"
	POINT LOBOS (\$312,500.)	"	4,802	1919	"	"	"	"
	POINT JUDITH (\$275,000.)	"	4,810	1919	"	"	"	"
	SAN GABRIEL (\$500,000.)	Cargo (St.Sc.)	4,943	1919	Pacific-Atlantic Steamship Co., Portland, Ore.	Theseus Steamship Company, Piraeus, Greece	Greek	D
	JOMAR (\$560,000.)	Cargo (St.Sc.)	5,104	1920	Tampa Intercean Steamship Company, Inc., New Orleans, La.	Compagnie Generale Transatlantique (French Line), Paris, France	French	D
	LAFCONO (\$360,000.)	"	5,028	1919	"	"	"	"
	SANTA INEZ (\$10,000.)	Barge	1,764	1908	Santa Inez Fisheries, Inc., San Francisco, Calif.	William C.T.Hwang, China Trading Corp. of Shanghai, China	Chinese	D

<u>Date</u> 1940 Feb.	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
	TRIPP** (\$384,570.)	Cargo (St.Sc.)	5,703	1919	Lykes Brothers Steamship Company, Inc., New Orleans, La.	Compagnie Generale Transatlantique (French Line), Paris, France	French	D
	WEST HOBOMAC** (\$387,180.)	"	5,527	1919	"	"	"	"
	WEST TACOOK** (\$386,685.)	"	6,176	1919	"	"	"	"
	WEST CHATALA** (\$379,170.)	"	6,187	1918	"	"	"	"
	EGLANTINE** (\$436,635.)	"	6,312	1919	"	The Lyle Shipping Company, Ltd., Glasgow, Scotland	British	"
	ENDICOTT** (\$436,680.)	"	6,318	1919	"	"	"	"
	ETHAN ALLEN** (\$569,160.)	"	7,777	1920	"	"	"	"
	PATRICK HENRY** (\$569,160.)	"	7,743	1920	"	"	"	"
	SANTA MARIA (no sale)	Tanker	8,482	1922##	Union Oil Company of Calif., Los Angeles, Calif.	(No Sale)	Panamaian	
	NORMAN BRIDGE (\$80,000.)	Tanker	4,323	1913##	Standard Oil Co. of New Jersey	Compania de Petroleo Lago, Caracas, Venezuela	Venezuelan	D
	SAPINERO (\$380,000.)	Cargo (St.Sc.)	5,106	1919	Tampa Interocean Steamship Co., Inc., New Orleans, La.	Compania Scotie de Vapores S.A., a Panamaian Corporation	Panamaian	D

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Year Built</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1940 Feb.	AMERICAN MERCHANT \$500,000.	Comb. Cargo/pass. St.Sc.	7,430	1921	United States Lines Co., New York, N. Y.	Societe Maritime Anversoise, a Belgian Corporation	Belgium	D
	AMERICAN TRADER \$500,000.	"	7,161	1920	"	"	"	"
	AMERICAN SHIPPER \$500,000.	"	7,430	1921	"	"	"	"
	AMERICAN FARMER \$500,000.	"	7,430	1920	"	"	"	"
	AMERICAN BANKER \$500,000.	"	7,162	1920	"	"	"	"
	AMERICAN TRAVELER \$500,000.	"	7,555	1920	"	"	"	"
	AMERICAN IMPORTER \$500,000.	"	7,590	1920	"	"	"	"
	PRESIDENT HARDING \$600,000.	"	13,869	1921	"	"	"	"
	MV MUNMOTOR \$125,000.	Cargo Oil Sc.	2,450	1919	Munson Line, Inc. New York, N. Y.	Henri Vervliet Antwerp, Belgium	Belgium	"
	FREEPORT SULPHUR NO.5 \$150,000.	Collier St.Sc.	4,127 <u>220,200</u>	1920	Freeport Sulphur Co., New York, N. Y.	Sir Wm. Reardon Smith & Sons, Ltd., Cardiff, Wales	British	"
March	TRANSPORTATION \$ 75,000.	Collier St.Sc.	4,015		Coastwise Transportation Corp., Boston, Mass.	Franco Petrinovic Split, Yugoslavia	Yugoslavian	D
	ALABAMA LYKES \$ 90,000.	Cargo St.Sc.	2,637		Lykes Bros. S. S. Co. New Orleans, La.	Mario Maestro on behalf Italian Italian Associates, Trieste, Italy		D

<u>Date</u>	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
1910 March	MUNCOVE \$70,000.	(Cargo) Oil Sc.	2,437	Union Shipbuilding Co. Baltimore, Md.	Torson Carlbon, Tallinn, Estonia	Estonian	D
	COPPENAME \$80,000.	(Cargo) St. Sc.	3,289	Boston Iron & Metal Co. Baltimore, Md.	Societa Anonima Industria Pesca, Rome, Italy	Italian	D
	DEF/ACTO \$325,000.	(Cargo) St. Sc.	4,800	American Sugar Transit Corp., New York, N.Y.	Sir William Reardon Smith & Sons, Ltd., Cardiff, Wales	British	D
	SEA FOAM \$7,035.	(Barge)	564	O'Brien Brothers, New York, N.Y.	Jose Arechabala, S.A., Cardenas, Cuba	Cuban	D
	SEA DOG \$7,035.	"	564	"	"	"	"
	RUTH KELLOGG \$500,000.	(tanker) St. Sc.	5,037	Kellogg Steamship Corp., Edgewater, N. Y.	Gow, Harrison & Co., Glasgow, Scotland	British	D
	CAPAC \$471,075.	(cargo) St. Sc.	5,586	Grace Line, Inc. New York, N.Y.	Compania de Vapores Cardina S.A., Panama	Panamaian	D
	CHARCAS \$169,810.	(cargo) St. Sc.	5,555	" "	"	"	"
	CUZCO \$471,350.	(cargo) St. Sc.	5,496	" "	"	"	"
	COYA \$384,500.	(cargo) St. Sc.	4,954	" "	"	"	"
	O'BRIEN BROTHERS \$235,000.	(dredge) St. Sc.	5,902	O'Brien Brothers, New York, N. Y.	Compania Diana de Vapores, S. A.	Panamaian	(Recon- version)
	MARIA DOLORES \$75,000.	(yacht) Oil Sc.	218	LeRoy M. Edwards Los Angeles	J.H. Marsman Manila, P. I.	Philippine	D
	MACHIGONNE \$35,000.	(yacht)	195	L.C. Carsten Long Beach, Calif.	E.W. Irvine Keenleyside, Vancouver, B. C.	Canadian	D

15
21

Date March	Name of Vessel	Type	Gross Tonnage-	Owner	Purchaser	Registry	Restrictions
	RAMONA \$55,000.	(yacht) Oil Sc.	495	John W. Hubbard Pittsburgh, Pa.	Thomas K. Wade Toronto, Canada	Canadian	D
	HERON \$10,000.	(trawler) St.Sc.	411	Marine Products Co., Wilmington, Delaware	Hellyer Brothers, Ltd., Hull, England	British	D
	KINGFISHER \$10,000.	"	414	"	"	"	"
	TEAL \$10,000.	"	408	"	"	"	"
	CURLEW \$10,000.	"	408	"	"	"	"
	MANATAWNY \$225,000.	(com'l) St.Sc.	5,030	Deep Sea Fisheries, Inc. San Francisco, Calif.	Vicente Madrigal, Manila, P. I.	Philippine	"
	SAN ANGELO \$2,023,375. for this and following 4 vessels.	(cargo)-	5,606	Pacific Atlantic S.S.Co. Portland, Oregon	W. A. Souter & Co. Ltd. Newcastle, England	British	"
	SAN FELIPE	(Cargo) St.Sc.	5,918	"	" "	"	"
	SAN MARCOS	"	5,750	"	" "	"	"
	SAN SIMEON	"	5,561	"	" "	"	"
	SAN BERNARDINO	"	5,751	"	" "	"	"
	TROPICAL TRADER (no sale alien)	(com'l)	53	Eloise B. Knox & Nicholas Michels and N. R. Fields, Miami, Fla.	U. S. citizen residing in Bahamas	Panamaian	"
	BREEZIN' THRU \$60,000.	(Yacht) Gas.Sc.	204	Leila Y. Post Montgomery. Battle Creek, Mich	Clarence Wallace Vancouver, B. C.	Canadian	"

<u>Date</u> <u>Mar.</u> (cont)	<u>Name of Vessel</u>	<u>Type</u>	<u>Gross Tonnage</u>	<u>Owner</u>	<u>Purchaser</u>	<u>Registry</u>	<u>Restrictions</u>
	EASTERN GLADE \$374,880.	Cargo (St.Sc.)	5,057	Postal Steamship Corp. New York, N.Y.	Sir Wm. Reardon Smith & Sons, British Ltd., Cardiff, Wales		D
	HOWARD L. SHAW (\$165,000. lump sum for this and following vessel)	Cargo (St.Sc.)	4,241	Pittsburgh SS Co. Duluth, Minn.	Upper Lakes and St. Lawrence Transportation Co., Ltd. Ontario, Canada	Canadian	D
	BRYN MAWR	Sch. Bge.	3,854	"	"	"	"
	ELFREDA \$80,000.	Yacht (oil sc.)	295	H. B. H. Ripley New York, N.Y.	David R. Turnbull Halifax, N. S.	"	"
	AVALON \$72,225.	Yacht (Oil sc.)	422	Delta Transportation Co. Inc.	Frederick H. M. Jones Canadian citizen	"	"
	CONSECO \$10,000.	"	419	John W. Hubbard Pittsburgh, Pa.	Philip S. Ross Canadian citizen	"	"
	CLEOPATRA \$107,000.	"	263	Anthony O. R. Baldrige New York, N.Y.	Ralph P. Bell Canadian citizen	"	"
	WILD DUCK \$130,000.	"	360	Chas. B. Levey, and Margaret B. Levey, Irvington Virginia	G. H. Duggan Montreal, Canada	"	"
			<u>102,169</u>				

LEGEND

CONDITIONS UNDER WHICH APPROVAL OF TRANSFER TO FOREIGN
OWNERSHIP AND/OR REGISTRY WAS GRANTED BY UNITED STATES
MARITIME COMMISSION

- A - Commodities on first outward voyage from a U. S. port restricted.
- B - Trade restrictions - Trade with U. S. ports restricted for given number of years.
- C - To be scrapped.
- D - That there shall not be any liens or encumbrances on record against said vessel in the Customhouse at its last U. S. home port when the outstanding marine document is surrendered.
- E - Redocumentation of vessel under U. S. registry upon request.
- F - Vendee will agree not to sell vessel without prior approval of U.S.M.C.; vendee will agree to conform to conference rates and practices when operating vessel in competition with U. S. services; vendee will agree to sell or charter vessel to U. S. on same terms and conditions upon which any American flag vessel could be requisitioned for purchase.
- G - Whaling equipment to be removed and vessel converted into a tanker.

Note: Bond required of vendor and/or vendee under all of the above conditions with the exception of "D" to secure performance of any conditions imposed by Commission.

*Transfer Only - Ownership retained in American Company: therefore subject to provisions of Section 902, Merchant Marine Act 1936, as amended.

**Subsidized at some time.

#Sale cancelled by buyer.

##Foreign Built.

CONFIDENTIAL

April 29, 1940

To: The Secretary
From: Mr. Young

On October 11, 1939, the Army and Navy Munitions Board established a list of strategic and critical raw materials. This Board is composed of the Assistant Secretary of War and the Assistant Secretary of the Navy. In addition, there is an executive committee composed equally of Army and Navy officers.

Mr. Joseph Green, Division of Controls, State Department, informed me last Friday that the work of this Board, including the study of alloys and other materials for possible inclusion in the list of strategic and critical raw materials, was done by an informal committee consisting of two Army officers, two Navy officers, Dr. Herbert Feis, and Mr. Joseph Green.

I gathered that if this committee thought it advisable to include a material on the strategic and critical list it so recommended to the Army and Navy Munitions Board which, in turn, consulted Secretary Hull.

At the present time this committee has been making a study of industrial diamonds, and it will investigate at our request those alloys in which the Anglo-French Purchasing Board is interested.

It would seem to me to be advisable to establish a closer contact with this committee if our coordination of Anglo-French purchasing is to function efficiently and smoothly.

Ry.

CONFIDENTIAL

April 29, 1940

To: The Secretary
From: Mr. Young
Subject: Tin and Rubber Contracts

The matter of a restrictive clause for all tin and rubber sales contracts was discussed by representatives of the State Department, Mr. Charles Slaughter, President of Commodity Exchange, Inc., Mr. C. S. Trench, Vice President and acting head of the American Tin Trade Association, Inc., Mr. D. A. Patterson, representing the Rubber Trade Association, and Mr. Julius Baer, attorney for the above organizations, and Mr. Thurman Arnold, for the Department of Justice, on March 26, 1940.

At that time, Mr. Arnold stated that he thought the suggested sales clause attached hereto was a justifiable restraint of trade in the interests of national defense. In his opinion, the organizations affected had nothing to fear from criminal prosecution or such suits based on anti-trust statutes.

Mr. Arnold advised against the seeking of a consent decree or declaratory judgment by the organizations concerned on the ground that such a course of action would be expensive and lengthy.

Mr. Arnold advised the submission of a complete statement by the organizations outlining the situation to the Department of Justice, which in turn, should be supported in writing by statements of the Secretary of State, Secretary of War, and Secretary of Navy, saying that such a restrictive clause was necessary in the interest of national defense. Upon the receipt of such a statement, the Department of Justice would then advise the Department of State informally as to its reaction. The fact that the Department of Justice would not take any action with respect to this statement would be a clear indication that the organizations involved would receive adequate protection from Justice in the event of suits.

After this discussion with Mr. Arnold and a subsequent discussion with Mr. Berle, the following procedure was outlined:

(1) The Department of State was to write all organizations in the rubber and tin industries which it had contacted saying that definite action was required. Further, that the Department of State required the cooperation of these organizations and invited suggestions to promote such cooperation.

- 2 -

(2) The organizations written to by the Department of State were to reply to the Department promising their cooperation and setting forth all the factors involved. In addition, these organizations were to say that the inclusion of the limiting clause was the only method presently available of assuring their cooperation. This letter was to bring out the anti-trust features involved and the possibilities of suits. In reply to these letters, the Department of State would recommend submission of the case in detail to the Attorney General. Then the organizations will write the Attorney General, stating the situation as outlined above and forward their communication through the Secretary of State.

(3) Upon receipt of these documents from the organizations, the Secretary of State will forward them to the Attorney General and will include a joint statement signed by the Secretary of State, Secretary of War, and the Secretary of Navy. This joint statement will outline the Government's policy with respect to the exportation of strategic and critical raw materials. It will justify the inclusion of tin and rubber in the interests of national defense, stating that such a clause is necessary to support the Government policy.

Mr. Edgar P. Allen, of Mr. Joseph Green's office, informed me that to date, in accordance with this procedure, the Department of State had written to the various organizations interested, but that as yet no replies had been received.

Following your instructions, I asked Mr. Green whether a word from you to Secretary Hull would speed up the matter and make it easier for him. His reply was to the effect that the situation was in good hands and being well handled.

CONFIDENTIAL

Extract from letter from G. S. Trench & Co. Inc.
of New York, dated February 20, 1940.

- - -

"An officer of the Department of State has informally expressed hearty approval of the proposal that tin sillers insert a clause on all contracts regarding re-exports, and has furthermore approved of the following form:

'Buyer agrees not to export or to sell for export the tin covered by this contract if such exportation would be inconsistent with the Government policy with respect to strategic materials as outlined in statements by the Army and Navy Munitions Board as of October 11th, 1939, and January 19th, 1940. Buyer further agrees, upon the resale of this tin, to insist upon this stipulation and to insert this clause, in full, in all sales contracts or confirmations.'

. . . .
. . . .

COPY

122

A photostat of Ambassador Kennedy's letter and proposed reply for the President's signature are filed under date of May 3.

RE PURCHASE OF GOLD FROM BRITISH

April 29, 1940
10:15 a.m.

Present: Mr. Bell
Mr. White
Mr. Haas
Mr. Cochran
Mr. Cotton
Mr. Young

H.M.Jr: Now, the reason I have got you fellows in here, this is extra confidential. I got one of these typical Joe Kennedy letters to the President on gold to get legislation through to stop purchasing gold. It is one of these typical asinine Joe Kennedy letters. Now, you fellows have just got to step on this thing now and give me an inventory of what the Allies are spending in gold and the rest. We have fussed around with this thing so long.

White: We have it.

H.M.Jr: For God's sake, give it to me. I want to know what they are spending and everything else so I can give it to the President and say, "This is the situation, this is what the Allies are doing," and this idea of Kennedy's, it is just the kind of thing - he quotes the Wagner letter, that the only good out of the whole thing is the end. Now, are you ready, Harry?

White: We have that information. We are just working on it this week-end. It is about ready now.

H.M.Jr: It says we might as well face it. He talks about legislation. Here is this fellow over there - I can't understand it. He has turned about face, because when he came over to see the President originally, he wanted an investment trust to buy up all these stocks and sell them again, and so forth. We have simply got to give the President a clear-cut thing and I have got to do something myself publicly.

White: As I understand you, he wants legislation to prohibit the purchase of gold.

H.M.Jr: He mentions it. Unless we make the English sell their securities first, force them to sell their stuff. Now, what I want to get, Dan, is this:

- 2 -

I have got to have it and we have got to quit talking about it so I can have it first. That is an inventory of what are the French and English doing, how much money are they sending over here and God damn them, they have got to quit doing this business through the food business and this thing and that and the other thing through the other angles, so I can't tell it. I want this fellow Pinsent down and I want to tell him I am sick and tired of trying to fight their battles and they won't cooperate and they had better get word over to Sir John Simon.

Cochran: Do you want him in today?

H.M.Jr: Well, you tell him.

Cochran: I raised that question the other day.

H.M.Jr: You have him in and tell him I am sick and tired of this God damn business. Here I have the only person who takes it and they won't give me the information. They do it this way and that way and I don't know what they are doing. They have got this account here and let them put their money in it so I can defend the position. I can't defend it now. I don't know. I want a position from a certain date that the English have sent so much money over here, they have - so much of it is gold, so much of it is this and so much is that, so much comes from private sources, and an over-all picture and then what they do with it.

Cochran: Is Purvis giving you any figures on the purchases through these other channels?

H.M.Jr: Well, Phil is in contact. We get a little here and there and we just don't know and I am fed up on it. I am just fed up on it.

Bell: Is there anybody in this country that represents those two countries that could give a financial picture?

Cochran: Pinsent does not know it.

- 3 -

Bell: During the last war we used to get a statement every week, starting out with their opening balances and what would go into those balances the following week and what would go out and wind up with the balance at the end of the following week. It gave us a week's estimate and they would give us what happened during the past week to tie in with those estimates. We had those every week.

White: They do on those two special accounts.

H.M.Jr: But that is only part of the story.
You (Bell) never told me this before.

Bell: I never had occasion to.

H.M.Jr: Have you got a form?

Bell: We will get out the old forms they gave us every week.

Cochran: That was after we came in the war, though, Dan.

Bell: Yes, and we wouldn't make an advance unless we knew what their financial position was in this country.

H.M.Jr: They make it so hard for me to know what they are doing. Now we are right up against the Government. I ought to be able to walk over to the President and say, "This is what they are doing, you say whether it is worth while to buy their gold."

White: Well, it appears to me that you can give him enough information to raise that question.

H.M.Jr: But Harry, it is all so complicated that nobody can understand it. I read this letter here from this - I don't believe the English can be as dumb as they seem. It is incredible that anybody can be as dumb as they pretend to be. In comes this letter from Kenneth Bewley, "Dear Jerry,--" raising the question of this residual balance and Kenneth Bewley doesn't know what it is all about. He can't explain it.

Cochran: I am having copies made for Harry and for distribution.

- 4 -

- H.M.Jr: If they can't explain it, somebody is going to get up and introduce a resolution we should stop buying their gold. I am sick and tired of being stalled on this thing.
- Cotton: Does anybody know the financial side of it? Purvis must know the purchasing side. They have got this man in New York selling the securities. Who is the fellow?
- H.M.Jr: A letter like this to go to the President and Hull and one to Wallace and it should have here, February 22, and what they said and have it ready for my signature this afternoon.
- White: We have that table right here, but in addition to the information which you are asking, in order to comprehensively answer that question we also have got to know - I don't know whether they would tell us or not, but we also have to know what they are doing with other countries, because they operate through third countries, but we have that stuff all ready as to what they are doing with us.
- Bell: Dollar exchange through Argentina?
- White: No, but it is of just as much interest to us, I take it, as to whether they are using foreign exchange in third countries, though it doesn't land right here, you see. In other words, what, I take it, we would ideally like to know is exactly what their financial situation is with respect to all foreign exchange and foreign balances. We do know what their situation is with respect to us. We don't know to what extent --
- Cotton: I just thought somebody said here that on the financial side of it, what they are spending, that even Pinsent doesn't know.
- H.M.Jr: They say they don't know but on the other hand they give me down to a fraction what their allotments are for food from now on. They have got that broken down into fractions and the kinds of foods. I believe they know.
- Haas: I finally got the planes and engines down so I think you can see what is going on. That was a terrific job.

- 5 -

H.M.Jr: Have you got that?

Haas: Yes, sir.

H.M.Jr: Let's take a look at that. I am sitting here waiting for these calls to come in.

(Mr. Haas hands report to Secretary)

H.M.Jr: I think the thing to do is to get hold of the French and English Ambassadors and the Canadian Minister and simply say, "Here is this thing, now --"

White: I would suggest, Mr. Secretary, before you see Mr. Pinsent - we were just in the midst of preparing a book. It will be all ready by night. It will contain all the information that we are getting, all that we know, and it will be, I think, in a form which will be rather easy to follow and then, equipped with that, you can see what you specifically want to ask them for.

H.M.Jr: But everything I get, Harry, is so God damned complicated I can't understand it myself. Bell says, for instance, for the first time that they used to get a weekly statement, I take it sort of like a net inventory.

Bell: Just a letter-sized paper.

White: That is what we get in these two special accounts.

H.M.Jr: But it isn't the whole picture.

White: That is why I say we have got that in another direction.

H.M.Jr: We know food isn't in there. Is that for English and French?

White: Yes, and it is broken down in great detail and they give it to us every week. Now, we can know some of the other information by knowing what we export. We know what the outside figure is. We don't know what the Government is spending on these other items that are not out of

- 6 -

these funds and we don't know what they are permitting private corporations, which, as you said, are undertaking some of their orders on their own, but we do know when even those private firms spend money by the change in their balances, so that there is a lot of --

H.M.Jr: But Harry, you are doing a lot of detective work and why shouldn't these fellows tell us the facts?

White: I quite agree with you, but I was wondering whether it wouldn't be better to have everything gathered together --

H.M.Jr: But how soon?

White: Well, we will have it for you tonight.

H.M.Jr: You could have it for me in the morning, because this thing goes on and on - I mean, I won't believe that the English and French could be as stupid as they are. I just don't want to believe it.

Bell: Do you want a draft of a reply to this letter?

H.M.Jr: No, not yet. First I want to be sold that the continuance of buying the gold is okay. I am sold. I don't know any other answer, but I want to be able to sell it to the President and say, "Now look, Mr. President, okay. The English and the French are sending us so much money, private, public, gold, so forth and so on, and this is what they do with it. Now, is this worth while or isn't it?" But God damn it, I can't do it because I haven't got the figures. But I haven't got it and I am going to insist that this fellow come over here and he knows, by God. You can't tell me he doesn't know, especially if he knew a week in advance what I wanted.

Cochran: Oh, yes.

H.M.Jr: They have got to send some first-class fellow over here that really knows.

- 7 -

- White: What is behind this letter? This is a very peculiar position for Joe Kennedy to take. In the first place, he knows from previous discussions from you and what-not, that that is out. He must know enough about it to know that it is an absurd thing to recommend. He also knows it is an absurd position to expect them to sell enough securities so that they won't be sending any gold, because that would mean the sale of so many securities on our market that the SEC and everybody else would object strenuously. Therefore, there must be a third alternative which he hasn't implied there.
- H.M.Jr: The only thing that has explained Joe Kennedy to me for the last couple of years is that he has been consistently short in the market. That is the only explanation I can get, that he has been consistently short. If he was consistently short, every move that he has made in the last two years - if he and Ben Smith were consistently short in this market - Ben Smith is over in London a good part of the time - that would explain this thing. Every move he makes is to bear down on our market. It is the only explanation I can get. Think of it in those terms. Every single move he has made is to depress our securities and our commodities.
- Cochran: He couldn't do a worse thing to the British cause than to stop that gold.
- H.M.Jr: He told me two or three summers ago - they were then selling at 65 cents and he said, "You will see it in six months at 25 cents."

RE ALLIED PURCHASE OF STEEL

April 29, 1940
3:15 p.m.

Present: Mr. Johnson
Admiral Furlong
Colonel Burns
Mr. Collins
Mr. Young
Colonel Minton
Captain Anderson
Mr. Compton
Mrs Klotz

- H.M.Jr: What I am doing, I am making these gentlemen give me this thing in writing in advance of their coming down, which gives me a chance, and then it also makes them put it in writing. What is your idea, Mr. Johnson?
- Johnson: I don't know. I think we had better just immediately jump to these experts. We have got one from Army and Navy on this. What about it, Colonel Minton?
- Minton: What aspect of it, sir?
- H.M.Jr: The first thing is, the Allies want to come along and place this order and the first question is, does it in any way interfere with Army and Navy business.
- Minton: So far as the shell steel is concerned, I certainly wouldn't think so. The capacity of the country is so big that there should be no trouble. So far as sheets and plates are concerned, there might be armor plate involved there. It doesn't say. If there is armor plate involved, I think Admiral Furlong will tell you that the armor plate facilities are pretty well used up.
- H.M.Jr: But let's - I wouldn't gather that it is armor plate.
- Johnson: There is nothing in it. I read it the second time to see.
- H.M.Jr: No, I don't think it is armor plate.
- Furlong: Of course, we use a great deal of plate in all of these shipbuilding facilities that are going on now outside of armor plate, but the capacity of the country is ample for any limit they want, almost.

- 2 -

H.S.Jr: You think so?

Johnson: Armor plate?

Furlong: No, if it is not armor plate.

Johnson: Let me ask another question. Does anybody see any objection to the thing at the bottom, that to enable them to work in the closest cooperation they have to be able to follow the process stage by stage? Naturally, he must have complete freedom of movement within their works.

Furlong: There is a lot of trouble with that.

Johnson: That is the only trouble I see with the whole program.

Furlong: There is a lot of trouble with that, depending upon the extent of the thing. Several of these companies are putting up separate buildings away from our materials, like Bethlehem and Crucible, both of whom have offered to put up separate lines for the Shell lines. The Bethlehem Company, the Vice-President that runs it up there at Bethlehem, told me when an inquiry had been made by the Canadians to come and visit his plant that he didn't want them in the plant. There are inquiries now being made of both Bethlehem and Crucible to set up in Canada - that is, this Purchasing Commission has already approached them to teach them how to do these things in Canada and the companies themselves are not very strong for it. They don't want to do it. They don't want the competition against their own stuff and their own process, particularly in making shells.

H.S.Jr: Is a Commandant - is that a Navy term?

Furlong: Commandant of the Navy Yard - that is a French term, yes. They use that like we would say, probably, Commander.

H.S.Jr: But that is the Navy?

Furlong: Yes. They use it in connection with their

- 3 -

coastal districts, too, districts in France, Commandant.

Johnson: You mean, Admiral, that in Bethlehem Steel and U. S. Steel, the Navy wouldn't be agreeable to give them the free run of the whole works as they suggested, nor would the company nor would the Army.

Furlong: No, we have in Bethlehem Steel certain kinds of projectiles in process of being made. These have certain features in them and certain fuses and other features that we wouldn't want the British to - or anybody to see, no one at all to see, but there are other kinds of projectiles in other places where we have no objection whatever and those special places, the rules now are that they can go through the shop and inspect their stuff but keep away from the confidential and secret stuff.

H.M.Jr: Why don't I do this, get word through Phil to Mr. Bloch-Laine that he bring this Commandant with him tomorrow, see, and then I will ask that the Navy - that you be here, Admiral, and possibly some other Admiral.

Johnson: Colonel Minton and Colonel Burns.

H.M.Jr: All right, and then just ask him.

Johnson: Find out just what he wants.

H.M.Jr: They are coming in at 10:30 tomorrow morning.

Furlong: We will be over here.

Johnson: Will that time fit with your schedule?

Burns: Yes.

Johnson: For the rest of it, do you see any objection to the program, Colonel?

Burns: No, I really don't see that we in the Army have too much objection even to that paragraph on secrecy.

- 4 -

Johnson: There are some plants they wouldn't want to be in at all.

H.M.Jr: It is just a question of working out a sensible arrangement.

Furlong: We have worked with them a great deal already in handling their inspection at Bethlehem and Midvale. Their chief inspector came in to see me two or three weeks ago, nearly a month ago, and I hired an extra man in each one of those plants just in order to trail around with those people and show them where to go.

Johnson: That is one way of doing it.

Furlong: He nearly fell over backwards when I told him I would take on another man in each plant to help him with his inspection, to take him around and keep him from putting his nose into parts of the plant we didn't want him to go into, but I told him we couldn't go very far with that.

H.M.Jr: Well, evidently this is just one man. Let me ask you this --

Johnson: He probably would develop a lot of assistants.

H.M.Jr: If it is Navy, it would be much - well, they are Navy. I don't know how you do, whether you want to turn them over to the Navy or whether the Army would also want to supervise their inspections.

Furlong: It depends on what plant he is in and whose work is there, Mr. Secretary.

H.M.Jr: You men can take care of that, can't you?

Furlong: Oh, yes. I have an inspector in these plants.

Johnson: I don't think you need waste your time, Mr. Secretary. If they just see what he wants and get together among themselves, we will go along with whatever they get together on.

- 5 -

H.M.Jr: I think it would be useful to me if there would be a representative of the Army and Navy here tomorrow and then when they get talking technical language I will say, "This is too much for me."

I saw Danaher when I went up and he asked me a lot of fool questions, so I said, "I am just a farmer. You had better talk to my lawyer." So on the floor today he said, "Morgenthau knew so little about this, he is a farmer and he had to bring his lawyer along."

We just defeated that monetary bill, so that was good.

Johnson: What was it?

H.M.Jr: The boys wanted to go to the ball game so they didn't count the votes. "Farm boy makes good."

Johnson: He talks like you and I don't know anything, Admiral Furlong. We will fool him.

H.M.Jr: Let me ask you this. This is important. Going to Bethlehem, U. S. Steel and Jones Laughlin, would you rather that they went somewhere else than these three companies? Are these three companies crowded with your business?

Furlong: They can all take on more work, these companies. It is only a question of so long as they don't interfere with our production, but they can still take on more.

H.M.Jr: They can?

Furlong: Well, we will have to see exactly what he wants, what type of material.

H.M.Jr: Who are the other large manufacturers of this kind of material?

Furlong: Well, Crucible makes shells and have been dicker-ing with these people and Midvale has been doing some work for this Commission.

H.M.Jr: Well, that takes care of that.

- 6 -

Have you got anything, Louie? Do you see anything wrong with this?

Johnson: No, I don't. I think the steel industry will welcome this.

H.M.Jr: And how!

(Mr. Compton returned from making a telephone call)

What your people said on this steel order, they can't see any objection so far, although they want to know more about it, and I have asked that a representative of the Army and Navy be here tomorrow at 10:30 and if it is agreeable to you, I would like Admiral Furlong to be here tomorrow.

Compton: It is all right with me, yes sir.

H.M.Jr: Is that all right?

Compton: If it is steel in general, we might have to take in some of the other steel using bureaus, such as the Bureau of C & R, Construction and Repair, who use large quantities of steel for the structural part of the ship.

H.M.Jr: Would it be all right if the Admiral came and reported back as to what the details are?

Compton: Yes, that would be all right. He can cover both --

Furlong: I will get the details of the thing. They are not asking for --

H.M.Jr: Will that be all right?

Compton: That will be all right, Mr. Secretary, yes.

H.M.Jr: There is one other little thing I have got here.

"Mr. Lochhead phoned that Universal Trading has purchased about \$500,000 of automatic telephone equipment from the Automatic Telephone Co. of

- 7 -

Chicago on which delivery is about to be made, but on which inspection should first be made, because they suspect the company is not living up to the specifications. The U. S. Navy has inspectors at the plant on U. S. orders.

"At one time when Universal was thinking of employing a retired naval officer as an inspector, the Navy Intelligence thought it would be better to have a regular Naval officer do the inspecting and charge a proportionate part of the cost to Universal.

"Would the Secretary be willing to pass the word along to the Navy Department that he would favor using a Naval officer. If so it would help greatly.

"Mr. Lochhead spoke to Capt. Puleston about it this morning and the latter would handle the request."

You know, Mr. Lochhead was with me for five years as head of the Stabilization Fund and now he is president of Universal and I can vouch for him, if this is something which you consider proper. I don't know whether you do or not.

Compton: We will be glad to cooperate if we possibly can.

H.M.Jr: I mean, they are operating on funds loaned to them by Import-Export Bank and I can vouch for Mr. Lochhead. As a matter of fact, who is the --

Compton: We are probably inspecting out in that area, aren't we, Admiral?

Furlong: We have inspectors in that area.

H.M.Jr: Captain Bull is the manager of their office.

Furlong: Yes, he used to be with you folks.

- 8 -

H.M.Jr: He is employed by them, too.

Compton: We have a regular inspection service in that area, Mr. Secretary, and there is no reason in the world why they can't be detailed to do that as an additional duty and we will work up some sort of an arrangement for compensation, if any is necessary.

H.M.Jr: Can I leave it with you? Shall I have Mr. Loch-head call your office?

Compton: If he can call me sometime tomorrow. I will get the answers in detail before then, but I am reasonably certain we can handle it all right.

H.M.Jr: O. K. Do you want to take - I don't want to hurry you on this thing.

Compton: That is all right, I am ready.

H.M.Jr: No, I mean on that photostat thing. Is that all right?

Compton: Well, I haven't digested it at all. I was in between telephone calls out there.

H.M.Jr: All right. This we are kind of proud of. It is dynamite if it gets out. There is one for you and one for the Army. I will give you that. We are going to keep that up to date from now on.

Johnson: Are you going to send us sheets to keep it up?

H.M.Jr: Yes.

Johnson: Grand.

H.M.Jr: That is the most difficult thing to get out of their figures. I think they would like to have it themselves. And Louie, take a look at this. I am giving you each one of these.

Johnson: If your figures are correct --

- 9 -

H.M.Jr: These aren't mine. These came fresh off the griddle this morning.

Johnson: Then you are doing one of two things. You are leaving out last December or else they have cut down these purchases by a thousand or so.

H.M.Jr: I am just giving you what I got.

Johnson: I may send you a memo.

Speed

139

on

Gold

5/3/40

INSERT TELEPHONE CONVERSATION WITH SENATOR
CARTER GLASS BETWEEN PAGES 2 & 3, MEETING
OF APRIL 29, 1940, 9:15 a.m.

140

RE ADDRESS BEFORE WOMENS' DIVISION
NATIONAL DEMOCRATIC COMMITTEE

April 29, 1940
9:15 a.m.

Present: Mr. Foley
Mr. Graves
Mr. White
Mr. Schwarz
Mrs Campise
Mrs Klotz

H.M.Jr: I am to talk on Thursday on Public Debt and I have got an entirely different idea on public debt and I wanted to try something entitled "Lest We Forget" and I would like to go back to '30 or '33 and start in with prohibition. I am talking to these 3,000 women and no one has talked about it in a long time. With Mr. Dewey being the white-haired boy on law enforcement, I thought it might be interesting particularly for women to go back - I don't know whether you people know Mrs. Campise does all these statistics on law enforcement and does a swell job.

What was running through my mind was this: we go back from, say, anywhere, '30 to '33, the number of crimes due to prohibition and let's take a look at that era, do you see, what were the Federal arrests in that era under the Republicans. What was the population, what was the population during those years in the Federal penitentiaries, what kind of cases were going in, due to the fact of prohibition. I am particularly interested in narcotics. I am told - and this is where Harold Graves comes in - that nowadays we pay \$285.00 an ounce for heroin and the result is that the heroin they are getting is so diluted that it has been the most marvelous cure for people and what they are getting mostly is sugar.

Incidentally, I spoke to Key Pittman and he didn't think he was going to take any interest and that was the thing I told him and that is what I told Hiram Johnson on Saturday. So I told that to Hiram and it was just on this thing and I don't think he is interested, but he said, "When I get to the office I will look around and if I am, I will give you a call."

- 2 -

Foley: Does that mean he is for us or against us?

H.M.Jr: He will take no part in the discussion.

Foley: He will vote for it?

H.M.Jr: Yes. Now, as far as I know, I don't think this subject has been covered in a long time and I wish you would call up and see what the National Democratic Committee have on this thing. When you go out, go in to Mrs. Klotz and ask her to call up for you Mrs. McAllister, for whom I am doing this, you see, and tell Mrs. Klotz to call her and ask her if they have gotten anything and I don't want to duplicate it or is anybody going to do it for these women during the next three or four days. Do you know Mrs. Klotz?

Campise: Yes.

H.M.Jr: So I mean, if anybody is going to do this thing, I don't want to do it, but I doubt if it has been done. I want to get the character of the population of the Federal prisons in the four years prior to Mr. Roosevelt coming in and how the character has changed, you see.

Now, what else would there be besides liquor cases and narcotics, Harold? Are those the two?

Graves: Counterfeiting is a very important thing and the showing there would be very fine.

H.M.Jr: You run that, don't you?

Foley: In tax evasion.

Campise: Smuggling, too.

(Telephone conversation with Senator Carter Glass follows:)

- 3 -

H.M.Jr: Well, you (Mrs. Campise) get the idea?

Campise: Yes.

H.M.Jr: I don't think it has been done and I think there has been such a swell job done. We will confine it to Treasury activities. You run the statistics. Have you got them prior to '33?

Campise: No, we don't, but we can get them from the Department of Justice Register.

H.M.Jr: Good. And then when you have that, I want to try out this - have you got Frances Knight's papers?

Schwarz: Yes (handing document to Secretary).

H.M.Jr: How did you happen to have this?

Schwarz: She came in to see Oscar Cox at his office and he asked me if I would talk to her.

H.M.Jr: She wanted to work here?

Schwarz: That is right.

H.M.Jr: When was this?

Schwarz: February.

H.M.Jr: I see.

Foley: I don't know anything about the call in February.

Schwarz: That is an impressive record there.

Foley: Wasn't she doing something for Civil Aeronautics?

Schwarz: She had done just one special job.

H.M.Jr: She seems to have done some research for WPA. Her husband works here. That can't be her married name. Incidentally, she speaks French, German and Czechoslovakian. I am going to try her out.

Schwarz: All right.

- 4 -

H.M.Jr: Lowell Mellett swears by her.

Schwarz: She seemed to have a very clear mind and made a good impression.

H.M.Jr: This is a good thing - as a matter of fact, you could get her in early so she could work with Mrs. Campise right away on this thing.

Schwarz: I will do it through Lowell, then.

H.M.Jr: Do you get the picture, Mrs. Campise?

Campise: Yes, I do.

H.M.Jr: I could ask Mrs. McAllister myself while I am waiting. The thought was, maybe it has already been done, but my thought was, lest we forget what was going on prior to '33. That is on the revenue side. This is all the crime, you see. Now, let's take a look at how much revenue we have gotten out of liquor and all of these things since '33, see.

Graves: Yes.

White: Well, could you tie it up with what they have scheduled on it and call it "Crime in the Budget"?

H.M.Jr: Why don't you call it "Murder in the Budget" and be done with it?

White: The thing is, they have got it published that you are going to talk there.

H.M.Jr: Well, we will see what Mrs. McAllister says.

Schwarz: The "Public Debt in Prison."

Foley: You didn't know it was so good, did you?

White: It sounded better than I thought.

H.M.Jr: Well, you (Schwarz) can find out whether this has ever been done before.

White: That is scheduled for Friday morning at 10:00 o'clock.

- 5 -

H.M.Jr: I have been wanting to do this for years. Who can do the revenue side? Harold?

Graves: It would be very easy to get the figures.

H.M.Jr: Could you (Mrs. Campise) get the revenue figures? Do you know where to go.

Graves: They are published.

Campise: Yes, they are published.

H.M.Jr: Why don't you have the whole thing?

Graves: They are easily available.

H.M.Jr: Did you give her that review that Elmer Ireys did?

Graves: I have done nothing for a long time.

H.M.Jr: There is a review which has been done by Elmer Ireys. What was your review?

Graves: About three years ago I made a review as the matter then stood which you gave to the President. I think you both liked the thing.

H.M.Jr: Try another one for Mrs. Campise.

Graves: That is only liquor.

H.M.Jr: That is all right. I don't want too much, but what I would like to get up, if I could, if there must be a story - now look, let's take a look at the four years or eight years prior to when Mr. Roosevelt came in, you see, what was the law enforcement situation and leaving the impression, what guarantee have we if the Republicans come in that we won't go back to the thirties, the thirty-ones and the thirty-tvos, when you could get narcotics like that and you had so many addicts each year, and go to Public Health, or have you got all those things, the number of addicts and what happened?

Campise: No, but I can get them.

H.M.Jr: That is purely for women. Get from Public Health and Dr. Parran's office what has happened to the

- 6 -

number of addicts in this country, the way the thing has gone down from '33 to date. It is an amazing figure, I think.

Schwarz: Harry Anslinger made a survey.

H.M.Jr: Are you busy on anything else?

Campise: Nothing that I can't put off for this.

H.M.Jr: That is the right spirit.

What else, Harold?

Graves: Well, we mentioned a while ago the counterfeiting and Mr. Wilson has a monthly statistical compilation which is put in chart form which I think covers the whole period.

H.M.Jr: It all goes through you, doesn't it?

Schwarz: We have the number of cases, but these figures on addicts and things of that sort --

H.M.Jr: When you want to see any people, ask Mrs. Klotz to call and tell them you are coming down and they will stop doing whatever they are doing. Wilson, Anslinger, Irey, Gorman, Berkshire. Do you need anybody to help you? Do you have enough girls in your section?

Campise: I think we will be able to handle it. We might have to call for help.

(Mrs. Klotz entered the conference)

H.M.Jr: Mrs. Klotz, Mrs. Campise is going to try to get up some stuff for me on Friday, what the law enforcement was prior to '33 and what it is now. I want her to see people like Irey and Chief Wilson and when she gets ready to see them, I am going to ask you to make the appointment. If you (Campise) will just ask Mrs. Klotz, she will see that you get in to see these various people. Who is the Customs fellow?

Graves: Mr. Gorman.

- 7 -

H.M.Jr: And you (Schwarz) get hold of this Frances Knight.

Schwarz: 3:00 o'clock.

H.M.Jr: No, immediately if she is free.

Schwarz: She mentioned 3:00 o'clock.

H.M.Jr: Well, you (Campise) wouldn't be ready by 3:00 to talk to her. Let her come in at 3:00 to shake hands and I will give her what I have in mind. You give her Mrs. Campise, and Frances Knight and I will shake hands and we will try her out on this thing, see, and then let's see what we get. I have been crazy to make this speech for years. The thing is entitled, "Lest We Forget."

Schwarz: Will you put a little more emphasis on the present than the future?

H.M.Jr: I think the thing is, if Mrs. Campise's statistics will show the story - I mean, the condition of - as far as Treasury figures, what was the condition prior to Mr. Roosevelt and prior to me as Secretary of the Treasury and what was the population of the Federal prisons and what is it now and what proof have we if the Republicans come in that the thing won't go back to what it was.

White: That would hardly apply to prohibition.

H.M.Jr: How do you know?

White: I know, but it seems very unreasonable.

H.M.Jr: But there is a big movement on again to go back. They did nothing about it. Let them draw their own conclusions. What they want is material to go home and talk about and as far as I know, it has never been compared on this basis.

You (Schwarz) check that with the Womens' Division, whether there is anything that has ever been done on this. I want to make the same comparison as to the population of the Federal prisons, as far as Treasury cases go, and what was it before. The change in population, Mrs. Campise, must be tremendously different. There

- 8 -

must be an entirely different kind of people there today than there were seven or eight years ago.

Graves: Mr. Secretary, I doubt whether there is going to be any extreme change. We still put the bulk of the inmates into the Federal penitentiary and most of them still are liquor violations, you will find that.

H.M.Jr: Do you (Mrs. Klotz) know what Harry wanted to call this speech? "Crime in the Budget."

Klotz: That is marvelous.

White: They may misunderstand it.

H.M.Jr: I burst a button on my shirt. My button came off when I laughed. I said we ought to change it and call it "Murder in the Budget."

White: Possibly we ought to also contact this fellow who is head of Federal prisons, who would be able to help you out.

H.M.Jr: Miss Campise, go to it and don't hesitate to bother Mr. Graves and Mr. Foley and Mrs. Klotz. They will all help you. I will see you again at 3:00.

Foley: You want her to get the material and Mrs. Knight is going to write it?

H.M.Jr: That is right.

Foley: So all she does is give the information and material to Mrs. Knight?

H.M.Jr: And she can do a little writing on her own, but you work with Mrs. Knight and we will try her out and if it is no good, it will go the way most speeches go, in the trash basket. Don't mind if it goes in the trash basket, it won't be your fault.

White: Mrs. McAllister called up about a week ago and was a little concerned whether she should introduce you or some other woman that she named.

- 9 -

She thought it was a matter of some import.

H.M.Jr: No, I want her to be in it.

White: I said I didn't know but I assumed you would be delighted to have her. She seemed eager to do it. We were supposed to let her know.

H.M.Jr: Incidentally, if Harry is correct that Mrs. Knight is so good looking, we don't need Harry on this thing.

Schwarz: O. K., we will take care of that.

White: It is better that I don't meet her in a crowd.

Schwarz: I will take care of that department.

H.M.Jr: Well anyway, drop in at 3:00, seeing you are supposed to go on the air with me.

White: I don't quite get this picture.

H.M.Jr: What don't you get? If this is going to be good, see, I am going to get up and give this speech, "Lest We Forget," and then I am going to say, "If you people have any questions" - I like this, what I am saying and I am bored to death with the other thing but, "If there are things you want to know about the budget and things that you don't understand, we will now have a question hour and Dr. Harry White, who has the answer to everything, will now answer what you have."

White: Everything except one thing, but I would like to help in this thing because we can probably - I would like to make it about 29 minutes. I understand you have got a half hour. That would leave one minute. There is half an hour and that is why I would like somewhere in the statement something to be said about the budget, because it is in all the papers that you are going to talk on the budget.

H.M.Jr: It doesn't bother me.

White: Work in the budget somehow.

- 10 -

Schwarz: Mr. Secretary, let's get a different title that means the same thing.

H.M.Jr: We will get the budget in, because we show that through strict law enforcement we get so much more revenue.

White: Revenue side of the budget.

Foley: Law enforcement in the budget.

White: The forgotten part of the budget.

H.M.Jr: Liquor - through strict enforcement and having prohibition, 600 million dollars - didn't we get 600 million dollars from liquor? Work it in on the revenue side.

Schwarz: Cleaning America.

H.M.Jr: It may be no good, but let's try it.

White: Is there anything in tobacco, was there any evasion in the cigarette stamp taxes?

Graves: No.

H.M.Jr: And Harold, I would like you back at 3:00 and in between times think about this today, will you?

Graves: Yes.

H.M.Jr: Chick, you come back at 3:00.

Schwarz: My point on the title is that you have a war going on today and "Lest We Forget" is indelibly associated with war and it is looking backward when we have present problems. I think there is a good story to tell.

Klotz: This thing is getting all mixed up.

H.M.Jr: Well, Mrs. Campise knows what I want, don't you?

Schwarz: You have got a story to tell, but starting with that title --

- 11 -

H.M.Jr: Well, go back to Harry's "Crime in the Budget."

White: I still think it has possibilities and would attract a big crowd.

Schwarz: Even a few Republicans?

H.M.Jr: All right.

April 29, 1940
8:47 a.m.

H.M.Jr: Key.....

Key

Pittman: Yes.

H.M.Jr: Henry talking.

P: Yes.

H.M.Jr: I hope you don't mind my calling you at your home.

P: Not at all.

H.M.Jr: Key, I understand the first order of business today is a bill that we're very much interested in.

P: Yes.

H.M.Jr: And I wondered when I could have a few minutes to tell you what our interest is in it. It has to do with foreign balances.

P: Well, is that coming up this morning?

H.M.Jr: It's the first order of business, Key.

P: Has it been agreed on as an order of business?

H.M.Jr: Well, according to Senator Barkley I understand it's the first order of business.

P: I see.

H.M.Jr: And Wagner is handling it because it's Banking and Currency. It was reported out unanimously by Banking and Currency with no objection.

P: Yeah.

H.M.Jr: But I just, being a foreign matter I wanted to have a chance to tell you, or answer any questions you may have in mind.

P: Well, I don't know -- I don't know whether I'll take a very active part in debate or not; I'm not feeling very good.

- 2 -

H.M.Jr: Oh, I'm sorry.

P: I haven't been feeling well for some time.

H.M.Jr: Well, I'll do anything that you suggest.

P: Well.....

H.M.Jr: I mean, if you want to post yourself.

P: Well I'll - after I get down to the office this morning I'll look over the situation and see what I've got on hand.

H.M.Jr: Right. And will you call me if you -- if you need me or want me?

P: Yes, I'll call you.

H.M.Jr: Both Barkley and -- and Wagner, particularly Wagner being Banking -- are entirely familiar with it.

P: Are what?

H.M.Jr: Wagner knows all about it.

P: Yeah.

H.M.Jr: Being Banking and -- it went to Banking and Currency.

P: Yes.

H.M.Jr: But Hiram Johnson thought it had something to do with foreign credits, which it hasn't.....

P: Yeah.

H.M.Jr:so he put his oar in.

P: Uh-huh.

H.M.Jr: But otherwise it seems to be all right.

P: I was looking the bill -- looking over the bill on Saturday slightly.

H.M.Jr: Yes.

- 3 -

P: I didn't go into it very carefully.

H.M.Jr: Yes.

P: It's an amendment of the old act, isn't it?

H.M.Jr: That's all. It gives us -- some New York lawyers, what it boils down to, advised the Guaranty Trust that we didn't have the legal authority to include stocks and bonds.

P: I see.

H.M.Jr: And rather than wait until they've dragged us into court, we thought we'd go to Congress and ask them for this additional authority, although both the Treasury and Justice feel we have it.

P: Yeah.

H.M.Jr: But I didn't want to wait in these difficult times to be dragged through the courts by a New York law firm.

P: I see.

H.M.Jr: So we just thought we'd come up there and ask to have Congress say that this does include stocks and bonds.

P: Well that's all right, that's what I thought it was.

H.M.Jr: Now that's all it is.

P: All right.

H.M.Jr: That's all.

P: Yeah. Old Hiram was worried. I know he asked me Saturday, and took it up to see whether or not it repealed any of his Act.

H.M.Jr: No, it does not.

P: All right.

H.M.Jr: But I'm at your service.

- 4 -

P: All right, Henry. Thank you. Goodbye.

April 29, 1940
9:24 a.m.

Carter
Glass: Hello.

H.M.Jr: Henry talking.

G: How are you, Mr. Secretary?

H.M.Jr: How are you?

G: I'm pretty good.

H.M.Jr: Senator, I didn't know whether you'd be up on the Hill this morning. We're the first order of business on this bill.

G: Yes, I'll be up there.

H.M.Jr: You're going to be there?

G: Yes.

H.M.Jr: Because I'm counting on you.

G: Well, if Wagner hadn't stated the matter in such a circumlocution way the other day, it would have passed then.

H.M.Jr: I see. Well, I'm trying to see this -- I talked to Key Pittman and Key said he had no interest in the bill.

G: Yeah.

H.M.Jr: And I'm trying to contact both McNary and Johnson this morning, to tell them if they want me to explain it I'll come up and see them.

G: Well, I told Johnson exactly what it was.

H.M.Jr: Well.....

G: And he said if Wagner had just stated that instead of getting into a long legal circumlocutionary statement it would have been all right.

- 2 -

H.M.Jr: Well, it's too bad that they handled it the way they did.

G: I just thank God I'm not a lawyer!

H.M.Jr: You and me both. I've just come back from the farm and thank God I'm a farmer.

G: Yes.

H.M.Jr: Tell me, is there anybody that I ought to talk to on the Hill?

G: You know this fellow Danaher of Connecticut seems to be trying to make some trouble.

H.M.Jr: Yeah. Anybody else?

G: Nobody else.

H.M.Jr: Well, if you're going to be there I'm not going to worry.

G: Yes, I'm going to be there.

H.M.Jr: Thank you so much.

April 29, 1940
9:52 a.m.

H.M.Jr: Hello.

Operator: Senator McNary.

H.M.Jr: Thank you. Hello.

O: Go ahead.

H.M.Jr: Hello.

Charles L.
McNary: Hello.

H.M.Jr: This is Henry talking.

M: Yes.

H.M.Jr: How are you?

M: All right, my dear friend. How are you?

H.M.Jr: O. K.

M: That's lovely.

H.M.Jr: I wondered if you wouldn't be willing to see me on this bill that's coming up today.

M: Uh-huh.

H.M.Jr: I'd like to give you outside of the story.

M: All right.

H.M.Jr: When do you think you could see me?

M: Well now, let's see, I've got -- it's a crowded day. I've got to run into lunch today.

H.M.Jr: I don't hear, what?

M: I don't know whether that'll come up or not. There are two bills ahead of it.

H.M.Jr: I understood it was the first order of business.

- 2 -

M: No, the first order is the Wagner bill. That has been discussed quite a while, about freezing some of the nationals of Norway's.....

H.M.Jr: That's the one I'm interested in.

M: Huh?

H.M.Jr: That's the one I'm interested in.

M: Oh, I thought you wanted the silver bill.

H.M.Jr: No, no, no.

M: Oh, that one.

H.M.Jr: No.....

M: Are you for the bill?

H.M.Jr: Yeah.

M: I am too.

H.M.Jr: Yeah, but.....

M: Are you for the amendment?

H.M.Jr: No.

M: You don't want that?

H.M.Jr: I don't want any amendments.

M: You don't want any amendments.

H.M.Jr: No.

M: All right. Well then, I won't support any amendment.

H.M.Jr: There are three Danaher amendments.

M: Uh-huh.

H.M.Jr: We'd like it to go through the way it's written without any amendments.

M: You would?

- 3 -

H.M.Jr: Uh-huh.

M: Is one worse than the other?

H.M.Jr: Well, they're all pretty bad and we don't think they're necessary. You see, what happened was this.

M: Yeah.

H.M.Jr: Have you got a minute?

M: Yeah, go right ahead.

H.M.Jr: We were going along all right, nobody objected, and then this New York law firm wrote an opinion for the Guaranty Trust in which they said that it wouldn't -- we didn't have the power as far as stocks and bonds were concerned.

M: Yeah.

H.M.Jr: Well I didn't want to be dragged through the courts so I thought I'd come up and ask Congress to put their stamp of approval on something that we thought we had and the Department of Justice had.

M: Yes.

H.M.Jr: Now, we appeared before Banking and Currency in Senate and House. We got unanimous approval.

M: Yes.

H.M.Jr: Danaher was there, he didn't say anything.

M: Yes.

H.M.Jr: Robert Taft was there, he said he'd go along.

M: Yes.

H.M.Jr: And they voted it out with unanimous approval.

M: Yes.

H.M.Jr: Now, they had their chance to cross-examine me and they were satisfied, all the Republicans.

- 4 -

Townsend was there. They were all satisfied.

M: Well, you -- Henry, you want it to go through as it is.

H.M.Jr: I'd like very much to have it go through as is.

M: I won't bother you.

H.M.Jr: What?

M: I won't bother you.

H.M.Jr: And -- you won't bother me.

M: No.

H.M.Jr: Swell. Now, should -- ought I see Hiram Johnson?

M: You might call him up. I think it would be a good thing to do.

H.M.Jr: Fine.

M: Because he -- he and -- and Danaher and Austin and Adams talked to me the other day about it.

H.M.Jr: Yeah.

M: And I don't think Austin is going to pursue -- go any further with him. But you might call up Hiram.

H.M.Jr: Should I call up Austin?

M: You might. I -- that would be all right, yeah.

H.M.Jr: I know him.

M: Yeah, I'd do it then.

H.M.Jr: Well, and Hiram.

M: Yeah.

H.M.Jr: Well, then you won't -- then everything will be all right.

- 5 -

M: I won't bother you at all.

H.M.Jr: Wonderful!

M: All right.

H.M.Jr: Ever so much obliged.

M: You bet.

H.M.Jr: Thank you.

M: Goodbye.

April 29, 1940
9:57 a.m.

H.M.Jr: Hello.

Operator: Senator Johnson hasn't reached the office and they can't reach him until he gets there.

H.M.Jr: Has he left his home?

O: Yes, sir. I called the home and they said he was on the way.

H.M.Jr: Oh.

O: She said he has some people waiting there so she knows he'll be in very shortly.

H.M.Jr: All right. See if Senator Austin of Vermont is in.

O: All right.

H.M.Jr: Senator Austin of Vermont.

O: All right.

10:00 a.m.

H.M.Jr: Hello.

Operator: Senator Austin.

H.M.Jr: Hello.

O: Go ahead.

H.M.Jr: Hello.

Warren R. Austin: Hello.

H.M.Jr: Henry Morgenthau, Jr.

A: Yes.

H.M.Jr: How are you, Senator?

- 2 -

A: Fine, how are you?

H.M.Jr: I'm fine. Could I have a minute or two of your time on the phone?

A: Certainly.

H.M.Jr: And if that isn't satisfactory I'd be more than pleased to come up and call on you.

A: Oh, no -- oh, no, that's all right.

H.M.Jr: Senator, it's in regard to this bill that's coming up today that has to do with stocks and bonds that we're taking over for the Norwegians and Danes.

A: Yes.

H.M.Jr: I'm very much interested in it and we'd like to have it go through as it's written if possible, without the Danaher amendments.

A: Yes, I know you would.

H.M.Jr: The only reason we came to Congress was because this New York law firm questioned our authority to include stocks and bonds. We had nothing else in mind and we appeared before Banking and Currency in the Senate and House and both -- all the members, after questioning us, seemed satisfied and reported it out unanimously.

A: Yes.

H.M.Jr: And Senator Taft was there and Senator Townsend was there and Senator Danaher was there.

A: Yes.

H.M.Jr: And they all had ample opportunity to cross-examine me.

A: Yes.

H.M.Jr: Now, if you had any doubts or questions you wanted to ask I'd be more than pleased to come up to see you.

- 3 -

A: Well, I think you're mighty swell about it, but my own view is a fundamental one and I've abandoned the notion of trying it out. You know, I'm -- I have taken a position a little bit different from my colleagues on the minority here respecting foreign relations and I -- I certainly believe that I should do everything I can to strengthen the arm of the President in his handling of foreign relations.

H.M.Jr: Yes.

A: I don't want to hurt him on that, but on the other hand the extraordinary powers exercised or held in times of peace by virtue of the banking act, are very undesirable from my point of view. That is those powers that deal with domestic affairs and property of citizens or nationals of the United States, so that my object definitely was to restrict that power, cut it down.

H.M.Jr: Yeah.

A: And I talked that over with Bob Wagner and I -- he didn't see it, you know. And I don't know who he talked with afterwards but he subsequently did see it and came to me and said, "I see now what you meant and I recognize that this -- that your amendment would do that thing," and he had some suggestion of change which he was willing to offer as a compromise and which I wouldn't accept because it didn't do a thing I wanted to do.

H.M.Jr: Yeah.

A: Now, I don't care to cut down the President's power in handling the bonds and stocks and other evidence of property of foreign nationals. I want him to have that power but I can't get to an agreement on it and I'm not going to embarrass him by going out and fighting.

H.M.Jr: Well, that's fair enough.

A: Now, that's that. That's all there is to my position. I don't want to be susceptible about it and don't want you to think that I've given up on the principle.

- 4 -

H.M.Jr: But you're not going to fight on this particular.....

A: I'm not going out and fight on this thing at all. I'm going -- I shall vote against this resolution because of principle but I have dropped the notion of offering any amendment or supporting any amendment.

H.M.Jr: I see.

A: Excepting to vote for it.

H.M.Jr: Right.

A: Now, I have to do that in order to keep my own self-respect.

H.M.Jr: You mean you're going to vote for the Danaher amendments.

A: I shall vote for the Danaher amendments.

H.M.Jr: But not make a fight.

A: I shan't get out on the floor and tear this up as I might do.

H.M.Jr: O. K.

A: And that's the best I can do under the circumstances.

H.M.Jr: Well, that's fair enough. We all have our principles.

A: We've simply got to stand by the guns you know, but I would be misunderstood if I took any other position.

H.M.Jr: Well, thank you for your frankness.

A: All right.

H.M.Jr: I appreciate it.

A: Allright.

April 29, 1940
10:18 a.m.

Operator: Go ahead.

H.M.Jr: Hello.

Pat
Harrison: Henry.....

H.M.Jr: Good morning, Pat.

H: How are you?

H.M.Jr: I'm fine, how are you?

H: Oh, I'm pretty fair. I slept late this morning.

H.M.Jr: Good for you.

We've got a bill coming up today, a first order of business, to give us the authority on these Norway and Denmark to include stocks and bonds, and Senator Danaher had some amendments and raising a little hell, although we've got -- went through Banking and Currency with unanimous reports.

H: Yeah.

H.M.Jr: And if you were interested I'd be glad to have a chance to come and see you and explain it to you.

H: Well, I didn't know that it was a special order today because I haven't been up there in three days.

H.M.Jr: Well, we don't.....

H: And it wasn't a matter out of my committee.

H.M.Jr: No, that's right, but.....

H: And I don't know anything about it, but I'll be glad to look into it, Henry, unless you want to come up and especially talk to me about it.

H.M.Jr: No, I tell you what I'll do, supposing you look into it. If it has any doubts in your mind I'll come up because I'd like to have your support.

- 2 -

H: Well, I'll look into it as soon as I get away.
I'm down at the War Department now.

H.M.Jr: Wagner knows all about it and so does Carter Glass.

H: Yeah. Well, I'll let you hear from me if I've got
any doubt about it.

H.M.Jr: If you have any doubt will you give me a ring?

H: Yeah.

H.M.Jr: And I'll get a fire engine and come up there.

H: All right, Henry.

H.M.Jr: Thank you.

H: Well, good luck.

H.M.Jr: Thank you.

April 29, 1940
10:51 a.m.

H.M.Jr: Hello.

Operator: George Harrison. Go ahead.

H.M.Jr: Hello.

George
Harrison: Hello.

H.M.Jr: How are you, George?

H: Hello, Henry. How are you?

H.M.Jr: O. K.

H: Good.

H.M.Jr: George, I've got a kind of -- one of these delicate and confidential assignments.

H: Yes.

H.M.Jr: And this is between the President, you and me. See?

H: Yes.

H.M.Jr: The President called me last night and he said he'd like us to watch, very confidentially, the Italian balances, see? Hello?

H: Yes.

H.M.Jr: To see that they don't draw out any monies, suddenly.

H: Yes.

H.M.Jr: Now, could you kind of handle that sort of personally and sort of inquire sort of around and sort of ask some of the -- four or five of the more important banks if there is any sudden movement in the Italian balances they'd let you know personally?

H: I'll be glad to.

H.M.Jr: See?

- 2 -

H: Yeah.

H.M.Jr: I mean, after all it's a perfectly reasonable request to make because they'll most likely think that you'll want to know as an indicator if there's any -- if they're going to war. See?

H: Yes.

H.M.Jr: But if you could.....

H: I get your point.

H.M.Jr: What?

H: I get your point.

H.M.Jr: But he evidently -- what he has in mind is that if they suddenly start to draw the thing out he might want to stop it.

H: Yes.

H.M.Jr: Now we had a quick survey made and the total short term is about 62 million.

H: How much?

H.M.Jr: Well, I'll give you -- I've got it right here. Short term as of April 10th, official is 10 million, private 51.

H: Yeah.

H.M.Jr: Total 61 million. And I don't know, long term investments -- this is August 31, 1939, that's about -- terribly old.

H: How much?

H.M.Jr: 40 million.

H: Yeah.

H.M.Jr: But I mean, that's of August 31st, 1939.

H: Yes.

- 3 -

H.M.Jr: But they give me a figure of 101 million. No earmarked gold.

H: No. We haven't -- they haven't got enough to earmark I guess.

H.M.Jr: No, but that long term figure is August 31st, that's no good. But if -- would you do a little on it?

H: Yeah, I'll get busy on it. I'll talk to Knoke and see what we can do.

H.M.Jr: And the fact that it comes from.....

H: And I'll let you know anything that I know.

H.M.Jr: You and I have a little curoosity , see?

H: Yeah.

H.M.Jr: To get it.

H: That's right.

H.M.Jr: But if they could, I mean, if there was a sudden call on Italian funds why they'd let you know by telephone right away.

H: Yes. All right, Henry.

H.M.Jr: Thank you, George.

H: Thank you very much.

April 29, 1940
10:55 a.m.

H.M.Jr: Hello.

Operator: Senator Johnson.

H.M.Jr: Thank you.

O: Go ahead.

H.M.Jr: Hello.

Hiram
Johnson: Hello.

H.M.Jr: Henry Morgenthau, Jr.

J: Oh, I'm so glad to hear your voice. How are you?

H.M.Jr: I'm fine, and you?

J: Oh, pretty good.

H.M.Jr: And the boss?

J: Well, the boss isn't so good.

H.M.Jr: Oh, I'm sorry.

J: I think that's -- you didn't want to talk to me about her ills, and she's been unable to get back the full use of her arm and it causes her distress.

H.M.Jr: Oh, I didn't know.....

J: How are you?

H.M.Jr: I'm very well.

J: Is your family all right?

H.M.Jr: Everybody's fine, thank you.

J: Well, that's bully. That's fine.

H.M.Jr: Senator, I'm calling you and I'll do it on the phone or I'd love to come up and see you, either way.

- 2 -

J: That's all right.

J.M.Jr: Either way that you want.

J: Oh, no, go ahead. If it's more convenient on the phone.

H.M.Jr: Well, it's -- I'll talk and if we don't understand each other I'll hop in a car and come up.

J: Sure.

H.M.Jr: It's about this bill on the Norwegian and Danish securities.....

J: Yeah.

H.M.Jr:which is coming up at noon. Now, I want -- I think you know by now that nobody has been a more strong advocate for the so-called Johnson Act than I have.

J: Yes.

H.M.Jr: And I've upheld it day and night. Now, there's nothing in our minds and there shouldn't be anything in that bill that in any way would ease the credit situation for any country.

J: I see.

H.M.Jr: Wherever it is.

J: I see.

H.M.Jr: But a New York law firm gave an opinion to the Guaranty Trust that the Treasury's power did not include stocks and bonds.

J: Yes.

H.M.Jr: And rather than be dragged through the courts at this time, I thought I'd go to Congress and ask them to say that it did.

J: I see.

- 3 -

H.M.Jr: Now, that's all we have in mind.

J: Yes.

H.M.Jr: Now, if there's any doubt in your mind, why I'd like a chance to come up.

J: No, at first -- I had never heard of the bill until it was explained by Wagner.

H.M.Jr: Yes.

J: His explanation was so damn muddy that I didn't follow it.

H.M.Jr: Well.....

J: But then afterwards old Glass came up in the corridor and in two or three sentences explained the thing, and I think that it's -- I can't see now any great objection to it, but I fear, of course, that it will be used as a medium for attacking the celebrated Johnson Act in the future. And while.....

H.M.Jr: No, I don't think it would by any possible imagination.

J: I see.

H.M.Jr: Does it have anything to do with credits.

J: All right.

H.M.Jr: Quite the contrary it -- quite the contrary, it gives us the power to freeze foreign holdings in this country.

J: Yes.

H.M.Jr: And it works just the opposite from liberating them.

J: Well, I'm delighted to have your assurance in the matter.

H.M.Jr: And I.....

J: There isn't going to be any trouble with it. I think that the bill will go through all right.

- 4 -

H.M.Jr: Well, it was stupid of me not to call you at once.

J: Well, that's all -- nonsense -- it wasn't at all. I don't stand on any precedence.....

H.M.Jr: Well, I should have.....

J:

H.M.Jr: I should have called you at once but it's just that I.....

J: Well, no -- it arose -- it was nobody's fault.

H.M.Jr: Yes.

J: It wasn't Wagner's fault because his committee had authorized him to report it and he reported the bill and called it up right away, and I had never heard of it before and I've been derelict in not seeing it printed in the newspapers, and I.....

H.M.Jr: Well, I think you were right from your standpoint.

J: Yes, I was simply on guard, as it were, in reference to the other matter. I'm very glad you rung me up though. It's very nice to hear you again.

H.M.Jr: Well, I hope to see you soon.

J: Thank you very much.

H.M.Jr: Thank you.

J: Goodbye.

H.M.Jr: Goodbye.

April 29, 1940
11:03 a.m.

H.M.Jr: Hello.

Operator: I have Mr. Noble. I haven't found Foley yet.

H.M.Jr: All right.

O: Go ahead.

H.M.Jr: Hello.

Ed
Noble: Hello, Mr. Secretary.

H.M.Jr: Hello, Ed. How are you?

N: Fine.

H.M.Jr: Say, Ed, I've got a little complaint and I wish you'd kind of help me.

N: Yes, sir.

H.M.Jr: You've got a section over there that handles long-term investments of foreigners, you know. I think you've got a fellow by the name of Jones.

N: Yeah, Governor Jones.

H.M.Jr: Yes. Now, I wanted the figures on the foreign long-term investments for Italy.

N: Yes.

H.M.Jr: And the -- after great difficulty we finally got them as of August 31, 1939. Well, they might as well give them to me August 31, 1929 -- you see what's happened since then, see?

N: That -- that sounds usual, doesn't it?

H.M.Jr: What?

N: That sounds all right -- that sounds usual run-of-the-mill stuff.

H.M.Jr: Yeah.

- 2 -

N: Well now, you want them right up to date.

H.M.Jr: Well, either that, and this whole question of that section. I'd like to sit down and talk with you sometime about it.

N: Yeah.

H.M.Jr: But in the meantime it's the long-term investments of all the countries that they follow that -- if they could bring them, well somewhere within spitting distance anyway.

N: Oh, absolutely.

H.M.Jr: See?

N: Or else not do it at all.

H.M.Jr: Right.

N: Yes.

H.M.Jr: And then at an early date sometime when you're free and I'm free let's get together and talk about it.

N: As soon as I get the very best we have together I'll give your secretary a ring and see if we can get together.

H.M.Jr: Will you do that?

N: I will.

H.M.Jr: O .K.

N: All right, Henry.

H.M.Jr: Thank you.

April 29, 1940
11:05 p.m.

Ed
Foley: Yes, Mr. Secretary.

H.M.Jr: I talked to Hiram Johnson. Can anybody hear you?

F: No.

H.M.Jr: And he said due to the -- somebody's on the wire anyway.

(Noises of someone lifting the receiver)

F: They hung up, yeah.

H.M.Jr: Anyway the explanation which was given on the floor he said was so muddy that he couldn't understand it.

F: Yeah.

H.M.Jr: He said Carter Glass explained it to him in a couple of words and he's perfectly satisfied, particularly now that I've assured him that it has nothing to do with credits and it goes in the opposite direction.

F: Right.

H.M.Jr: And he's satisfied.

F: I see. Well, that's fine.

H.M.Jr: And what else can I do for you, my boy.

F: (Laughs) Well, I think you're doing fine.

H.M.Jr: Well, I've got everybody.

F: Sure.

H.M.Jr: I'm exhausted.

F: (Laughs) Well, I'm with Senator Wagner now and we're talking about it and I'll be here for a little while.

- 2 -

H.M.Jr: Does he want to say anything to me?

F: No.

H.M.Jr: I've got everybody lined up now.

F: No, I think -- I haven't any more suggestions.

H.M.Jr: No, had Bob Wagner got any?

F: Well now, just a second.

(Pause)

F: He's coming on.

Robert
Wagner: Hello.

H.M.Jr: Hello, Bob.

W: Yeah.

H.M.Jr: Ah.....

W: I think you've talked to the "key" people. I don't know off-hand of anybody else.

H.M.Jr: Well, did Ed tell you all I talked to?

W: Yeah. Of course, they.....

H.M.Jr: I've talked to Pittman, Harrison, Carter Glass, Charlie McNary, Hiram Johnson and Austin.

W: Well, that's ^apretty good array.

H.M.Jr: What?

W: You didn't talk.....

H.M.Jr: I talked to Bob Wagner too.

W: Yeah, I know.

H.M.Jr: He's a good guy.

- 3 -

W: Yeah. (Laughs) Yes, sometimes. Well, you -- you can't -- you don't know how this debate is going to develop. I doubt whether -- those fellows that you talked to are usually the type of men that -- that would have something to say if they were concerned at all.

H.M.Jr: Well, Charlie.....

W: How about Bennett Clark?

H.M.Jr: I'm no good there.

W: No.

H.M.Jr: No, I -- I -- might work the other way.

W: Yeah, what did you say about Farley?

H.M.Jr: No, Charlie McNary has always kept his word.

W: Oh, yes.

H.M.Jr: And he's told me.....

W: Yes, as far as he can control it, don't you know.

H.M.Jr: Yeah, but he said there would be no amendments.

W: Yes.

H.M.Jr: He won't stand for any.

W: Yes. Well, I mean, they're going to be offered. How can he stop it?

H.M.Jr: Well.....

W: Except that if he says something or something of that kind.

H.M.Jr: No, I'm no good.....

W: I mean, no one fellow can stop anything in that body, but.....

- 4 -

H.M.Jr: No, but I meant that the Republican party won't.....

W: I think that's so. I think they'd put themselves in rather an unfortunate position.

H.M.Jr: No, I have no influence with Bennett.

W: Yeah. Well all right, I might talk to him today.

H.M.Jr: O. K.

W: We'll go on and do the best we can and if we need your help we'll holler.

H.M.Jr: Well, call me because I'm sitting here waiting to hear from you.

W: All right, Henry.

H.M.Jr: Ever so much obliged.

W: All right, goodbye.

April 29, 1940
12:16 p.m.

H.M.Jr: Hello.

Operator: George Harrison.

H.M.Jr: All right.

O: Go ahead.

H.M.Jr: Hello.

George
Harrison: Hello, Henry.

H.M.Jr: Yes, George.

H: Following my talk with you I got the list of the banks holding the biggest deposits and I've telephoned the first four, Chase and City and the Guaranty and J. P. M.

H.M.Jr: Right.

H: They were all very happy to give me the information....

H.M.Jr: Good.

H:as it develops. I didn't go beyond that because it's getting down to small figures.

H.M.Jr: I think that's enough.

H: I do not include, however, the Banko Commerciale Italiano.

H.M.Jr: Yeah.

H: Which is the agent of an Italian bank and holds more than any of the others. However, that bank must carry its money on deposit with some of these and if there are any transactions in their account there I'll get them, you see, on advice of the four institutions that I've talked to.

H.M.Jr: You surely will, will you?

- 2 -

H: Oh, yes. If there are any transactions in their account, sure.

H.M.Jr: Fine. Now, one thing you might be interested in. I don't know how significant it is. The Federal Reserve Bank had 168 thousand only.

H: Yes.

H.M.Jr: And on last Friday I find out we got a cable to transfer 164 thousand of that, as of the opening of business this morning, to the Banko Commerciale Italiano -- that is, the agency here in New York.

H: I see.

H.M.Jr: In other words, they cleaned you out.

H: All but 4 thousand.

H.M.Jr: Well.....

H: it was just a nominal figure anyway for their account, so I just thought you might be interested in having that information.

H.M.Jr: I am. For your information -- it came sort of backstairs gossip from the American Consul in Shanghai, but since the 17th of April the Italian Bank there cancelled all forward commitments and withdrew its balances with Anglo and French banks there.

H: I understand.

H.M.Jr: See?

H: Yeah.

H.M.Jr: So you can have that for what it's worth.

H: Yes. Well, ^{of} these four the Chase has -- as of the seventeenth the Chase had 11, the City 9, Guaranty 7, Morgan 6.

H.M.Jr: Yeah.

- 3 -

H: And the Banko Commerciale has 18.

H.M.Jr: On deposit with these banks?

H: No, no, no. I don't know where it is.

H.M.Jr: Oh. Well, you couldn't ask them. Well, they must -- where would they keep their money?

H: Well, they keep it scattered around -- probably in some of these banks, you see. It may be a duplication of figures there.

H.M.Jr: Could you have somebody check if they started to draw out the money or did anything.....

H: Well, I asked these others to let me know if they do.

H.M.Jr: Fine. Fine.

H: If they have the deposits.

H.M.Jr: Fine.

H: Because I specified the agencies.

H.M.Jr: Well, until this thing breaks one way or the other, let it be between you and me.

H: Well, I've taken Knoke in on it.

H.M.Jr: Oh, that's all right.

H: And.....

H.M.Jr: But, I mean, I'll handle it at this end.

H: Yes, all right. I won't call anybody else.

H.M.Jr: I mean, until it becomes a routine.....

H: And in the inquiry all I did with each one of them was I just said, "I've got a favor to ask you. Would you please, as a matter of cooperation or information, let me know, or Knoke, in the event anything unusual or large withdrawals in any Italian accounts."

- 4 -

H.M.Jr: Right.

H: They said they'd be very glad to and there was no debate about it or anything.

H.M.Jr: O. K. Thank you, George, very much.

H: All right.

JT

GRAY

RIO DE JANEIRO

Dated April 29, 1940

Rec'd 4:54 p.m.

Secretary of State,
Washington.

182, April 29, 5 p.m.

My 179, April 27, 2 p.m. and 168, April 18, 11 a.m.

In an address made yesterday in Sao Paulo, President Vargas referred to increasing difficulties in maintaining Brazil's exports of coffee, et cetera, under war conditions and consequent harmful effects on Brazilian economy. He said "in order to preserve the trade balance we will have to resort to limitation of imports especially luxuries and to quotas for countries applying them to our basic exports. With creditor nations we may conclude special agreements based upon the redemption of our foreign bonds, at least to the extent that exports exceed pre-war averages."

CAFFERY

LMS:EMB

CONFIDENTIAL

Rangoon, Burma, April 29, 1940.

SUBJECT: Transmission of statistics of Burma's
transit trade with China in March 1940.

THE HONORABLE

THE SECRETARY OF STATE,
WASHINGTON, D.C.

SIR:

I have the honor to refer to my despatch no. 307,
of April 27, 1940, on the subject of Burma's transit
trade with China in March, in supplies other than war
materials, and to transmit herewith, in quintuplicate,
statistics of the re-exports from Rangoon to China in
March 1940.

Respectfully yours,

Austin C. Brady
American Consul

Enclosures:
Statistics, as stated.

Distribution:
In quintuplicate to Department.

500-400
ACB/ep

Approved: _____
Special Agent

Regraded Unclassified

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Statistics, as stated.

Distribution:
In quintuplicate to Department.

800-600
ACE/ep

Magnesium compounds, other sorts (cwt.)	-	-	5	784	-	-	-	-	-	-	-
Other sorts of potassium compounds (cwt.)	-	-	8	1,438	-	-	-	-	-	-	-
Sodium bicarbonate (cwt.)	-	-	-	2	-	-	-	-	-	-	-
Sodium sulphate (cwt.)	-	-	1	20	-	-	-	-	-	-	-
Other sodium compounds (cwt.)	-	-	5	908	-	-	-	-	-	-	-
Sulphur (brimstone) (cwt.)	-	-	8	213	-	-	-	-	-	-	-
Other zinc compounds (cwt.)	-	-	1	39	-	-	-	-	-	-	-
Other sorts of chemicals, not elsewhere specified	-	157,118	-	11,048	-	-	-	789	-	-	148,885
Gumgar (lbs.)	-	-	660	712	-	-	-	50	-	660	712
Proprietary & patent medicines	-	-	-	1,766	-	-	-	-	-	-	1,766
Drugs & medicines, not elsewhere specified	-	-	-	24,279	-	-	-	124	-	-	24,403
Ghee (cwt.)	-	-	-	130	-	-	-	-	-	-	130
Terpentine, rosin (cwt.)	-	-	-	90	-	-	-	-	-	-	90
Dyes:	-	-	-	-	-	-	-	-	-	-	-
Indigo (lbs.)	-	-	14,667	28,593	-	-	1,333	3,960	16,000	-	28,556
Vats, paste (lbs.)	-	-	4,000	6,522	-	-	-	-	4,000	-	6,522
" powder (lbs.)	-	-	-	-	-	-	198	596	198	-	596
Dyes obtained from coal tar, ethers (lbs.)	-	-	4,375	5,523	-	-	14,192	4,380	14,207	-	5,525
Paints & colors, colored moist (cwt.)	40	2,957	-	-	-	-	-	-	40	-	2,957
Painters' materials, not else- where specified (cwt.)	-	-	3	53	-	-	32	2,654	36	-	2,697
Printers' & lithographers' ink	-	-	-	7	-	-	-	170	-	-	170
Oils, olive (gals.)	-	-	-	7	-	-	-	-	-	-	7
Oils, eucalyptus (gals.)	-	-	1	8	-	-	-	-	1	-	8
Oils, lemon (gals.)	-	-	1	32	-	-	-	-	1	-	32
Oils, peppermint (gals.)	-	-	22	128	-	-	-	-	1	-	128
Oils, essential, natural, not elsewhere specified (gals.)	-	-	2	57	-	-	-	-	2	-	57
Seal, not elsewhere specified (cwt.)	-	-	1	90	-	-	-	-	1	-	90
Thermastic meter covers (No.)	-	-	67	4,505	-	-	-	-	67	-	4,505

Description		1942		1943		1944		1945		1946	
Automatic meter tubes (No.)	-	-	47	572	-	-	-	87	251	-	-
Rubber, other manufactures	-	4,098	-	811	-	-	-	-	2,771	-	-
Text, other manufactures (cwt.)	-	30	122	25,894	-	-	122	122	25,894	-	-
Furniture of wood (other than beds)	-	-	-	122	-	-	-	-	122	-	-
Furniture of other materials	-	-	-	-	-	-	553	-	553	-	-
Wood & timber, not elsewhere specified	-	25,825	-	-	-	-	-	-	25,825	-	-
Draft, including imitation draft (cwt.)	-	-	10	227	-	-	-	10	227	-	-
Writing paper (cwt.)	-	-	1	44	-	-	-	1	44	-	-
Paper, other kinds (cwt.)	3	351	82	9,894	-	-	-	84	10,215	-	-
Paper manufactures (cwt.)	1	216	-	-	-	-	-	1	216	-	-
Leather cloth, including artificial leather (sq. yds.)	122	257	-	-	-	-	-	122	257	-	-
Leather manufactures, not elsewhere specified	-	29	-	-	-	-	-	-	29	-	-
Cotton twist & yarn, grey, unbleached (lbs.)	-	-	-	-	-	6,000	2,714	6,000	2,714	-	-
Cotton, combed (yds.)	-	-	1,081	628	-	-	-	1,081	628	-	-
Cotton dyed goods - shirtings (yds.)	-	-	-	-	-	18,471	2,094	18,471	2,094	-	-
Woven colored goods (yds.)	2,000	573	-	-	-	-	-	2,000	573	-	-
Cotton manufactures, not elsewhere specified (lbs.)	191	2,722	10,000	6,145	-	-	-	10,191	6,087	-	-
Other textiles, manufactured	-	715	-	40,936	-	-	-	-	41,651	-	-
Apparel, including drapery, uniforms & accessories	-	-	-	51,729	-	-	-	-	51,729	-	-
Hats, caps, bonnets & hatters' ware	-	-	-	30	-	-	-	-	30	-	-
Other sorts of haberdashery & millinery, not elsewhere specified	-	2,677	-	100	-	-	-	-	2,677	-	-
Boots & shoes, all leather (prs.)	-	-	24	150	-	-	-	24	150	-	-
Cotton blankets (lbs.)	594,550	698,314	-	-	-	-	-	594,550	698,314	-	-
Jute manufactures, gunny bags (No.)	-	-	390,100	78,935	-	-	-	390,100	78,935	-	-

Quantity	(1939)	(1940)	(1939)	(1940)	(1939)	(1940)	(1939)	(1940)
Other lubricating oils (gals.)	-	-	-	-	-	-	1,355,975	705,750
Intoxicants, dangerous (gals.)	1,155,945	705,500	8	84	-	-	-	-
Oil, mineral, paints, etc. (gals.)	-	-	200	1,300	-	-	200	1,300
Oil, mineral, not elsewhere specified (gals.)	102	615	-	-	-	-	10	25
Mineral grease, including petroleum jelly (lbs.)	457	521	15,045	3,944	-	-	15,045	4,405
Asphalt (tons)	-	-	-	-	-	-	1	1,622
Adhesives, other manufactures	-	-	-	721	-	-	-	-
Cement, other manufactures (tons)	-	155	-	-	-	-	-	155
Fibre brids (lbs.)	-	-	50,540	5,500	-	-	50,540	5,500
China clay (cwt.)	-	-	10	205	-	-	10	205
Shamrock, not elsewhere specified	-	445	-	194	-	-	-	639
Coke, unmanufactured (tons)	60	101,972	-	-	-	-	60	101,972
Iron, pig (tons)	-	-	25	10,500	-	-	25	10,500
Iron manufactures - bars, channels, (tons)	-	-	-	-	-	-	2	2,250
Steel bars, other than cast steel, under 2 inch round or square (tons)	3	1,079	15	22,500	-	-	1	1,057
Steel bars, other than cast steel, under 2 inch round or square, all others (tons)	4	522	419	52,504	-	-	3	4,575
Beams, channels, pillars, girders & bridge work (tons)	-	-	-	-	-	-	60	21,512
Iron & steel - large & shapes (tons)	-	-	102	22,557	-	-	-	102
Iron & steel, cast - pipes & fittings (tons)	-	-	11	1,480	-	-	-	11
Iron or steel - sheets & plates, not galvanized or tinned sheets, up to 1/8 inch thick (tons)	5	5,409	125	25,500	-	-	-	124
Iron or steel - sheets & plates, not galvanized or tinned sheets, over 1/8 inch thick (tons)	-	-	41	6,257	-	-	-	41

Commodity		(kg.)	(kg.)						
Quartz & glass, tinted - thin plates (tons)	85	48,705	0	4,890	-	-	-	-	84 61,704
Iron & steel - tubes, pipes, fittings wrought up to 8 inch in diameter (tons)	7	24,505	78	40,307	-	-	-	-	85 64,812
Iron or steel, other manu- factures (tons)	-	1,087	55	11,720	-	-	14	5,901	68 16,706
Aluminum, wrought, sheets (cwt.)	527	111,114	8	745	-	-	-	-	635 111,859
Aluminum, wrought, other manufactures (cwt.)	107	17,042	-	110	-	-	-	-	107 17,152
Brass, wrought, rods (cwt.)	6,643	329,457	-	-	-	-	-	-	6,643 329,457
Brass, wrought, other sorts (cwt.)	690	45,880	-	-	-	-	-	-	690 45,880
Copper, unwrought, tiles, etc. (cwt.)	11,806	620,301	-	-	-	-	-	-	11,806 620,301
Copper, wrought, sheets (cwt.)	-	-	-	5,400	-	-	-	-	- 5,400
Copper, wrought, tubes (cwt.)	1,206	84,616	-	-	-	-	-	-	1,206 84,616
Alum or spelter, unwrought (cwt.)	1,812	68,643	-	-	-	-	-	-	1,812 68,643
Metals, unmanufactured (cwt.)	57	1,608	1	227	-	-	1	83	58 2,012
Implement & tools, other sorts	-	9,741	-	7,491	-	-	-	255,645	- 302,877
Lumps, metal	-	-	-	-	-	-	2	78	- 78
Hardware, not elsewhere specified	-	312,005	-	130,053	-	-	-	3,649	- 445,707
Copper, other manufactures (cwt.)	-	-	2	127	-	-	-	-	2 127
Iron or steel bolts & nuts (tons)	-	-	-	65	-	-	-	304	- 469
Fencing materials, including fencing wire (tons)	-	-	-	150	-	-	-	-	- 150
Iron & steel, nails, rivets & washers (tons)	-	635	-	-	-	-	-	-	- 635
Iron & steel, wire ropes (tons)	1	2,656	-	-	-	-	-	-	1 2,656
Iron or steel wire nails (tons)	-	-	70	18,728	-	-	-	-	70 18,728

Iron or steel wire other than			7	1,826							
fencing wire (tons)	-	-	-	23,421	-	-	-	-	-	-	
Machin. tools, others	-		-	941	-	-	-	1,251	-	-	
Small & wood machinery	-	1,050	-	100	-	-	-	-	1	-	
Typewriters (Nos.)	-	-	1		-	-	-	-	-	-	
Machinery, not otherwise								2,707	-	-	120,790
specified	-	67,968	-	58,027	-	-	-	-	-	-	
Electric wires & cables -											4,474
rubber insulated	-	5,774	-	700	-	-	-	-	-	-	
Telegraph & telephone instruments											67,005
& appliances	-	-	-	67,005	-	-	-	-	-	5	12
Electric bulbs - gas filled (No.)	-	-	6	12	-	-	-	-	-	40	221
" " - vacuum " (No.)	26	176	14	25	-	-	-	-	-	-	
" " - for auto-											
mobiles, vacuum filled (No.)	3,898	2,851	84	45	-	-	-	-	3,942	-	2,895
Electric lamps, other sorts (No.)	40	197	-	-	-	-	-	-	40	-	157
Electric goods not enumerated	-	5,845	-	1,492	-	-	-	5,774	-	-	11,111
Wireless receivers, complete (No.)	-	-	6	1,000	-	-	-	-	6	-	1,000
Component parts of wireless											3,879
receivers other than valves	-	-	-	3,879	-	-	-	-	-	-	100,444
Wireless apparatus, others	-	17,026	-	53,500	-	-	-	-	-	-	
Generators, alternators, &											2,407
dynamos	-	-	-	2,637	-	-	-	-	-	-	2,407
Motors, electrical machinery	-	-	-	-	-	1,607	-	-	-	-	
Electrical machinery, not other-											7,714
wise specified	-	-	-	7,714	-	-	-	-	-	-	2,705
Parachutes, electrical	-	-	-	2,705	-	-	-	-	-	-	
Cables, entire or in											227
sections (No.)	-	-	6	227	-	-	-	-	-	4	
Water cars (No.)	-	-	10	23,367	-	-	-	5,364	12	-	24,731
Water vans & lorries imported with											12,052
ballies (No.)	-	-	6	19,052	-	-	-	-	-	8	
Water vans & lorries imported with	20	128,360	2	5,239	-	-	-	-	22	-	128,360
ballies (No.)											

Commodities	Quantity	Value (Lugares)	Quantity	Value (Lugares)	United Kingdom Quantity	Value (Lugares)	Other Countries Quantity	Value (Lugares)	Total
Parts of mechanically-propelled vehicles	-	502,577	-	51,020	-	133,292	-	-	686,889
Gums & resins, Arabic (cwt.)	-	-	1	104	-	-	-	-	104
Seeds other than oilseeds (tons)	45	323	-	-	-	-	-	-	323
Books & printed matter (cwt.)	-	-	1	1,144	-	-	12	694	1,838
Brushes, other sorts (doz.)	81	530	-	-	-	-	-	-	530
Clocks & timepieces (No.)	-	-	6	48	-	-	-	-	48
Musical instruments - harmoniums (No.)	-	-	-	-	-	-	1	50	50
Talking machines & accessories - records (No.)	-	-	18	15	-	-	-	-	15
Instruments, optical	-	-	-	2,310	-	-	3,130	-	5,440
" photographic	-	-	-	5,600	-	-	-	-	5,600
" scientific	-	229	-	4,248	-	-	375	-	4,852
" surgical	-	-	-	5,683	-	-	12	-	5,811
" not elsewhere specified	-	2,024	-	10,508	-	-	65,701	-	78,233
Canned & bottled provisions, not elsewhere specified (cwt.)	-	-	-	38	-	-	23	1,556	1,594
Provisions & oilseeds, not elsewhere specified (cwt.)	-	-	-	-	-	-	65	-	65
Pencils, excluding slate pencils (doz.)	66	133	-	-	-	-	-	-	133
Stationery, not elsewhere specified	-	700	-	-	-	-	1,112	-	1,812
Mail requisites, not elsewhere specified	-	-	-	30	-	-	-	-	30
Articles imported as baggage	-	-	-	-	-	30	368	-	398
All other articles - manufactured	-	2,981	-	152	-	-	-	-	3,133
Totals		4,159,298		1,119,788		134,939	439,841		5,753,866

Total value of trade in first 11 months of fiscal

	Lugares	U.S. Currency
year 1939-40 (April to February).....	17,135,490	5,380,985
Total value of transit trade in March 1940.....	5,653,984	1,796,192
Grand total (12 months).....	22,789,474	7,177,177

April 29, 1940
12:48 p.m.

Ed
Foley: Hello, Mr. Secretary.

H.M.Jr: Yes.

F: Senator Wagner has agreed to accept that amendment to the effect that nothing in this Act shall have any effect on the Johnson Act and the Neutrality Act.

H.M.Jr: Who's accepted it?

F: Senator Wagner.

H.M.Jr: Yes.

F: He thought that would allay some of the oppositions Senator Barkley just told me.

H.M.Jr: I see.

F: So they're going to start in about five or ten minutes they're still talking about other things.

H.M.Jr: Well.....

F: Our bill is going to come up with that amendment offered by the Senator.

H.M.Jr: If it passes, tell them to get word to me at the White House, I'll be with the President.

F: All right.

H.M.Jr: But unless it's terribly important I don't like to be interrupted.

F: Well, I won't bother you.

H.M.Jr: But if it passes, tell him to send a note in to me there.

F: All right. I thought you'd like to know this before you went over for lunch.

H.M.Jr: Good luck.

F: Thank you.

H.M.Jr: Goodbye.

April 29, 1940.
2:20 p.m.

George
Harrison: Henry?

H.M.Jr: Yes, George.

H: I've had only one transaction reported to me.

H.M.Jr: Yes.

H: One of our - one of those banks that I mentioned.

H.M.Jr: Yes.

H: Called me up to say it received the request from a bank in Italy, who had the balance with the New York bank.

H.M.Jr: Yes.

H: To give an advance credit to the Hercules Powder Company.

H.M.Jr: Yes.

H: To cover the shipment of cotton linters.

H.M.Jr: Yes.

H: To a munitions manufacturer in Italy, in the total amount of two hundred and sixty thousand dollars.

H.M.Jr: How much?

H: Two hundred and sixty.

H.M.Jr: Well I'd say that was all right, wouldn't you?

H: Yes, I don't think - you can't do anything about it.

H.M.Jr: No.

H: They have the money here you see, ^{what} the Guaranty does is merely give a credit to the American exporter to protect him.

H.M.Jr: I'd say that was all right but interesting.

H: Well I thought it was interesting.

H.M.Jr: Right.

- 2 -

H: And I just told you I'd keep you informed.
H.M.Jr: Hercules Powder.
H: What's that?
H.M.Jr: That's Hercules Powder.
H: Yes.
H.M.Jr: Yes, that's very interesting. All right, George.
H: That came in today.
H.M.Jr: I got nothing.
H: All right.
H.M.Jr: Thank you so much.
H: First rate.

April 29, 1940.
2:24 p.m.

H.M.Jr: Hello.

Operator: Foley. Go ahead.

Ed
Foley: Hello.

H.M.Jr: Hello Ed.

F: Yes, Mr. Secretary.

H.M.Jr: Well, where are you?

F: Well, we're debating on Danaher's first amendment to limit everything, you see, to those transactions in which a foreigner has an interest.

H.M.Jr: Yes.

F: And Glass and Connelly from Texas who's doing a perfectly grand job.

H.M.Jr: Who are?

F: Glass and Connelly.

H.M.Jr: Oh really.

F: They are. You want to call them this week, come out of this all right and thank them, because they're swell.

H.M.Jr: Connelly's doing a good job.

F: Sure, he's up talking now, and Glass is helping him, and Glass has already talked, and said exactly the same thing he said to the committee, and he gave Danaher hell for not having brought it up in committee when he had an opportunity to do so.

H.M.Jr: Did he give him hell?

F: Yes.

H.M.Jr: Wonderful.

F: Sure, so it's going all right.

H.M.Jr: Good. Well the first vote will be decided, won't it?

F: Yes, that's right. The vote on this amendment will

- 2 -

decide the whole issue.

H.M.Jr: Right.

F: And I don't think there's anything to worry about. It looks all right to me.

H.M.Jr: Well.....

F: The only fellow on the Democratic side that seemed to be at all helpful to Danaher so far is Bennett Clark. He's sore, you know, because the President, on the neutrality business.....

H.M.Jr: Well you know, you heard when Bob Wagner asked me to call up down -- Bennett Clark, I said it was no use.

F: Yes.

H.M.Jr: I mean there's no use my calling.

F: That's right. And he sees, he's not using good judgment or applying his intellect to the problem. He's just using his hate, and.....

H.M.Jr: That's all right. Well then let some of these so and so's show their colors.

F: Sure. Well, Taft hasn't said a word, I think they heard from New York on this one. The only Republican that said anything so far is Danaher and McNary isn't on the floor; Austin isn't on the floor; Taft isn't on the floor. They've all been on and walked off. They're not taking any part in it at all, so I think we've got the votes all right. I don't think there's anything to worry about.

H.M.Jr: O.K., Professor.

F: (Laughs) All right, Doctor.

H.M.Jr: Goodbye.

April 29, 1940.
3:12 p.m.

Ed
Foley: They beat both of Danaher's amendments.
H.M.Jr: Both of them?
F: Yes.
H.M.Jr: I thought there were three of them.
F: Well, he's not going to call the other one up.
H.M.Jr: What's the vote?
F: They didn't have the roll call; some of their Senators wanted to go to the ball game, so they asked him not to ask for a roll call.
H.M.Jr: I see.
F: They did it on a nay and aye basis, and the "no's" had it by a clear preponderance.
H.M.Jr: Good.
F: Taft's got something now to limit it to transactions within the United States.
H.M.Jr: I see.
F: I think this amendment will get the same treatment.
H.M.Jr: Good.
F: Looks all right.
H.M.Jr: Well, that sounds swell. Keep me posted.
F: O.K.
H.M.Jr: Thank you.

April 29, 1940
3:33 p.m.

H.M.Jr: Hello.

Ed
Foley: Hello, Mr. Secretary.

H.M.Jr: Yes, Ed.

F: The bill passed without amendment.

H.M.Jr: Wonderful!

F: Yes.

H.M.Jr: Well, I'll take a glass of milk.

F: Well, better get a sandwich first.

H.M.Jr: Get a sandwich.

F: Senator Taft offered a couple of amendments that they.....

H.M.Jr: But the bill passed?

F: Yeah, and then they passed the bill.

H.M.Jr: Well, congratulations.

F: Same to you.

H.M.Jr: No Republican amendments.

F: No Republican amendments, that's right.

H.M.Jr: 'Attaboy!

F: Just the one Wagner accepted.

H.M.Jr: 'Attaboy. O.K.

F: Goodbye.

April 29, 1940.
3:58 p.m.

H.M.Jr: Hello.

Senator
Glass: Hello, Mr. Secretary.

H.M.Jr: I want to thank you ever so much for all your help.
You certainly did a wonderful job.

G: All right, thank you for thinking so.

H.M.Jr: It was terribly nice of you.

G: Well I was glad to.

H.M.Jr: I think it'll enable me to do my job much better.

G: I think so. Well, I'm always wanting to do whatever
I can to help you Mr. Secretary.

H.M.Jr: Well, it's very kind, and I can't tell you how much
I appreciate it.

G: Well -

H.M.Jr: Hope to see you soon.

G: Thank you.

H.M.Jr: Goodbye.

G: Goodbye.

STRICTLY CONFIDENTIAL

TREASURY DEPARTMENT

203

INTER-OFFICE COMMUNICATION

DATE April 29, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

Official sales of British owned dollar securities under the vesting order effective February 19:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
April				
22	20,975	746,724	40,000	38,759
23	33,610	1,321,980	67,000	63,225
24	23,100	858,703	41,000	35,324
25	16,179	551,440	24,000	23,369
26	8,495	357,384	145,000	149,375
27	980	87,434	55,000	56,258
TOTAL FOR WEEK	<u>103,339</u>	<u>3,923,665</u>	<u>372,000</u>	<u>366,310</u>
Sales from February 22 to April 20, incl.	<u>993,242</u>	<u>31,905,553</u>	<u>6,000</u>	<u>4,687</u>
TOTAL FEBRUARY 22 to APRIL 27, INCL.	1,096,581	35,829,218	378,000	370,997

By telephone this morning Mr. Pinsent told me that he had checked with Mr. Gifford in New York and was able to provide the following figures, as of the close of business on Saturday, April 27, of all sales of vested securities since the system began, after taking account of various corrections and revisions of sales figures:

REVISED TOTALS TO APRIL 27, INCL.	1,097,081	35,940,564	378,000	370,996
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Mr. Pinsent stated that Mr. Gifford had received a cablegram to the effect that \$2,500,000 of non-vested securities had been sold during the preceding week (that is, the week ended April 21.)

J. M. S.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 29, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

The foreign exchange market was quiet today and sterling had a firmer tone. After opening at 3.51, the rate moved gradually upward to a high of 3.53 in the mid-afternoon. The closing quotation was also 3.53.

Sales of spot sterling by the six reporting banks totaled £308,000, from the following sources:

By commercial concerns.....	£ 25,000
By foreign banks (Far East, South America and Europe).....	£ 283,000
Total....	£ 308,000

Purchases of spot sterling amounted to £475,000, as indicated below:

By commercial concerns.....	£ 135,000
By foreign banks (Europe, Far East and South America).....	£ 340,000
Total....	£ 475,000

The Guaranty Trust Company reported that it had sold cotton bills totaling \$5,000 to the British Control on the basis of the official rate of 4.02-1/2.

The Bank of Manhattan reported that it had purchased £3,000 for spot delivery from the British Control at 4.03-1/2. The funds will be used to pay for shipments of whisky.

A report from London stated that British-owned rubber-growing companies in the Netherlands Indies were being asked to sign an undertaking to the Bank of England that they would sell their rubber for shipment on the same terms as if they were situated in a British colony - that is, in stipulated foreign currencies or in sterling at the official rate of exchange. The report also mentioned that a meeting of the big London agency companies has already been held and it was agreed unanimously to sign the undertaking. It is expected that all such rubber growing companies will shortly come into line and that a circular will be issued to them for signature within the next fortnight.

The other important currencies closed as follows:

French francs	.0200
Guilders	.5310
Swiss francs	.2242-1/2
Belgas	.1689-1/2
Canadian dollars	14-7/8% discount

CONFIDENTIAL

205

- 2 -

The rate for the Cuban peso has shown some improvement in the past few days and today that currency was quoted at a discount of 11-1/16%. The Mexican peso has remained unchanged at .1672 since January 3.

We sold \$150,000 in gold to the Lithuanian Bank, to be added to its earmarked account.

We purchased \$20,000,000 in gold from the earmarked account of the Bank of France.

The Federal Reserve Bank of New York reported the following shipments of gold:

\$2,870,000 from England, shipped by Samuel Montagu & Company, London, to the Bankers Trust Company, New York, for account of the Amsterdam Bank, Amsterdam, for sale to the U. S. Assay Office.
1,334,000 from Mexico, shipped by the Bank of Mexico to the Federal Reserve Bank, to be earmarked for the account of the Bank of Mexico.
592,000 from Canada, shipped by the Bank of Canada, Ottawa, to the Federal Reserve Bank, for account of the B.I.S. The disposition of this shipment is unknown at the present time.
568,000 from Chile, shipped by the Central Bank of Chile for its account to the Federal Reserve Bank. The disposition of this shipment is unknown at the present time.
\$5,364,000 Total

It was reported that the Bombay silver market was closed today, and no quotation was received from that center.

In London, the prices fixed for spot and forward silver both advanced 3/16d to 21d and 20-15/16d respectively. The U. S. equivalents were 33.19¢ and 32.87¢.

Hendy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

We made seven purchases of silver totaling 575,000 ounces under the Silver Purchase Act. Of this amount, 125,000 ounces represented sales from inventory, and the remaining 450,000 ounces consisted of new production from foreign countries, for forward delivery.

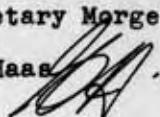
We also purchased 140,000 ounces of silver from the Bank of Canada. So far this month, we have bought 1,149,000 ounces from that source under our monthly agreement to purchase up to 1,200,000 ounces.



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 29, 1940.

TO Secretary Morgenthau
FROM Mr. Haas 

Reports of the Work Projects Administration show a decline of 44,000 persons in the number employed, from 2,162,000 persons during the week ended April 10, 1940, to 2,118,000 persons during the week ended April 17, 1940.

Attachments

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week Ending 1939-40	Number of Workers (In thousands)
September 6	1,662
September 13	1,696
September 20	1,735
September 27	1,790
October 4	1,834
October 11	1,875
October 18	1,898
October 25	1,901
November 1	1,901
November 8	1,929
November 15	1,961
November 22	1,987
November 29	2,024
December 6	2,075
December 13	2,123
December 20	2,144
December 27	2,152
January 3	2,160
January 10	2,190
January 17	2,222
January 24	2,244
January 31	2,265
February 7	2,288
February 14	2,306
February 21	2,319
February 28	2,326
March 6	2,323
March 13	2,319
March 20	2,312
March 27	2,288
April 3	2,204
April 10	2,162
April 17	2,118

Source: Work Projects Administration.

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

	Number of Workers (In thousands)
1937	
July	1,569
August	1,480
September	1,448
October	1,476
November	1,520
December	1,671
1938	
January	1,901
February	2,075
March	2,445
April	2,582
May	2,678
June	2,807
July	3,053
August	3,171
September	3,228
October	3,346
November	3,287
December	3,094
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,901
November	2,024
December	2,152
1940	
January	2,265
February	2,326
March	2,288

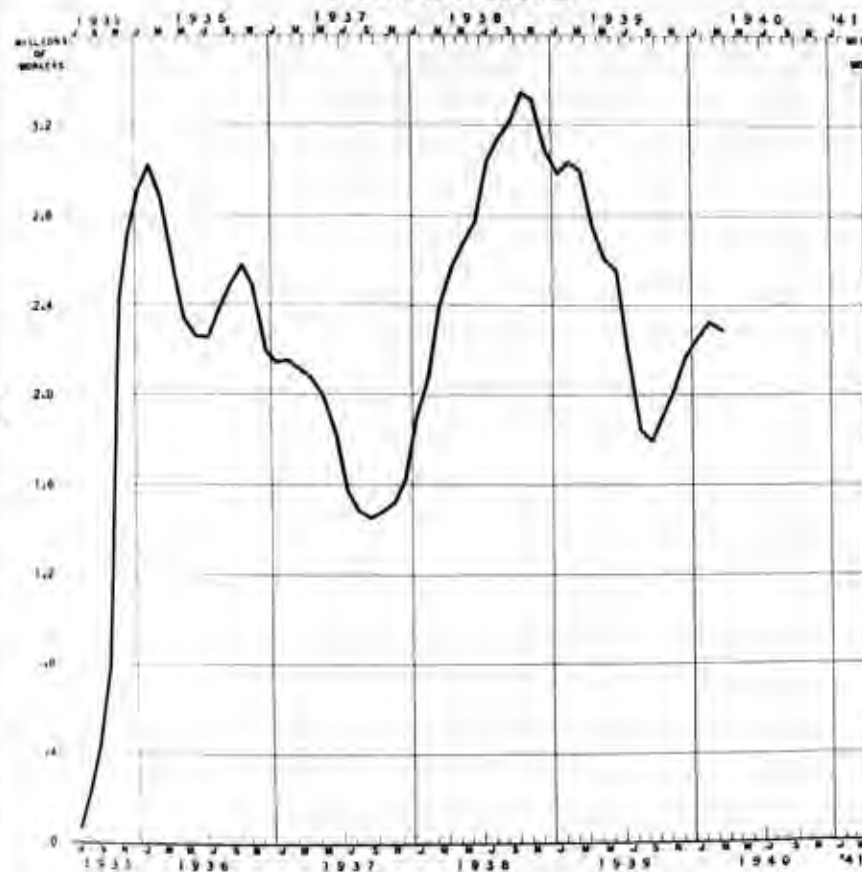
Source: Work Projects Administration.

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

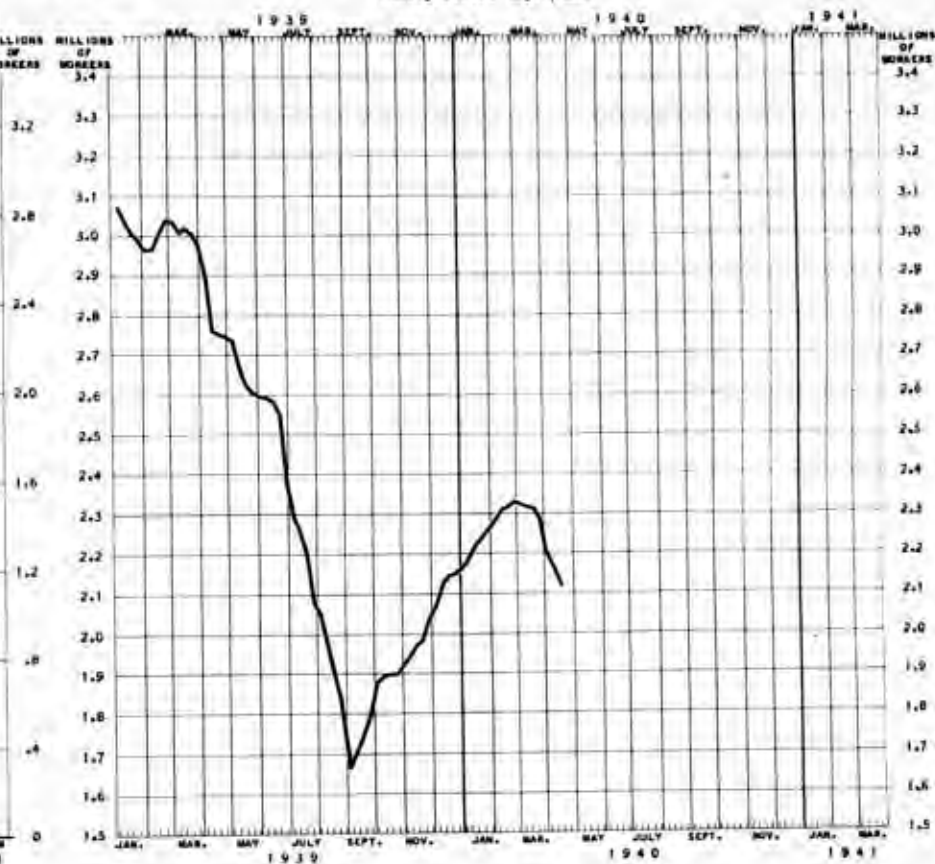
They include certified and noncertified workers.

WORK PROJECTS ADMINISTRATION
Number of Workers Employed
United States

Monthly W.P.A. Employment



Weekly W.P.A. Employment



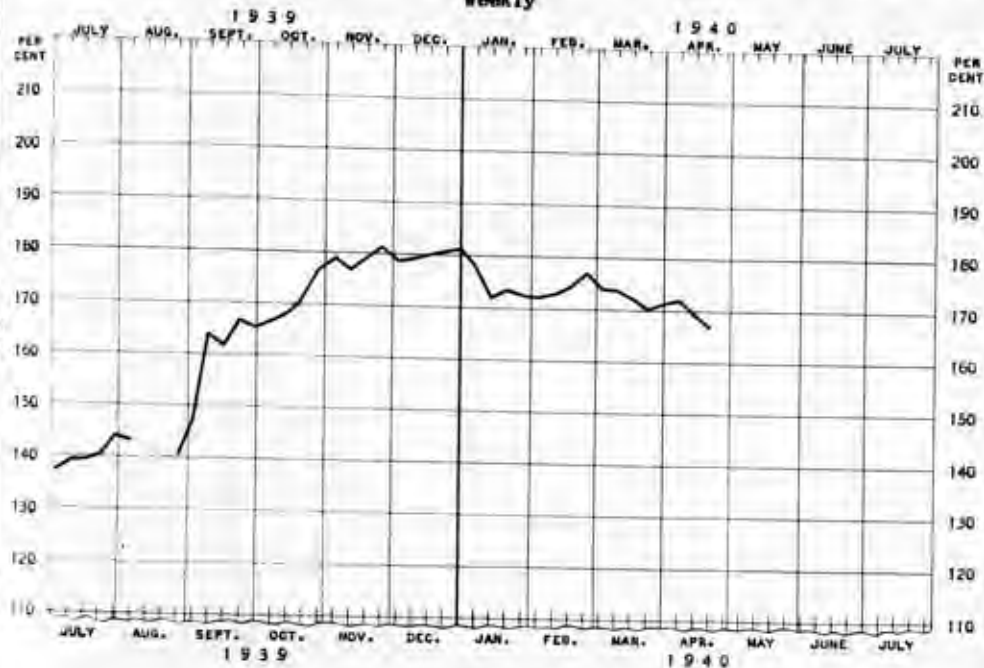
SOURCE: WORK PROJECTS ADMINISTRATION

2/24/90 210

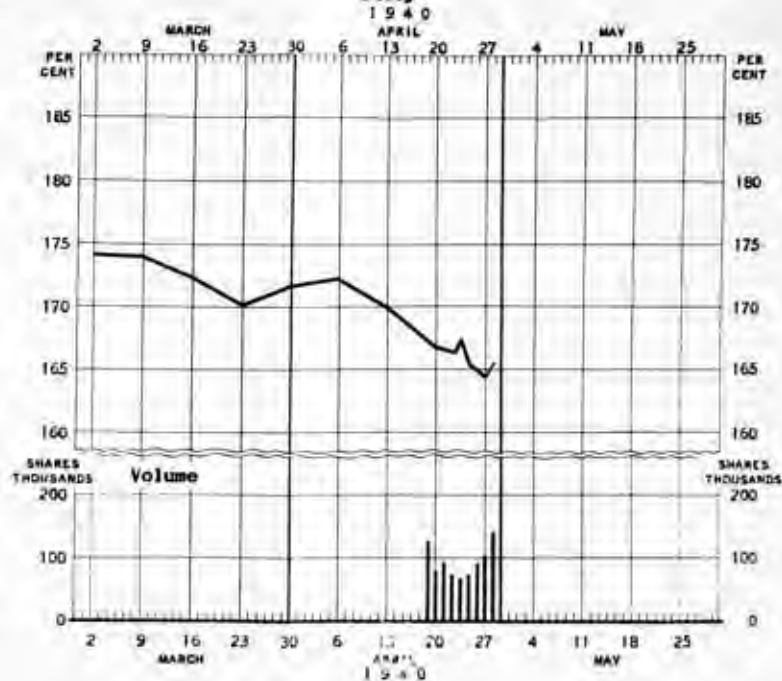
ITALIAN STOCK PRICES (Milan)

Dec. 31, 1927 = 100

Weekly



Daily*



*DAILY FOR LATEST WEEK ONLY

U.S. Department of the Treasury
Bureau of Research and Statistics

FD-141-1

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE April 29, 1940

TO Secretary Morgenthau
FROM Mr. Haas *HA*
Subject: The Business Situation,
Week ending April 27, 1940.

Conclusions

(1) Industrial activity continues in the "levelling out" stage, preparatory to a business upturn, and a contra-seasonal rise in steel operations this week in a number of important districts may be the first indication that such an upturn is actually starting. Nevertheless, no strong revival influence comparable to those in 1938 and 1939 has yet occurred, hence the business improvement is likely to begin more gradually than in either of those two years.

(2) The failure of basic industrial material prices to rise more strongly in response to recent war developments, while prices of foodstuffs have had a considerable advance, indicates that industrial demand, as yet, remains relatively light.

(3) The basic business situation, as indicated by our compiled indices for March, shows continued evidence of stability.

(a) Our monthly index of new orders increased seasonally in March to a level equalling the industrial production level.

(b) Our index of sales shows that the "offtake" of manufactured goods in March continued far above the production rate, being only 1 point lower than in February and at a level equivalent to an FRB index of 119.

(c) The index of basic demand in March, at 107, was 4 points above the FRB index.

Secretary Morgenthau - 2

Business continues "levelling out" process

Current indices of business activity continue to indicate that industrial activity is going through a "levelling out" process in preparation for a rising trend. The New York Times weekly business index for the week ending April 20 declined only .1 to 93.2, but none of the components showed any change worthy of comment. For the week ending April 27, on the basis of preliminary data, both the automobile and steel ingot production indices will decline somewhat further, the former showing a drop of 1.4 points and the latter declining 2.0 points. Since the seasonal peak for both automobile and steel ingot production now has been passed, however, any gains or even marked steadiness in these industries in the weeks ahead will cause their respective indices to rise. Barron's index of business activity for the week ending April 20 showed slightly less stability than the New York Times index and declined .5 to 95.5.

No strong revival influence comparable with those in 1938 and 1939 has yet appeared. Basic industrial material prices have advanced only moderately in response to recent war developments, indicating that industrial buying, as yet, remains cautious. While steel scrap prices improved last week, and new orders are substantially higher, the weight of evidence so far suggests that business improvement is likely to get under way gradually rather than suddenly, gaining momentum as it proceeds.

Basic indices for March show strong business foundation

In the meantime, the basic business situation shows continued evidence of stability, and our basic indices show that the demand for goods continues above the level of production. In response to this situation, our monthly index of new orders showed a seasonal upturn in March (see Chart 1), rising to an FRB equivalent of 106 (unadjusted). Since this was equal to the unadjusted index of industrial production in that month, our index of unfilled orders shows no further decline. (See lower section of chart)

New orders so far in April, according to our weekly index, have averaged somewhat above the March level, though the tendency in recent weeks has been downward. (See Chart 2) This recent declining tendency has been due, for the most part, to a downturn in steel orders, which seems likely to be corrected during the weeks immediately ahead.

Secretary Morgenthau - 3

The most favorable aspect of the basic business situation is the continued large offtake of manufactured goods. Our index of sales, which is now available for March, shows the "offtake" in that month approximately equal to an FRB index of 119. (See Chart 3, lower section) Since the sales index was 120 (revised) in February, there is but little evidence so far of a slackening in the rate of off-take. Exports of manufactured goods, as well as materials used in construction, and manufactured goods bought directly by consumers, are taken into account in this index.

Our index of basic demand (upper section of Chart 3) declined slightly further in March to an FRB index equivalent of 107. This compares with an FRB index of 103 in March. In April, the Federal Reserve Board tentatively expects a further decline of about 2 points in the index.

The steel situation

The steel outlook has been influenced on the favorable side by a rescinding last Wednesday of the price reductions announced only 12 days earlier, while buyers will be permitted to place orders at the reduced rates until May 1, if delivery is taken by the end of June. These two actions, both of which appear to have been completely unexpected in the trade, were initiated by the U. S. Steel Corporation and followed by other major companies. While to some extent the maneuver may have been designed as a warning to price cutters among the smaller steel companies, its major object seems to be to induce steel consumers to place their orders, by offering a discount on bookings made before next Wednesday. It is possible that the Steel Corporation anticipates the possibility of heavy war orders in the second half of the year, and has taken this action to prevent too great a congestion of domestic orders at that time.

Trade observers report that the steel price move has been successful in increasing new business, with reports of a larger volume of orders being quite universal. Orders reported by the U. S. Steel Corporation may not reflect this for several weeks, since they include only orders on which delivery dates are specified.

Secretary Morgenthau - 4

In response to the improved steel outlook, steel activity in a number of important districts is scheduled for a contra-seasonal increase this week. The rate at Pittsburgh, the most important district, will rise 2 points for the third successive upturn. The Chicago rate, second in importance, will show a 3 point rise, while the Youngstown rate will be 6 points higher.

There has been some strengthening of scrap prices in three out of twelve markets, Chicago and Cleveland being up 50 cents each, and St. Louis 25 cents higher. The Iron Age composite scrap price has increased slightly to \$16.13 a ton, up 5 cents from last week. There has been fair mill buying in some sections, but not in large amounts.

Railroad equipment orders low

One adverse factor in the recent outlook for the steel industry has been the slowing up in incoming business for railroad equipment, particularly freight cars and rails. While over 43,000 freight cars were ordered for domestic service during the period September-November 1939, only a little more than 4,300 cars have been ordered since that time. Likewise, with the exception of about 73,000 tons of rails ordered in January, rail orders have been virtually nonexistent since the heavy buying movement ended last November. Aided largely by the order for 50 locomotives placed early this month by the New York Central, locomotive business has held up relatively better.

This is one industry in which large excess capacity exists, capable of being diverted to munitions manufacture. A war order received by American Car and Foundry last week may be the forerunner of increased war business.

While railroad traffic and earnings have continued to run ahead of year-earlier levels, the decline in traffic since the peak was reached last October has been of greater than seasonal proportions; and on the basis of the returns thus far available, railroad net operating income for March will be only slightly above a year ago. However, from this time on through the middle of October, a gradual expansion of traffic is the usual seasonal trend.

Secretary Morgenthau - 5

Price situation still not satisfactory

Although commodity prices have improved somewhat since the invasion of Scandinavia, it is distinctly noticeable that the rise has been largely confined to food products. Prices of industrial materials have been only moderately affected, and during the past week they have shown some evidence of renewed weakness. (See Chart 4) This suggests (1) that the price improvement has been largely a war-scare phenomenon, and (2) that industrial demand, as yet, remains relatively light.

Wood pulp prices continued to increase last week, one imported grade being quoted 8 per cent higher than the preceding week and 22 per cent higher than before Scandinavia entered active hostilities.

Copper futures were lower, influenced perhaps by reports that Russia is in the market to resell 12,000 to 15,000 tons of copper previously purchased, which will not now be shipped.

Silk futures were higher again on reports that Japan may fix minimum prices in order to try to stop the decline in world prices of raw silk.

After having led the agricultural group in a strong rise, wheat futures declined last week. Although crop indications from Europe continued bullish, this influence was offset by reports of more favorable growing weather in the United States.

The demand for coffee has been adversely affected by the curtailment of exports to the Scandinavian countries. Colombia has now announced a coffee export subsidy of 2 pesos a bag, approximately $3/4$ cent a pound. The subsidy will continue for 8 months or until Manizales coffee, which is currently quoted between 8 and 9 cents in New York, reaches 10 cents there. This Colombian policy follows a similar action recently established by Venezuela.

The National Association of Purchasing Agents, in their latest monthly report, advise against extensive buying for future needs, although recommending that stocks of raw materials should be kept in line with production, since a policy of reducing inventories "would be precarious at this time because of war conditions".

Secretary Morgenthau - 6

Price inflation may follow heavy export buying

The steeply rising price trends abroad (which, however, showed a slackening in March) have raised the question whether these inflationary tendencies may spread to this country. So far, very little evidence of such a tendency has appeared, but the possibility that the recent increase of war activity may lead to heavy buying of war equipment in this country has given greater prominence to the danger of possible price inflation.

It is held by many economists that we cannot have inflation in this country so long as we continue to have large resources of idle labor and plant capacity. This theory is based on the assumption, of course, that increased demand under these conditions would operate to increase production rather than to raise prices; in other words, that an increased supply would come on the market in sufficient quantity to prevent a rise in price.

During the World War period, commodity prices did not begin to rise strongly until industrial production had virtually reached the limit of capacity, near the end of 1915. This is indicated in Chart 5, which shows the movement of the BLS all-commodities index during this period in comparison with the volume of exports and the trend of industrial production.

It will be noted that an increase in export orders apparently gave the original impetus to the sharp rise in industrial activity which started in December 1914, since exports began to increase shortly after the war began. Manufactured products, which made up only 55 per cent of the total exports in 1914, accounted for 86 per cent of the total in 1915. Industrial production continued to expand until February 1916, when industry apparently reached its practical limit of capacity. The Standard Statistics index of production in that month reached 87, which was 17 points above the previous record figure.

Increasing difficulty in expanding production, which meant increasing costs per unit produced, began to be felt several months before the production peak was reached, and prices consequently started to rise strongly during the last quarter of 1915. (Refer to Chart 5)

The same influences were observable in individual industries. Steel prices changed but little in 1914 and 1915, responding only moderately to a steep rise in production; but near the end of 1915, when production could be increased

Secretary Morgenthau - 7

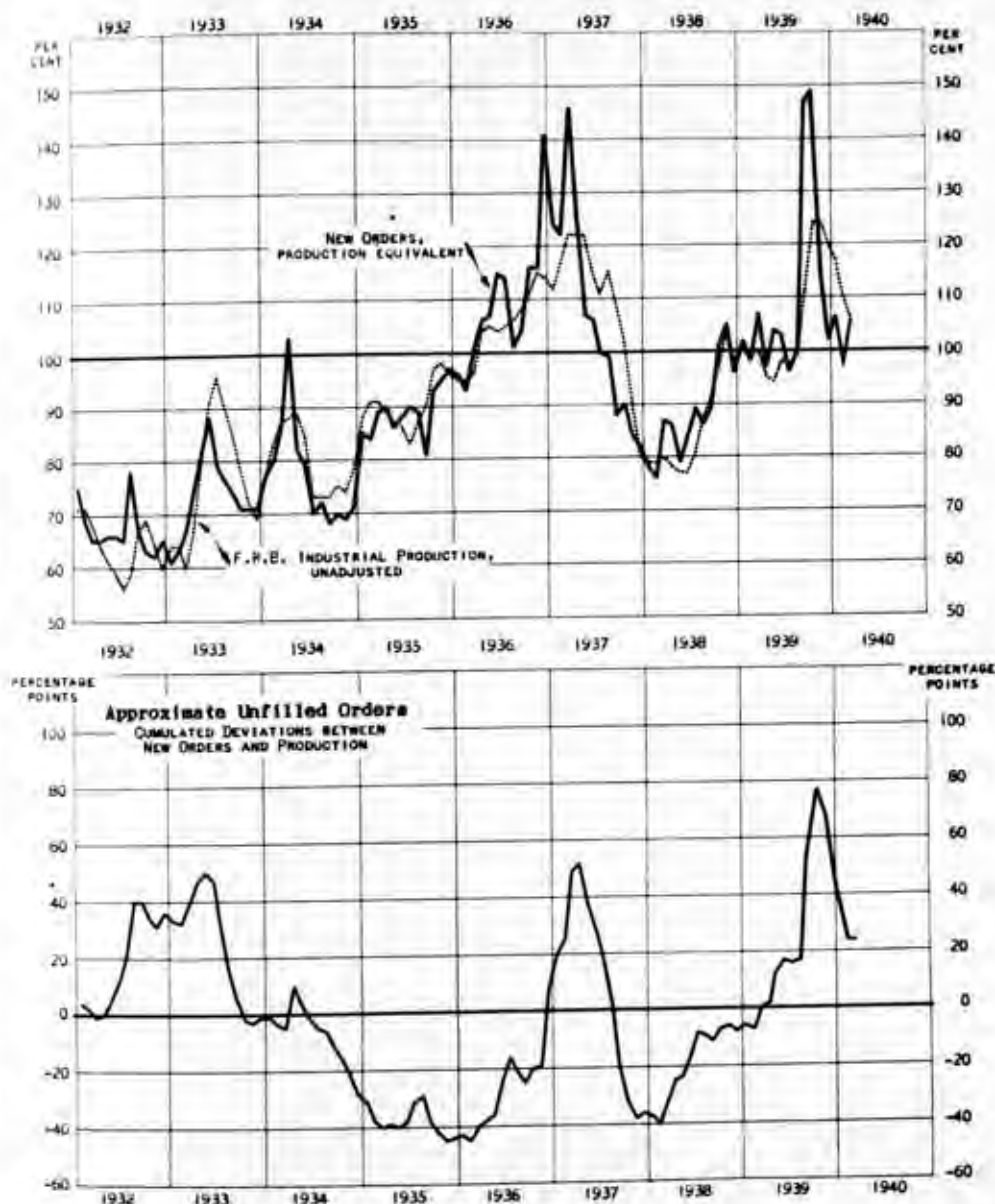
no further, an extended price inflation set in. (See Chart 6)
Print cloth prices (shown on the same chart) followed similar
tendencies in relation to cotton mill output.

In the present situation, when the output of steel, textiles, and certain other industrial products has only recently been near capacity levels, it is possible that the next extended business rise may carry production to a level above which it cannot be increased without building new plant capacity. In that event, any further increase in demand, of course, would initiate an inflationary price movement. The beginning of such a movement might be detected by watching the trends of production and prices in individual industries.

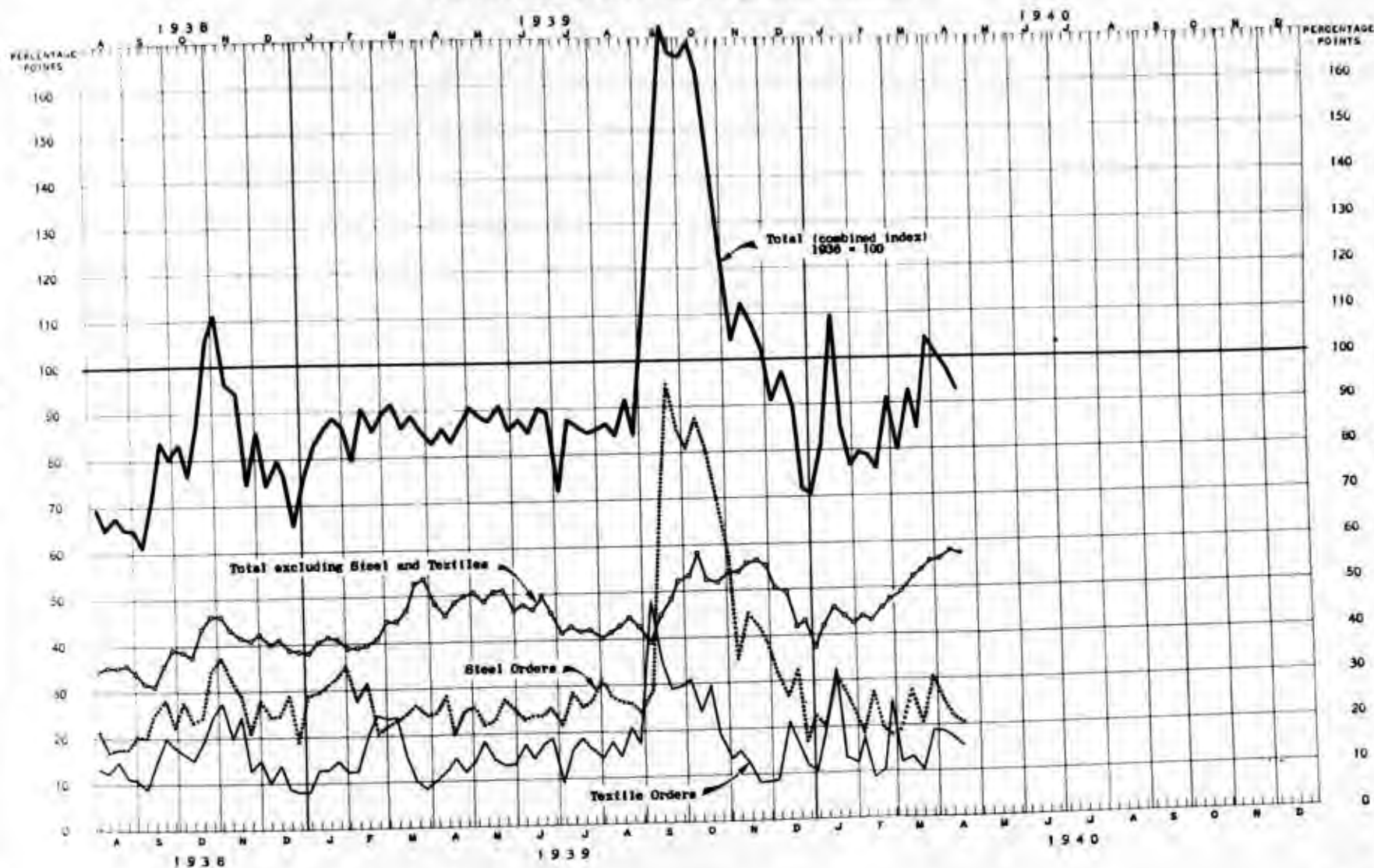
INDICES OF NEW ORDERS AND INDUSTRIAL PRODUCTION
SHOWING APPROXIMATE UNFILLED ORDERS

218

1923 - '25 = 100



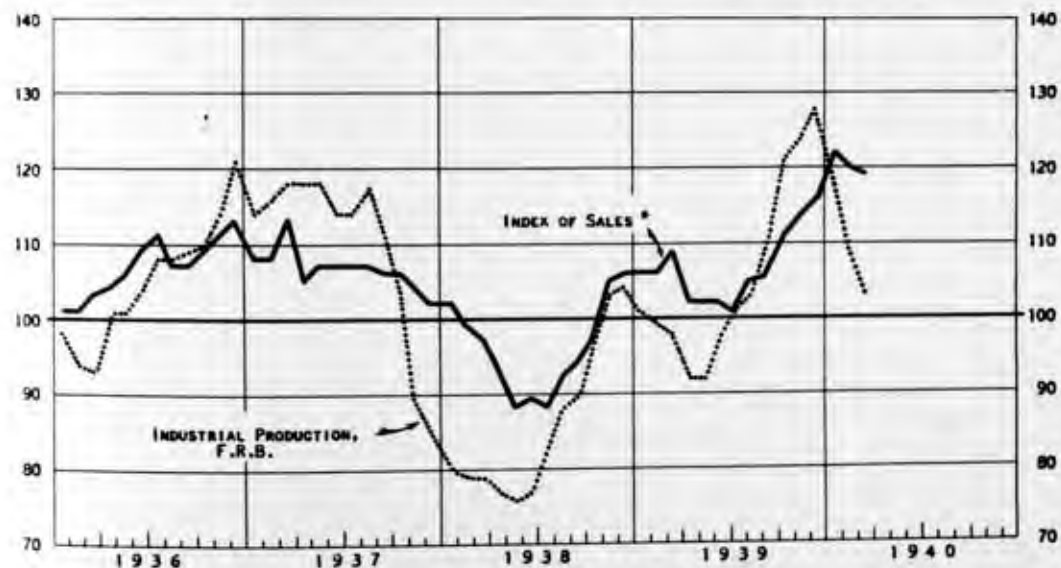
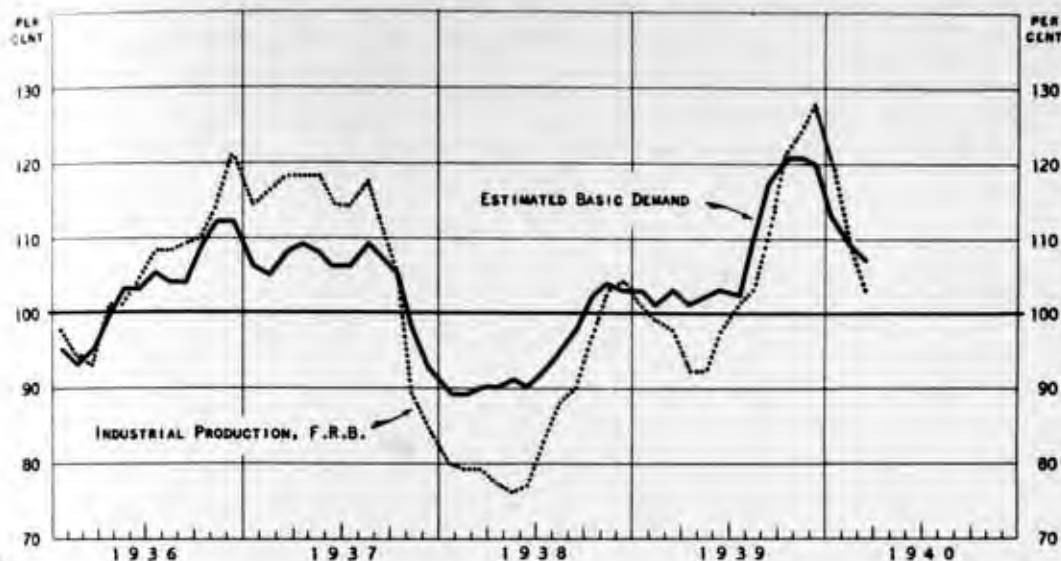
INDICES OF NEW ORDERS Combined Index of New Orders and Selected Components



INDICES OF BASIC BUSINESS TRENDS COMPARED WITH INDUSTRIAL PRODUCTION

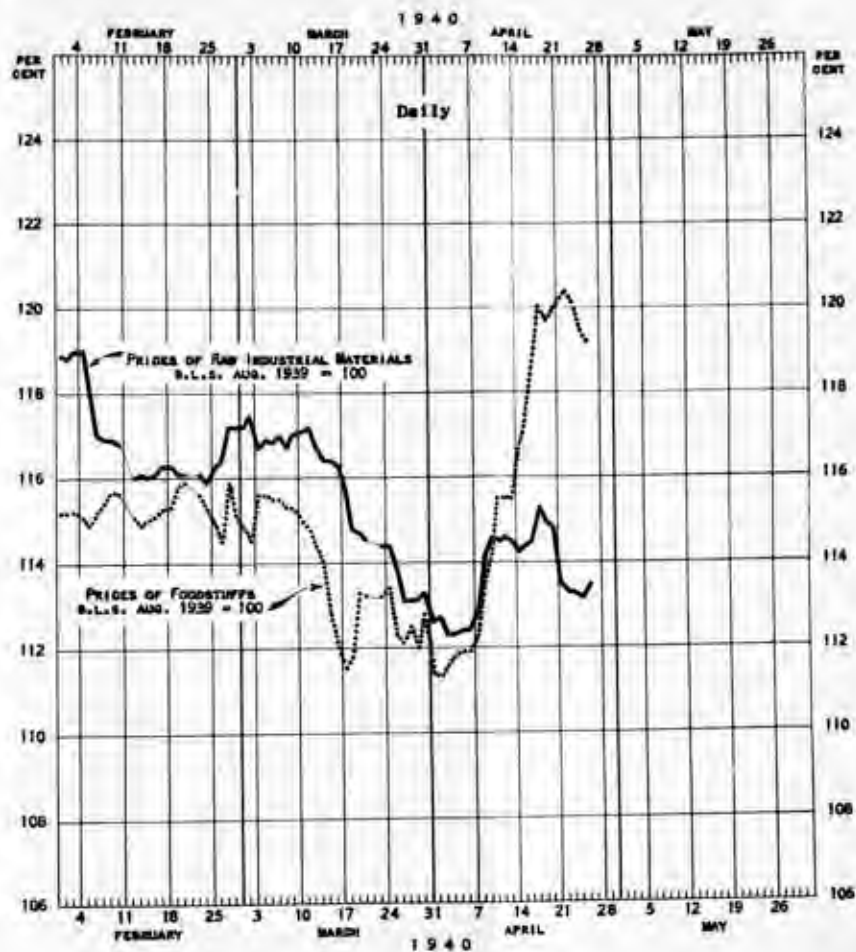
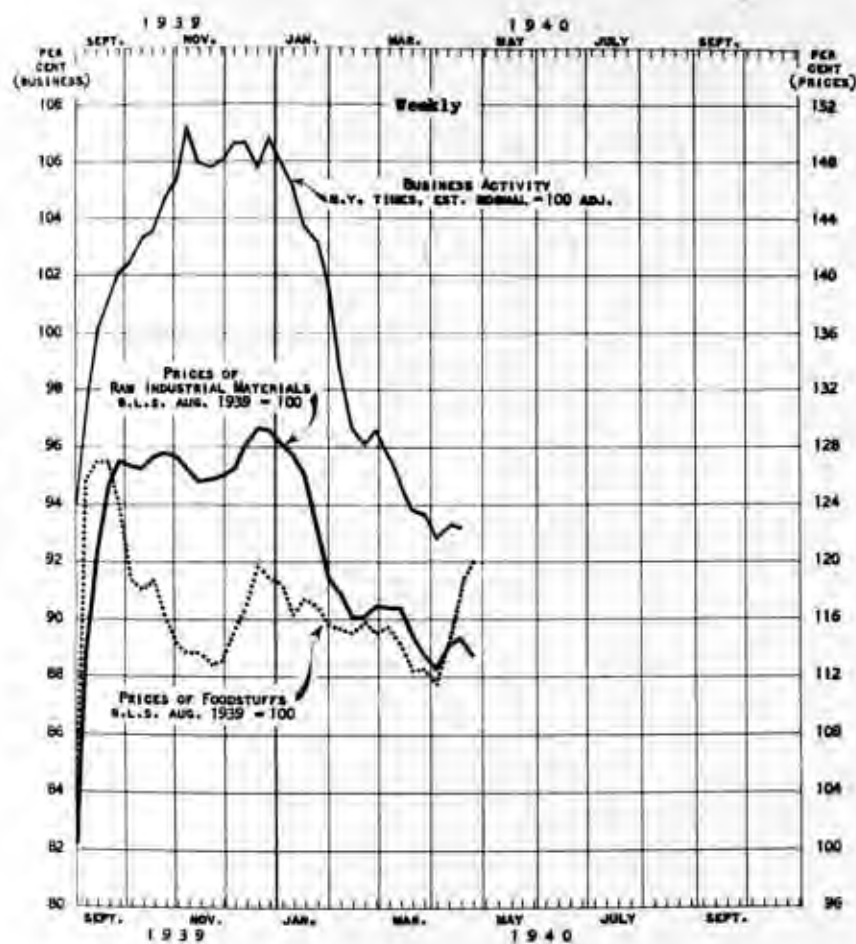
220

1923 - '25 = 100, SEASONALLY ADJUSTED



* REPRESENTS "OFFTAKE" OF MANUFACTURED GOODS, IN PHYSICAL VOLUME

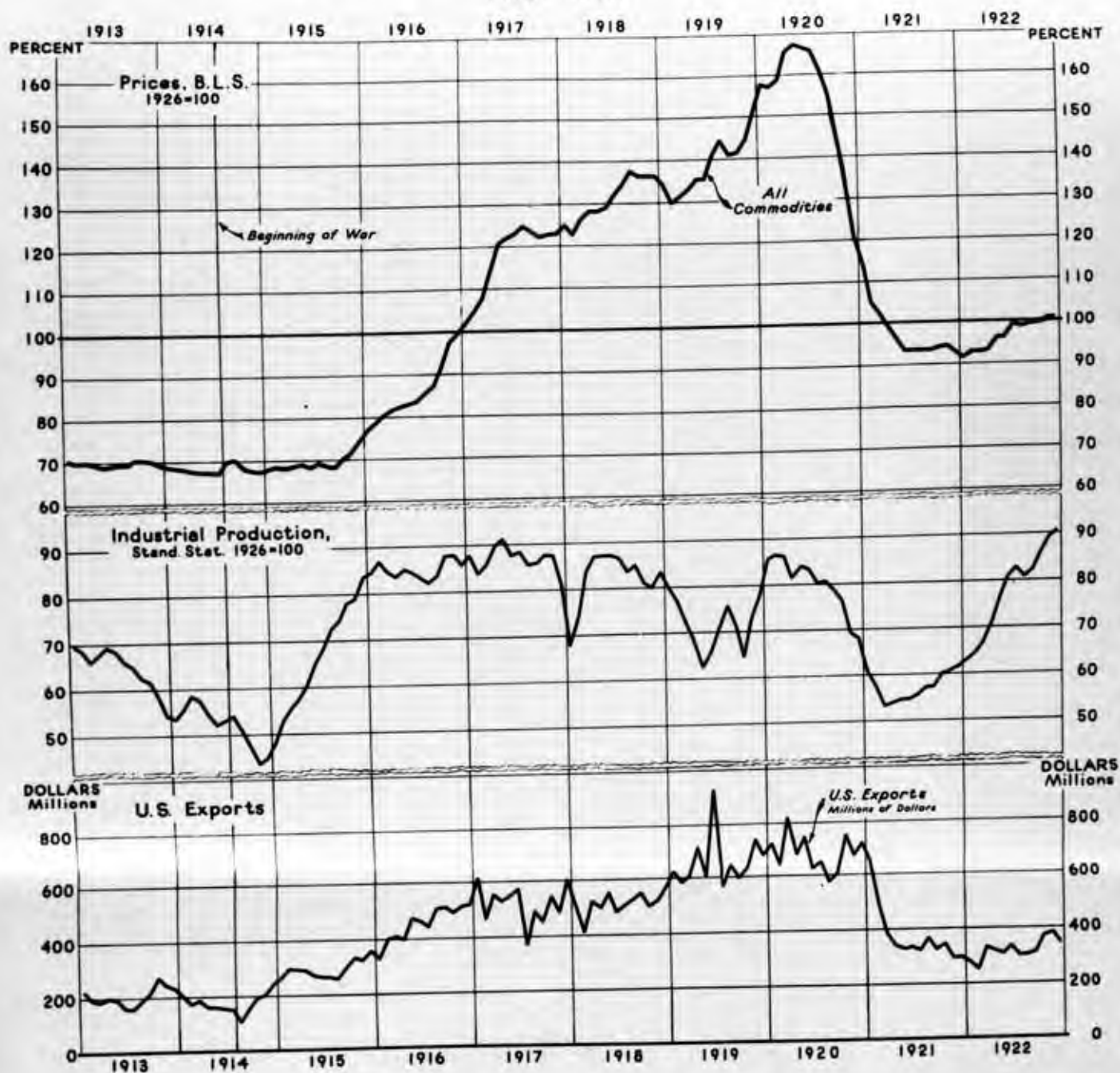
BUSINESS ACTIVITY AND PRICES OF RAW INDUSTRIAL MATERIALS AND FOODSTUFFS



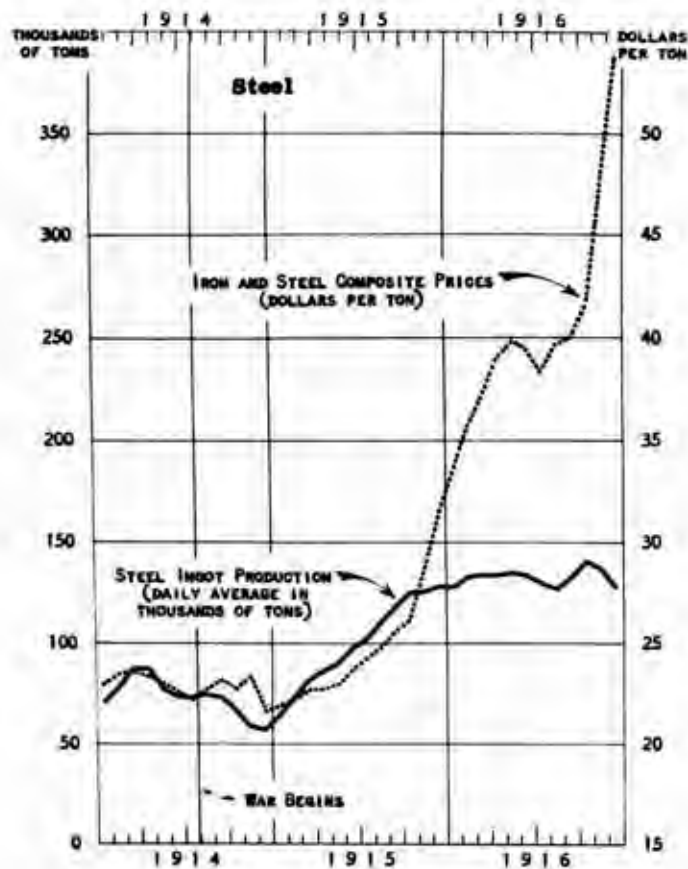
COMMODITY PRICES DURING WORLD WAR

In Relation to Exports and Industrial Production

1913 - 1922



PRODUCTION AND PRICE MOVEMENTS IN STEEL AND COTTON 1914 - 1916



TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 29, 1940.

TO Mr. D. W. Bell

FROM Mr. White

Subject: Foreign Investments of Italy in the United States

Foreign Investments of Italy in the United States

(In millions of dollars)

Short-Term Investments - April 10, 1940

Official	\$10.2	
Private	<u>51.5</u>	
Total		\$61.7

Long-Term Investments 1/
August 31, 1939

Direct	\$13.0	
Stocks	7.0	
Bonds	5.0	
Other	<u>15.0</u>	
Total		<u>\$40.0</u>

Grand total		\$101.7
-------------	--	---------

No earmarked gold on account.

1/ Preliminary.

Source of data: Short-term investments and earmarked gold — Treasury statistics as reported by Federal Reserve Bank of New York.

Long-term investments — Department of Commerce estimates.

BRITISH EMBASSY,

WASHINGTON, D. C.,

April 29th, 1940

Dear Merle,

I enclose some papers I have just received from our Consul General in New York about Angas - who turns out in the end unfortunately to be a British subject.

I think the conclusion from the last sentence of Haggard's letter is that Angas would be better left alone, either by you or by us.

Would you kindly return the papers in due course, after taking any copies which you would desire to keep.

Yours ever,

(Signed) Jerry Pinsent

Mr. H. Merle Cochran,
United States Treasury,
Washington, D. C.

(Copy)

BRITISH CONSULATE GENERAL,
NEW YORK.

226

April 26, 1940.

My dear Pinsent,

Confirming my telephone call, I transcribe below the private wire being sent out by Major L. L. B. Angas to his clients:-

"Despite extremely favourable underlying economic and monetary forces regret now envisage violent psychological shock to Wall Street from early adverse European developments. Stop Advise complete liquidity on next half-point drop from highest in Dow Industrials. Stop. Sorry to reverse myself suddenly but I do not think American market nerves good enough to stand what I guess and believe is shortly coming in Europe. Stop. Full strategic explanation appears in lengthy digest early next week."

Angas, whose British nationality I am sorry to say I have confirmed, has made some reputation among women investors and others easily influenced by headlines, and publishes a financial Digest for which he charges a good price. It has a definite anti-British undertone which, as coming from an Englishman, does us harm here. At the beginning of the war his theme was "Britain and France are not going to fight". The enclosed report, which I got through the kindness of the Sun newspaper is substantially correct and may give you an idea about him in addition to that enclosed in my No. 344 of August 30th, 1939.

G. H. S. Pinsent, Esq.,
British Embassy,
Washington, D. C.

- 2 -

He was the subject of a United States Treasury investigation some time before the war for having published alarmist reports. He got a good deal of useful publicity, and his British nationality was stressed during the enquiry, much to his advantage.

Yours sincerely,

signed: Godfrey Haggard

August 9, 1939.

Gentlemen:

In reply to your inquiry regarding MAJOR L. L. B. ANGAS, Room 2205 General Electric Bldg., 570 Lexington Ave., we report that he is engaged as an "Investment Consultant" and "Investment Economist", both terms being used by him in his newspaper and other advertising. In addition he is a writer on financial topics and as such managed to obtain considerable attention as "an expert in forecasting the trend of the market". However, he admits that he has been wrong on at least six occasions. His publications have not been very profitable, some have lost money. But his wire (telegram) and digest service, on subscription basis, provide a moderate income and he also acts as consultant. In all his income is better than average.

Lawrence Lee Barley Angas is 46 years of age, married, has 3 children and resides at the Beverley Hotel, 125 East 50th St., this city, and he formerly had his office and resided at Waldorf-Astoria Hotel, 301 Park Ave., this city.

He was born February 22, 1893, at Adelaide, Australia, of British parents; his father, the late George Barley Angas, who died in 1925, was chairman of the South Australian Co., which was a pioneering agency in settling that district. However, L. L. B. Angas spent but little time in Australia, was educated in England where he remained until four years ago when he came to New York City on a British quota permit. This allows him to stay here indefinitely without taking out citizenship papers. Another claim is that he is a great grandson of George Fife Angas, one of the founders of the National Provincial Bank, the fifth largest bank in the British Empire.

Education in England and France culminated in an M. A. degree received at Magdalen College, Oxford, in England. While there he also received a "military degree" upon his graduation in 1914 which automatically placed him in the Regular Army of Great Britain. Later that year, in August, the country entered the World War.

During the war period, 1914 to 1919, he was an officer in the British Army, holding latterly, the rank of Major of Infantry. At 22 years of age he commanded a battalion of troops and for gallantry in action was cited and decorated, receiving the Military Cross of Great Britain and the Croix de Guerre of France.

His father is reported to have actively participated in politics at this time and following the Armistice L.L.B. Angas joined him and was asked to "stand" for the House of Commons. Instead he "decided to specialise in studying and analyzing the causes of the business cycle, and the concomitant sharp fluctuations in profits and employment, his interest in Unemployment having been aroused by work carried on by his family in the slums of London."

These studies extended over a period of eleven years, from 1919, according to Angas. During part of this time he assisted his father in politics and his writings on financial subjects evidently started as early as 1920 as his forecast of the collapse of the German Mark, in "Reparations, Trade & Foreign Exchange" was published in February 1921. This forecast apparently did not indicate any special ability as a collapse in the Mark was pretty generally expected.

Angas was aware that he had to do or say something spectacular to get public attention and quick recognition so he wrote "The Coming Collapse in Rubber." This formed the nucleus of his subsequent reputation, being published in January 1926. It was in 1925 that he had turned his attention to the public forecasting of Commodity and Stock Exchange movements.

The only position or business connection he had during the entire period between his discharge or resignation from the British Regular Army early in 1919 and 1935 when he came to New York City, was with Meyers & Company. He spent nearly three years, 1932-1934, with that stock brokerage firm, located at 19 Throgmorton Street, London, E.C.2., which Angas asserted to be the largest "new issue" House for industrial securities in Europe. Meyers & Company has a good reputation but the assertion made by Angas regarding its size or importance appears to be typical of his exaggerations.

Of the 16 publications issued since he started in 1921 the most successful have been "The Coming American Boom", 1934; "The (American) Boom Begins", April 1935; "The Coming (English) Boom; September, 1931; "The Problems of the Foreign Exchanges" and "Investment for Appreciation". This last has been widely acclaimed by newspapers, including the Wall Street Journal, the New York American, the New York Times, the Sun, the New York Daily Investment News, etc. It is a cloth-bound book of 353 pages and was brought out here by Somerset Publishing Co., 461 8th Ave., and MacMillan & Co., in London, at \$5. a copy.

Though most of his writings have been printed in pamphlet or booklet form Angas wrote another book that ran to 320 pages and called the "Problems of the Foreign Exchange". It was published by Alfred Knopf at \$3.75 a copy and was translated in 3 languages. The book produced very little revenue for Angas as he had sold the copyright for a moderate consideration.

His most recent have been "Remaking the Boom", October, 1937, in which he lost money having invested heavily in advertising and "Coming Rescue Inflation", issued in March 1938. The latter resulted in a small profit.

In the past he has referred to W. Linton Nelson of the Delaware Fund, 225 S. 15th St., Philadelphia, as having been a business associate but a connection of this sort never existed. However Angas wrote the "Slump Ahead in Bonds", in 1937, in conjunction with Nelson.

At various times he has addressed gatherings of business men, has made talks on the radio. The speech he refers to most frequently

was one delivered at the American Bankers' Association Convention at New Orleans in 1936.

Though he has never had any connection with a newspaper Angas had for a long time what could be termed a "favorable press". One of the most recent items appeared in a local newspaper on April 1, 1939 and was as follows:

"Major Lawrence Lee Basley Angas, British market adviser, who has been operating in Wall Street since 1935, was subpoenaed yesterday by Attorney General Bennett in an inquiry to find the author of reports which caused a break in the stock market in heavy selling yesterday and on Thursday. Major Angas will be questioned privately this morning by Assistant Attorney General Ambrose V. McCall in the State Office Building.

"Rumors in Wall Street were that an investment counselor with private sources of information abroad was predicting further unsettlement of European conditions, and that this had inspired the selling. Major Angas has a clientele of 300 persons, to whom he sends a market letter. Fortune magazine said of him when he arrived here that he had "not been wrong" in ten years, having foretold the collapse of rubber in 1925, of gold in 1933 and the British inflationary recovery".

Since then the trend has been along the lines of less favorable comment. Relatively large ads have been placed in local papers by Angas offering his services at these prices: Digests-6 months at \$15., and twelve months at \$25; collect wire service including digests \$100; consultations \$100, and portfolios managed either for a fixed fee or a percentage of profits.

L.L.B. Angas dislikes some personal questions, particularly regarding his family and there is a belief in some quarters that he is separated from his wife. At one time his two sons were reported to be students at Eton. Recently he displayed a picture in the London "Sketch", a British society magazine, of his son Michael and daughter Elizabeth at a party. The former, like his father, is fond of skiing and golf.

Major Angas likes to appear as a man of independent means though he has admitted that he has no particular net worth. He also claims to own a moderate sized house at 55, Onslow Gardens, London, S. W. 7, England, which he now leases to Thomas Norton Griffith of The Shell Oil Co. His office consists of a small suite of 3 rooms on the 6th floor having a barren and far from busy appearance. There is also rented room 2205 of the same building.

Though all references were refused by Angas we have been able to locate some individuals who know him and have used his services. They all regard him as a decidedly interesting character, who seems to have gone to some pains to develop idiosyncrasies of the more colorful type. Considerable hedging is done when it comes to a question of opinion as to value of the subject's services and none would make any definite statement.

The head of a large nationally-known concern who had met Angas in England and has used his digest service on and off said that the subject "is sometimes right and sometimes wrong" that he had nothing against him and considered him to be always interesting. He also repeated an observation made by his secretary who said that he thought it "strange that all the economists who visit the office with money-making plans all have shiny pants".

At a local bank a moderate-sized checking account has been maintained since August 1935. No accommodations have been requested, relationship is a routine one and regarded as satisfactory.

At another local bank an account has been maintained for two years. No loans have been requested, balances are in medium four figures and the account, which is routine, is considered a good one. He is known to send money to England periodically.

A local firm which does all his printing reports satisfactory dealings over a period of nearly 4 years. Credit has at times been as high as \$5,000 as Angas lets the balances accumulate and is generally slow in paying. However, he pays up in five or six months, now owes about \$3,500 and is regarded as responsible.

All financial details have been refused by Angas though he has stated that gross income was about \$30,000 last year. Net income was not revealed but may have been less than half that amount. There are a number of sidelines, one of which is the sale of prospect lists of wealthy persons.

Major Angas is a colorful personality, appears to be a chain-cigar smoker with a relish for "grandstand plays" but he also meets his obligations. His is a "one-man show" according to his own statement and he seems to have a flair for guessing right more than 50% of the time.

JR

GRAY

Milan

Dated April 29, 1940

Rec'd 1:40 p.m.

Secretary of State,
Washington.

17, April 29, 5 p.m.

FOR TREASURY.

Today's prices as follows: 202; 347; 512. 50; not
listed; 979; 207. 50; 1360; 235. 50. Volume 142,400.

Generally higher prices reported due to reaction from
speculating tendency.

SHOLES

HPD

MA

GRAY

Paris

Dated April 29, 1940

Rec'd 2:22 p.m.

Secretary of State

Washington

542, April 29, 6 p.m. FOR THE TREASURY.

An additional decree issued regarding relations with the enemy (see telegram Number 1780, September 4, 7 pm) published in today's Journal Official authorizes the Government to call for declarations of property in France or French possessions belonging to nationals and residents of a state occupied or invaded by the enemy in view of its ultimate sequestration. Three further decrees make these provisions applicable to nationals and residents of Czechoslovakia, Poland and Denmark.

Deposits in ordinary (private) savings bank during the period March 15 to 31 totaled 111,000,000 francs and withdrawals 30,000,000. From January 1 to March 31 deposits exceeded withdrawals by 998,000,000 francs.

BULLITT

HPD

April 30, 1940
9:14 a.m.

H.M.Jr: Hello.

Operator: Mr. Purvis.

H.M.Jr: Hello.

Arthur
Purvis: Good morning, Mr. Secretary.

H.M.Jr: How are you?

P: Very well, thank you. And you?

H.M.Jr: I'm alive. I had three quarters of an hour with your Prime Minister yesterday.

P: Did you?

H.M.Jr: Yes.

P: Did you, really?

H.M.Jr: Which was not publicized. He called on me here at my office and it gave me a chance to say some very nice things about you that ought to have made your ears burn.

P: Oh, that was very nice of you. (Laughs)

H.M.Jr: He told me that he had appointed you as a -- an unemployment commission three years ago.

P: That's correct. Yes, I was chairman of that.

H.M.Jr: And he said I ought to get you to tell me about it.

P: It was very interesting as a matter of fact as an experience. (Laughs)

H.M.Jr: I told him we had been too busy.

P: Pardon?

H.M.Jr: I say you and I have been too busy to talk about unemployment.

- 2 -

P: Some time when you are ever free I'd simply love to sit down for a -- for a bit together.

H.M.Jr: Well, that was why I wondered if you wanted to see me Thursday -- why you and I wouldn't have lunch alone at the Treasury on Thursday.

P: I think it would be splendid and I'd love to do it.

H.M.Jr: Well, supposing you come to the Treasury at one o'clock and then.....

P: Yes.

H.M.Jr:we'll eat alone, and then if you want to do business we can do it after lunch.

P: Thank you very much. I'd really enjoy that immensely.

H.M.Jr: And I got your formal memorandum on powder.

P: Yes.

H.M.Jr: And now that you've made the record.....

P: Yes.

H.M.Jr:on the record.....

P: Yes.

H.M.Jr:if you want some powder you'd better -- you'd better make up your mind that you people will have to put up the money.

P: Yes.

H.M.Jr: We couldn't do that without going to Congress and getting an authorization through.

P: I see. I feared that would be the difficulty.

H.M.Jr: And -- I mean, I talked it over with Mr. Bell and he said we'd have to go to Congress. Now, we wouldn't have one chance in a hundred of getting it through this session.

- 3 -

P: No, and as a matter of fact it's really taking -- taking something to a political issue which is not important enough in itself to justify the fight.

H.M.Jr: Well, I don't like to start a fight unless I have a fifty-one chance -- percent of winning.

P: No.

H.M.Jr: And I wouldn't have a ten per cent chance on this.

P: Well, I feared that was the answer but I felt I ought to -- I ought to carry it forward. In the meantime the minute we get -- the only thing that may delay it for thirty-six or forty-eight hours just now is that a man who was flying over on the Clipper to talk with the Ministry of Armaments in Paris is -- was delayed and delayed and delayed for about twelve days and only left on Monday, I understand, or Sunday.

H.M.Jr: Is he coming this way?

P: No, he was going the other way and I think their inclination is just to wait for his personal touch on the situation.

H.M.Jr: I see.

P: Until he gets there. Monnet is talking to me at noon and of course it may -- that may have reference to that.

H.M.Jr: I see.

P: But I'm sure that they will move quickly because they had expressed the greatest anxiety to me a few days earlier by cable from Lord Werr (?) He had gotten a cable through to me to say that he was very anxious.

H.M.Jr: Who is Lord Werr?

P: Well, Lord Werr you know is the -- he's the a very forthright, downright steel fellow.....

- 4 -

H.M.Jr: Oh.

P:who has done a lot of government jobs.

H.M.Jr: I see.

P: And done them well, and apparently behind this screen of doubt and -- I never know who I am dealing with, but behind that there are some people who -- whom I know very well and occasionally a message comes through to me in this this way via Ottawa.....

H.M.Jr: Yes.

P:that so-and-so is worried and will I let them know what the real position is.

H.M.Jr: I see. Well, let's hope that soon you'll be doing business direct.

P: I -- I do hope that'll come and I think it must, but I'd like to have a word with you on Thursday because there are some amusing sides to it.

H.M.Jr: All right.

P: All right, I shall look forward to that immensely, Mr. Secretary.

H.M.Jr: Fine.

P: Good.

H.M.Jr: Thank you.

P: Goodbye.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 30, 1940

TO Secretary Morgenthau
FROM Mr. White

Subject: Information which should be obtained if current reports are to be prepared on the financial status of the Allied countries.

In view of the control over foreign exchange and foreign trade transactions and regulations recording foreign assets owned by their nationals, England and France probably have complete information on their balance of payment position.

As the war goes on, it will be increasingly more important for us to know the rate and the extent to which their foreign exchange assets are being depleted. The information which we need to know - British and French foreign exchange assets and their utilization of those assets - is unquestionably of a very confidential nature to the British and French Governments. They will probably be reluctant to give us the accurate and full data. Without it, however, we can only resort to rough estimates based on incomplete data.

The information we would like to have includes the following:

1. Present total gold holdings of the United Kingdom, France, and Empire countries.
2. Monthly change in gold holdings of the United Kingdom, France and Empire countries.
3. Foreign trade of the United Kingdom, France and Empire countries -
 - (a) Broken down by countries
 - (b) The amount of non-empire imports of the United Kingdom and France paid for with blocked currency

4. Capital movements
 - (a) Withdrawal of American funds from United Kingdom
 - (b) Withdrawal of funds by neutrals other than Americans
 - (c) Sales of securities and direct investments in neutral countries other than the United States
5. Foreign exchange assets of the United Kingdom, France and Empire countries in neutral countries other than the United States.
 - (a) Bank balances held in neutral countries other than the United States.
 - (b) British and French holdings of securities in foreign countries, broken down by countries
 - (c) British and French direct investments in foreign countries, broken down by countries
6. Net shipping earnings from "free" foreign exchange countries
7. Receipts and expenditures on other items in their balance of payments with "free" foreign exchange countries.
 - (a) Net receipts or payments on account of interest and dividends
 - (b) Net balance of receipts and expenditures on government account
 - (c) Net income on insurance and commissions

APR 30 1940

My dear Mr. Secretary:

Receipt is acknowledged of your letter of April 25, 1940 with which you transmitted a communication from the Belgian Ambassador dated April 19, 1940 commenting upon various aspects of the Executive Order of April 10, 1940.

You may wish to advise the Belgian Ambassador that the matters referred to in his communication will continue to receive careful consideration by the Treasury Department.

If the Department of State is of the view that a conference should be held for the purpose of discussing questions such as those referred to in the above-described communication, I shall be glad to designate representatives of this Department to participate in such a conference.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

File to Mr. Thompson

By Messenger 5⁰⁰ pm

JBY:mac - 4-30-40

C
O
P
YDEPARTMENT OF STATE
Washington

April 25, 1940

My dear Mr. Secretary:

I enclose a copy of a communication from the Belgian Ambassador dated April 19, 1940 commenting upon various aspects of the Executive Order of the President of April 10, 1940 having to do with the accounts of Norway and Denmark in the United States.

As I understand it, the Treasury is probably giving consideration to the matters discussed by the Ambassador. Since in certain of their aspects these questions are of interest to this Department also, I shall be glad to have representatives of this Department hold themselves available for such discussion as the Treasury may deem useful. When the Treasury may feel itself in a position to respond to the communication of the Belgian Ambassador, I shall be glad to transmit a reply to him.

Sincerely yours,

Enclosures: (Signed) Cordell Hull
From Belgian Ambassador,
April 19, and reply.

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury.

The Belgian Ambassador presents his compliments to the Honorable the Secretary of State, and has the honor to have recourse to his good offices in regard to the following matter:

The attention of the Embassy has been drawn to the Executive Order of the President dated April 10th, 1940, subjecting to authorization, transactions involving the transfer of funds from accounts of Norwegian and Danish subjects in American financial institutions. This order is of particular interest to all countries menaced by the possibility of an invasion, as it could logically be extended to their citizens.

The purpose of this Order has not been officially published.

Its object might be to protect the nationals and even the authorities of a country militarily occupied, against extortion measures forcing them to turn over to the "occupant" their foreign financial holdings. If that is the object of this Order, the Belgian Embassy takes the liberty of calling to the attention of the American authorities, the Belgian Executive Order of February 2nd, 1940. According to the terms of this Executive Order, the administrative seat (siège social) of all Belgian corporations may, without loss of nationality to the corporation, be temporarily transferred, even to a foreign country, if necessary, by a simple decision of the Board charged with the administration of the company. Moreover, the acts of the stockholders and directors of the company as regards to the disposal of holdings or of rights outside of the occupied territory, are ipso facto nullified if the former holds a meeting or if the latter should reside in the

occupied

- 2 -

occupied territory.

Consequently, the Belgian Government has already taken measures to deprive of legal value those decisions of Belgian corporations which might be made under pressure of a foreign invader. The Embassy will be grateful if the American authorities will take this situation under consideration in the event of an application to Belgium of measures similar to those which have been taken in regard to Denmark and Norway.

It is also possible that the Executive Order in question might be a protective measure on the part of the American Government intended to constitute a bond as a safeguard in the collection of payments due the American Government or American citizens by corporations or individuals residing in the occupied territory. In this case, the Embassy takes the liberty of remarking that the mere fact of a protective measure of this kind already constitutes a serious handicap for the persons affected, practically paralyzing all their transactions, as they are obliged to obtain authorization in order to execute each of them. However, if the bond is subsequently forfeited, then this procedure would be equivalent to the confiscation of private holdings created in or transferred to the United States under the protection of normal legislation. The confiscation of private property belonging to citizens of an enemy country was effected for the first time during and after the World War; its principles have been greatly criticized. If the contingency examined by the present note were to be realized, the confiscation would involve, not the holdings of subjects of an enemy country or of a country which has in turn seized American holdings,

- 3 -

holdings, but of property of subjects of a third country, which besides, is itself a victim of occupation by violence.

The Belgian Ambassador takes the liberty of submitting the foregoing observations to the attention of the Honorable the Secretary of State, in requesting that they be examined with one of the Embassy's representatives.

(Signed) GR.

WASHINGTON, April 19th, 1940.

The Secretary of State presents his compliments to His Excellency the Belgian Ambassador and has the honor to acknowledge his note of April 19, 1940 commenting upon various aspects of the Executive Order of the President of April 10, 1940 having to do with the accounts of Norway and Denmark in the United States.

The matters touched upon by the Ambassador will probably remain under consideration for a considerable period. Since the Treasury Department is charged with primary responsibility for the pertinent legislation and orders, a copy of the Ambassador's note has been sent to that Department for their consideration, and when their comments have been received the Department of State will be glad to hold itself available for such further discussion of the subject as the Ambassador may care to pursue.

Department of State,
Washington,

20
11-6

April 30, 1940.

Memorandum re Douglas Aircraft Co. and
Lockheed Aircraft Corporation

Number of Planes:

1. a. 180 Douglas A-20
(in addition to 180 already
on order)
b. 530 Douglas DB-7B
2. a. 800 Lockheed P-38
b. 400 Lockheed 37

C.T.B.

4-30-40

247

FROM: MR. GASTON'S OFFICE

TO: The Secretary

Berle called me about the flash that British ships had been ordered to take the Cape route to the east and not go through the Mediterranean. Apparently the situation as to Italy looks black to the British and he thought we might ~~we~~ wish to do some preliminary work on the necessary orders ^{to be issued} if Italy declares war, also to consider the situation of Switzerland in that event. At least there will be no access to Switzerland except through belligerent territory and the question of protecting Swiss deposits here might soon arise. ^(by invasion) The Swiss Minister talked to him today and was anxious on this point. Berle advised him to see Bell and White.





AUSTRALIAN LEGATION,
WASHINGTON, D. C.

We have been advised that the Australian Government today gazetted an order under the Securities Regulations requiring the owners of 20 specified dollar stocks to sell them against payments in United States dollars and to pay the proceeds to the Commonwealth's Account at the Federal Reserve Bank at New York. Owners will be paid in Australian currency the equivalent of amounts paid over by their agents and the funds thus acquired will be applied solely for Commonwealth requirements in the United States.

30th April, 1940

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

April 30, 1940.

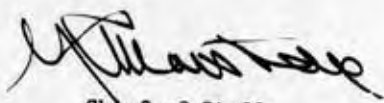
The Honorable,

The Secretary of the Treasury.

My dear Mr. Secretary:

It was most kind of you to send me on April 20th a copy of the letter from the Berlin correspondent of the New York Times which you received from Mr. Arthur Sulzberger. The letter has been read with great interest and with considerable profit. Needless to say, its confidential character will be carefully respected.

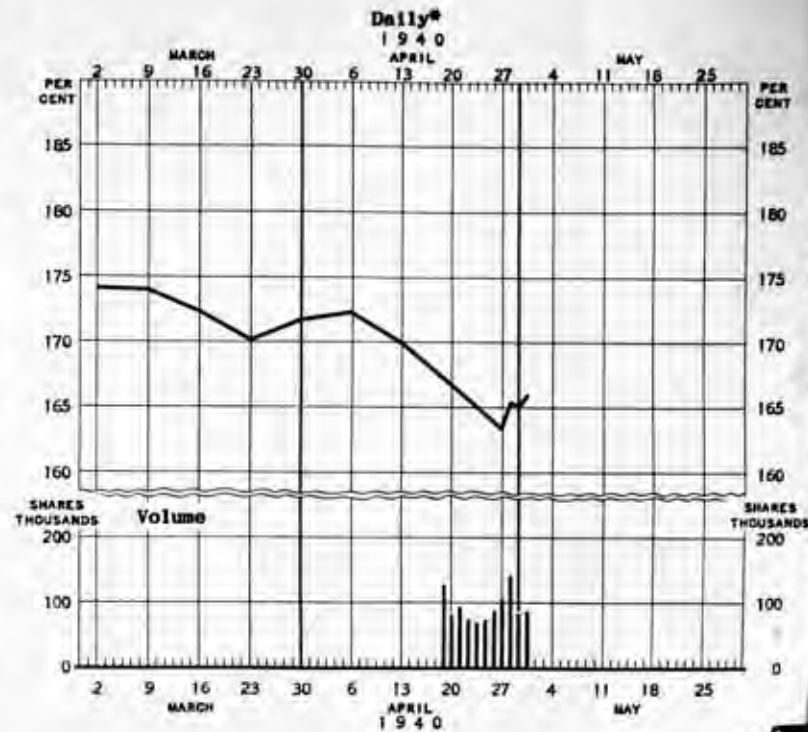
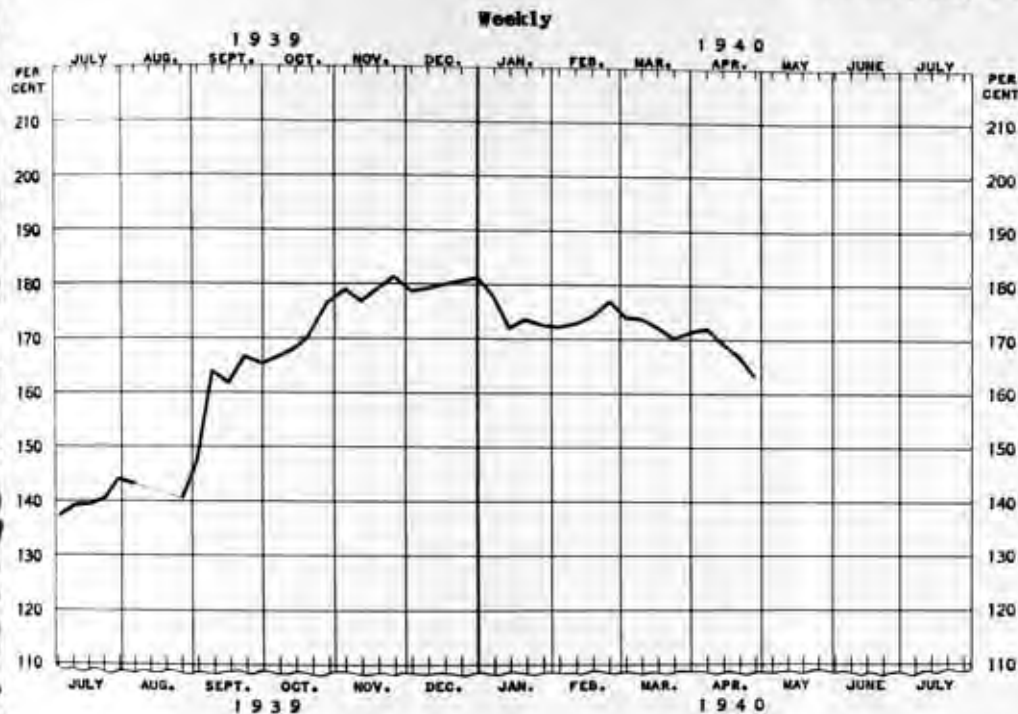
Faithfully yours,



Chief of Staff.

ITALIAN STOCK PRICES (Milan)

Dec. 31, 1927 = 100



*DAILY FOR LATEST WEEK ONLY

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

FO - 141 -

Regraded Unclassified

APR 30 1940

My dear Mr. President:

In accordance with your request of April 27, 1940, I am enclosing a proposed reply, for your signature, to the letter from the Hon. Henry A. Wallace, dated April 21, 1940.

I am returning herewith the letter from Secretary Wallace.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,
The White House.

Enclosures

File to Mr. Thompson

By Messenger 5⁰⁰ pm

MLB:ls
4/29/40

Dear Henry:

This is to acknowledge your letter of April 25th. I find myself in general agreement with what you have to say about the immediate role of our gold purchase policy and about international long-term objectives.

I have turned your letter over to Henry Morgenthau, Jr., for his information.

Sincerely,

The Honorable Henry A. Wallace,
Secretary of Agriculture,
Washington, D. C.

HW:lp
4/29/49

253

THE WHITE HOUSE
WASHINGTON

En route to Washington,
April 27, 1940.

SECRETARY MORGENTHAU:

For preparation of reply.

FDR

OFFICE
SECRETARY OF TREASURY

1940 APR 29 AM 9 35

10:10
TREASURY DEPARTMENT



DEPARTMENT OF AGRICULTURE
WASHINGTON

April 15, 1940.

The President.

The White House

Dear Mr. President:

You may recall that at a Cabinet meeting when you and Henry Morgenthau and I were talking about gold purchase, I suggested that the Republicans have left a very vulnerable opening by trying to close every door to the sale of this country's products abroad. You asked me to put in writing what I was saying at that time. I am not sure that this letter will suit your purposes but I offer it as a comment on the present political scene.

In the following discussion I do not mean to suggest that the United States should have as a primary concern the getting of as much as possible of the war-time market for our producers. On the contrary, from an economic standpoint the desirable thing is to prevent as much as possible that distortion of our economy which would come from changing our production and marketing to meet a strictly war-time demand. But there are problems of shifts in demand as between products; there is the possibility of loss of all or a part of markets which we have had if the wrong policies should be adopted; and there is the big problem of working toward a post-war situation in which we have a minimum of loss to adjust and a maximum of constructive trade potentialities to build on.

Foreigners can not buy our products except with dollars. They can for a time liquidate their investments in this country and thus change back to dollars assets which they acquired with dollars in the first place. But, beyond the use of these temporary assets, there are only three ways by which they can obtain new dollar exchange: (1) By selling their goods and services to us; (2) through credit extended by this country; (3) by sending us their gold or silver.

The Republicans are opposed to each of these three possible methods of placing dollars in the hands of our customers abroad. They were solidly opposed to extending the reciprocal trade agreements act, so they are against letting in imports. In contrast to their earlier complacency toward unwise foreign loans during the Twenties, they are

now no longer in favor of making foreign loans. Judged by statements by various Republican legislators and by their attitude last June toward extending the Presidential power to devalue the dollar, the Republicans are building up public sentiment against the purchase of gold.

Their policies, in other words, would inevitably destroy a large part of our export trade. The great loss in foreign markets would, in turn, necessitate far-reaching readjustments in our productive plant, both industrial and agricultural. In the case of industry this would mean an intensification of the already serious problem of unemployment. In the case of agriculture it would mean drastic regimentation of production in line with the lower level of demand. When the Republicans claim to be for more exports and for free enterprise and yet oppose all of the ways in which we can keep foreign markets and avoid production control they are guilty again of the typical blind contradictions for which their party is famous. A large section of American business enterprise and American agriculture would be severely damaged by any fulfillment of the Republican custom of riding a horse in all directions at the same time.

But the damage to business and agriculture would not be all the harm from a Republican fulfillment. The basic decencies of a humanitarian approach to world affairs are affronted. What they are saying, perhaps without knowing it, is that they would not favor any policy that would give the people of our own and foreign countries an opportunity to share in both the work and the results of agricultural and industrial production. Helpless human beings, who are caught in misery by trade restrictions, need the food, clothing, and other products which could be produced and sold in such abundance. If some of our Republican friends could be faced with a picture of children all over the world perpetually hungry, I doubt whether the American public would agree wholeheartedly with their opposition to efforts designed to provide food for those children. Certainly I know the American farmer would prefer to see a world in which the products of his soil could be transformed increasingly into worldwide distribution of food and clothing, and in which he himself could share in the benefits of abundant industrial production.

In contrast to the economic child play by the Republicans, you can point for the past and present to a consistent international policy of trying to maintain both industrial and agricultural exports in a world that has been disintegrating. Your international policy on both the economic and political fronts has been of one piece and has been aimed at preserving our fair share of the world market without damaging any other nation that was willing to join in a decent relationship with the family of nations.

It seems to me that your most important immediate policy for enabling foreign powers to buy our goods is the gold purchase. Standing ready to purchase substantial quantities of gold would enable us to carry on for the present. It is realized, of course, that we can not indefinitely maintain our foreign trade on the basis of imports of gold. But, such purchases have the advantage of serving as a bridge during the period in which the American public is being educated to the desirability of imports greatly in excess of exports or the loaning of money in large quantity to those countries from which eventually we shall be willing to accept greatly increased imports. Any cessation or hint of cessation of gold purchases would cause a worldwide panic, and would have such extreme effects on the British Empire that the Allies would lose the war.

Furthermore, your international policy, in contrast to the confused statements by the Republicans, can be carried consistently into the future so that you can offer not only accomplishments of the past and present but also assurance for the future. I have been thinking some about the future, particularly the state of the world and our place in it when the war is over, and I pass on this observation for whatever it is worth.

Any settlement after this war will be affected by both economic and psychological factors. On the economic front it is to be hoped that the plan for peace will be suggested by the intellectual leadership of the western world acting under a sense of responsibility to human welfare. The plan will probably have to be built around

(1) Continued and intensified efforts to facilitate the flow of goods and services among countries. This would mean basically a continuation of the reciprocal trade agreements program adapted, however, to conditions arising out of the war and the post-war situation. One such modification might be in the direction of increased use of the technique of limiting duty reductions to specified quantities. Through such a technique it probably would be possible to make greater reductions in our own tariffs, in the face of depreciating currencies and unsettled conditions abroad, than would otherwise be the case. In this connection the "have not" countries should be assured of raw materials essential to their industries through trade arrangements rather than by a new division of colonies which would perpetuate and intensify the evils of the imperialistic system.

(2) Special world agreements to protect the producers and consumers of certain raw materials such as cotton and wheat, which are chronically produced in surplus. These agreements would preferably be designed to allocate markets and to increase the use of production rather than to restrict production. Some sort of international ever-normal granary, with each of the main exporting countries required

to put a definite supply on the world market year after year for the ends of gradually increasing consumption wherever needed for human welfare, would be needed to stabilize the prices and incomes of the primary world producers and to give greater stability to the entire world economy.

(3) The use of credit to facilitate international trade and the reconstruction of war-stricken countries. This should be accompanied by trade arrangements so that repayment of credits could be possible. The question of an international bank which could itself extend credit on an international scale might be considered, but all consideration of international credit must be accompanied by the willingness of the United States to accept goods and services. It might be worth considering whether such a bank might be set up so as to make returns on a heavy investment in it by the United States clearly dependent upon receipt by the United States of goods produced in countries using the bank's credit. The idea here would be to give our people a vested interest in imports that they would clearly see.

(4) Stabilization of currencies. Various types of regional currencies might come up for consideration.

(5) A reconsideration of the gold policy of the world with a view to assisting the economic recovery of the various countries of the world, including our own.

All of these are in the future and would raise tremendous questions of international economics. For the time being, to repeat, I think a morally and economically feasible way of helping our own country and the world and preserving as much stability in international exchange as possible in a rapidly changing world is to continue purchases of gold.

This general sketch of economic policies which we might consider should be checked with the experts in all the fields involved. I am suggesting them now, not as fully matured conclusions as to positions to be taken, but rather as a general outline of economic policies deserving of fuller exploration. Of course, I realize, as you do, that we can not ignore our domestic problems because of the international problem. The two perhaps go together, and at any rate I have addressed myself here only to the international problem. Whatever place we take in the post-war world will be determined in large part by our domestic condition and our success in overcoming our problems here at home. Recently I was looking over again Thorstein Veblen's book, "The Nature of Peace," written in January, 1917. It is amazing how clearly he saw the problems of peace that would follow the World War. If some State Department New-Dealer had the time to mull over Veblen's proposals in "The Nature of Peace" against the background of the current situation, his comments should be decidedly interesting.

On the psychological, or political, front it seems to me that the plans devised by specialists in economics will have to be justified by aims which the public will understand. A solution must have the support of the masses of men, and particularly in our own country our own people must be persuaded to engage in world trade which means doing our part as well as expecting other nations to do their part. Perhaps the idea of making it possible for the common people of our own country and the rest of the world to produce and consume more goods and services would be a good aim to justify the economic adjustments necessary to world trade. Our people have always responded to appeals for help from people in other lands who are caught by disaster. If they could be brought to see that the international exchange of goods and services means really the improvement of conditions of life among the common people of the world, including our own people, I believe it would be much easier to accomplish an economic program for international stability. The contradictory proposals and the contradictory record of the Republican party have no promise of alleviating the human distress in the world now or in the future. If the United States is going to be the receiver for a bankrupt world, it is important that the party in power in the United States have some understanding of international conditions and some consistent program for our part.

Respectfully yours,

H. Wallace

Secretary

Tiber Eckhardt, head of the Small Farmer Party in Hungary (the 3rd largest) was in this morning and made the statement that it is only by means of relatively ^{world} free trade that small neutrals can maintain their national identity. He was talking about the "Peace."

APR 30 1940

My dear Mr. Secretary:

I have your letter of April 27, 1940, advising that the Danish Minister called at the State Department on April 17th and briefly outlined steps which he has in mind for safeguarding of the interests of his country in the United States.

I have noted that you have advised the Minister that this Government will continue to recognize him as the duly accredited representative of Denmark in the United States while the present situation in that country obtains and that this Government will lend him such sympathetic cooperation as may be proper.

In granting licenses for the withdrawal from balances in this country belonging to the Danish Government, I shall give every consideration to the general aim of safeguarding American interests.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of State.

File to Mr. Thompson

By Messenger 5⁰⁰ pm

DWB:ce-4-29-40

APK u v 10...

Dear Mr. Hornbeck:

This is in reply to your letter of April 11, with which you enclosed a letter from Dr. Arthur H. Young, dated March 15, 1940, describing conditions in China. You also refer to our previous conference at which you spoke of the possible use of the Stabilization Fund in connection with the situation in China.

As you know, the Treasury has for some time been studying the financial situation in that country. The problem, you appreciate, is at present greatly complicated by war conditions and because of such conditions I deem it inadvisable to undertake at this time any Stabilization Fund activity which would attempt to stabilize the dollar-yuan exchange. Moreover, I would not use the Fund for the purposes indicated without first obtaining permission from the Congress, and it does not seem to me that this is an appropriate time to request such permission.

Because of its monetary implications, we naturally would be interested in cooperating in any consideration that may be given the proposal that the United States make a gift of 15 million bushels of wheat for relief purposes to China, but the furtherance of such a proposal would not seem to be the primary responsibility of this Department.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Stanley K. Hornbeck,
 Adviser on Political Relations,
 Department of State,
 Washington, D. C.

File to Mr. Thompson

By Messenger 5⁰⁰ fm

HDW:
 DWB:nlc:ce-4-30-40

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 30, 1940

TO Secretary Morgenthau
FROM Mr. Uochran

STRICTLY CONFIDENTIAL

Mr. Livesey called me at 10:30 this morning. He stated that Ambassador Davies, now serving as Special Assistant to the Secretary of State, had asked Mr. Flack, the officer in the Department of State covering the German desk, to obtain for him a copy of Heath's cablegram #641 of March 16, to which Ambassador Davies had evidently seen some reference in other documents. Mr. Livesey requested our approval, since Mr. Davies is not on the limited list of officials in the Department of State who see cablegrams prepared specifically for the Treasury Department. When I asked whether Mr. Davies required the message in connection with some matter of State Department policy, Mr. Livesey volunteered confidentially the information that he thought Mr. Davies was preparing a speech.

Upon looking up the message under reference I found that it was a highly confidential cablegram, based upon a conversation with Vice-president Puhl of the Reichsbank, when the latter dined with Heath. The precaution had even been taken of sending the message to Italy for filing, rather than submitting it to a telegraph office in Germany. Puhl is our one contact left in the Reichsbank, and has been quite helpful to Heath. I have known Puhl for many years and think highly of him. There are numerous references to internal German policies and differences of opinion which would ruin Puhl if published, and would make Heath's position impossible.

In the circumstances, I have reminded Livesey that the Treasury telegrams of this type should not be circulated within the Department of State to any officers other than those already approved, unless Mr. Hull asks Mr. Morgenthau to make an exception. I told Livesey that, in the absence of such a request, I could not make the exception. I cautioned Livesey, however, that I was not unmindful of Ambassador Davies position and did not want anything to come up which would offend him in the least.



PARTIAL PARAPHRASE OF TELEGRAM RECEIVED

FROM: Ottawa—American Legation

NO.: 81

DATE: April 30, 1940

Referring to previous correspondence relative to Canadian foreign exchange control measures: Doctor Skelton handed me late this afternoon the following summary of an Orders in Council effective tomorrow containing measures designed to relieve the acute exchange situation which has arisen in Canada:

"(1) Exchange fund, which is now operated by the Foreign Exchange Control Board subject to the directions of the Minister of Finance will take over at the current market price the entire holdings of gold and foreign exchange of the Bank of Canada.

"(2) Subject to certain exemptions, every resident of Canada will be required to sell to authorized dealers of the Foreign Exchange Control Board (Canadian branches of chartered banks) any foreign currency, regardless of amount, in his possession, ownership or control on May 1, 1940 — such sale to be completed not later than May 31, 1940.

"'Foreign currency' is defined in the order as meaning any currency (excluding coin) other than Canada

currency

-2-

currency including bank notes and other notes intended to circulate as money in any country outside Canada and also postal notes, money orders, checks, travelers' checks, prepaid letters, bank drafts and other similar instruments payable in any currency other than Canadian currency, and includes any foreign currency to which a resident has a right to obtain payment by reason of a deposit, credit or balance at or with a bank, savings bank, trust company, loan company, stockbroker, investment dealer or other similar depository.

"(3) To provide the necessary working capital to the exchange fund, the Minister of Finance is authorized to sell and the Bank of Canada has agreed to purchase the following securities: \$250,000,000 one year, 1% notes at par: \$75,000,000 treasury bills at a discount equivalent to a yield of .739% per annum, being the average yield on the last issue of treasury bills."

Then Doctor Skelton gave me the following, which is Section 1 B of the Order in Council which will be issued May 1. This section constitutes one of the exemptions which is referred to in Section 2 of the foregoing summary. Doctor Skelton said that this section was an "enabling clause" which had been designed to permit the Canadian Government to conclude an agreement, through an exchange

-3-

exchange of notes, with the Government of the United States along the lines proposed by the Canadian Government, which proposal was reported to the Department in my despatch no. 297, dated April 22, 1940.

"Section 1 (B). A private individual resident of Canada, who is not a British subject and who is a citizen of a country which, on or before the date when any proceedings are instituted charging him with an offense against this order, has entered into an agreement with Canada regarding the respective conditions under which the respective citizens of Canada and the said country are to be exempt from exchange control regulations, shall be entitled to exemption from the provisions of this order to the extent and on the conditions provided in any such agreement; provided, however, that any such exemption shall lapse if and when such resident became a British subject or ceases to be a citizen of a country having such an agreement with Canada, and in any such case this order shall, with respect to such resident, be read and construed as if the date on which exemption lapsed was substituted throughout this order for May 1, 1940. Every such resident shall furnish satisfactory proof of nationality to the Foreign Exchange Control Board not later than a date to be set in the agreement or any subsequent date fixed by the Board."

It

-4-

It was explained by Dr. Skelton that the Government of Canada would be willing to conclude with the United States Government any arrangement, based on the proposal of the Canadian Government referred to above, which would qualify (in the opinion of legal authorities in Canada) as an agreement under Section 1 (B) quoted above. He indicated that the possibility of eliminating the reciprocal feature contained in the Canadian proposal would be considered.

Finally, I was informed by Dr. Skelton that the Government would issue a press statement tomorrow explaining the new measures. In the press statement, he said, would be included the following paragraph, which was designed to quiet the fears Americans resident in Canada might have regarding the rather drastic measures which the Canadian Government was inaugurating:

"There is also an exemption relating to residents of Canada who are not British subjects and who are citizens of a country which, within a reasonable period, effects an arrangement with Canada regarding the conditions under which the citizens of Canada and the said country respectively are to be exempt from exchange control regulations. Discussions in this connection are now proceeding with the United States Minister at Ottawa."

CRONWELL

EA:EB

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 30, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Livesey telephoned me from the Department of State this forenoon that the Canadian Legation had been instructed "to stand by" this afternoon for the purpose of receiving a message in regard to a contemplated step with respect to Canadian Exchange Control, and for relaying this message to the State and Treasury Departments. It was agreed that the Secretary of the Canadian Legation was to take the message to Mr. Livesey whenever received, and also come to me in the Treasury Department.

When I was with the Secretary around 4 o'clock this afternoon, he received by telephone from Governor Harrison of the Federal Reserve Bank of New York certain details of the step under reference.

At 5 o'clock Mr. Livesey telephoned me that Third Secretary Macdonnell of the Canadian Legation had just delivered to him the document in question, and was on his way to the Treasury Department. At ten minutes past five Mr. Macdonnell handed to me the attached document, bearing Canadian Minister Christie's initials. I read it over and thanked him for giving us this communication, which I told him would be brought to the Secretary's attention. Mr. Macdonnell confirmed my understanding that no agreement had been reached between the Canadian Minister for Foreign Affairs and our Department of State in regard to exemptions from the present order, and that an agreement must be consummated before May 31, 1940, if American citizens resident in Canada are to benefit from the exemptions envisaged by the order. Mr. Macdonnell regretted that it had not been possible to inform us fully at an earlier date as to what was being contemplated, but emphasized the necessity for secrecy in any steps toward foreign exchange control.

When Mr. Livesey spoke to me just prior to Mr. Macdonnell's arrival he stated that the document under reference would give rise to much uncertainty as to how Americans in Canada will be treated. He said that the Canadian Government had approached the State Department, through the American Legation in Canada, and had submitted a proposal touching upon exemptions. The State Department had not replied to this proposal and has not to date indicated what exemptions would be acceptable to us. Furthermore, the State Department has not in any way committed us as to what our policy would be in the way of granting exemptions to Canadians if we should establish exchange control in the United States.

Livesey believes that our two Departments should study this matter with the view to getting together shortly and working out an agreement with Canada prior to May 31. With this in mind, he agreed to give me a file of the correspondence of the Department of State in the premises, in order to provide the Treasury with all necessary background.

B. M. P.

MEMORANDUM

The Canadian Legation has the honour to state that, effective as from May 1, 1940, the following steps are being taken by Order-in-Council under the provisions of the War Measures Act:

1. The Exchange Fund, which is now operated by the Foreign Exchange Control Board subject to the directions of the Minister of Finance, will take over at the current market price the entire holdings of gold and foreign exchange of the Bank of Canada.
2. Subject to exemptions referred to later in this memorandum, every resident of Canada will be required to sell to Authorized Dealers of the Foreign Exchange Control Board (Canadian branches of chartered banks) any foreign currency, regardless of amount, in his possession, ownership or control on May 1, 1940 - such sale to be completed not later than May 31, 1940.

"Foreign currency" is defined in the Order as meaning any currency (excluding coin) other than Canadian currency, including bank notes and other notes intended to circulate as money in any country outside Canada and also postal notes, money orders, cheques, travellers' cheques, prepaid letters of credit, bank drafts and other similar instruments payable in any currency other than Canadian currency, and includes any foreign currency to which a resident has a right to

obtain/

obtain payment by reason of a deposit, credit or balance at or with a bank, savings bank, trust company, loan company, stockbroker, investment dealer or other similar depository.

3. To provide the necessary working capital to the Exchange Fund the Minister of Finance is authorized to sell and the Bank of Canada has agreed to purchase the following securities:-

\$250,000,000 one year 1% Notes at par:

75,000,000 Treasury Bills at a discount
equivalent to a yield of 0.739% per
annum, being the average yield on
the last issue of Treasury Bills.

Discussions have already taken place between the Canadian and United States authorities with regard to exemptions from the provisions of the Foreign Exchange Control Order. Under the new Order, named the Foreign Exchange Acquisition Order, 1940, exemption is granted to insurance companies of all classes, so that they will not be obliged to sell any amount of foreign currency required for the purpose of carrying on their business of insurance outside Canada.

Another exemption of importance is one which allows any resident who has any foreign securities in his possession, ownership or control, to switch into other similar foreign securities by selling any or all such securities and reinvesting the proceeds of any such sales in any similar foreign securities.

In the/

In the light of discussions which have taken place between the Canadian and United States authorities regarding exemptions, the Foreign Exchange Acquisition Order, 1940, contains the following paragraph:

"A private individual resident of Canada who is not a British subject and who is a citizen of a country which, on or before the date when any proceedings are instituted charging him with an offence against this Order, has entered into an agreement with Canada regarding the respective conditions under which the respective citizens of Canada and the said country are to be exempt from exchange control regulations, shall be entitled to exemption from the provisions of this Order to the extent and on the conditions provided for in any such agreement; provided, however, that any such exemption shall lapse if and when such resident becomes a British subject or ceases to be a citizen of a country having such an agreement with Canada, and in any such case this Order shall, with respect to such resident, be read and construed as if the date on which exemption lapsed were substituted throughout this Order for May 1st, 1940. Every such resident shall furnish satisfactory proof of nationality to the Foreign Exchange Control Board not later than a date to be set in the agreement or any subsequent date fixed by the Board."

L.C.C.

No. 1336

Bern, April 30, 1940

Subject: Recent shipments of gold to Switzerland from Russia and other sources.

CONFIDENTIAL

The Honorable

The Secretary of State,

Washington.

Sir:

With reference to my despatch No. 1222 of February 8, 1940, reporting shipments of Russian gold to Switzerland via Germany, I have the honor to inform the Department that imports of gold bars from the U.S.S.R. during the first quarter of 1940 are officially given as follows in the "Statistique Mensuelle du Commerce Extérieur de la Suisse" for January, February and March, 1940, published by the General Direction of the Federal Customs, Bern:*

SWISS IMPORTS OF GOLD BARS FROM U. S. S. R.

<u>1940</u>	<u>Quantity</u> (Kgs.)	<u>Value</u> (Sw. Frs.)
January	4,781	23,441,457
February	2,980	14,602,000
March	<u>11,856</u>	<u>57,952,501</u>
Total	19,617	95,995,958

Germany and U.S.S.R.

During the same period, shipments from Germany to Switzerland of bar gold for "banking transactions" are officially reported to have amounted to 8,424

* Copies of these confidential publications were forwarded to the Department with the Legation's despatch No. 1316, April 18, 1940.

-2-

kilograms, valued at 41,397,039 francs (in January, 5,492,273 francs; February, 730,623 francs; March 35,174,143 francs).

Gold ingots imported from Russia and Germany, together, during the first quarter of 1940 were valued at 137,392,997 francs, and comprised 64.4 percent of Switzerland's total imports of monetary gold from all sources during that period (213,351,943 francs). Total Swiss exports of the metal during the same period were valued at 324,187,806 francs, as compared with shipments to the United States, alone, indicated valued at 241,970,185 francs (see annexed table).

This series of shipments of Russian gold to Switzerland appeared to commence in December 1939 with transactions totaling 12,307,700 francs. The latter were evidently the shipments referred to by Mr. Rosy of the Swiss National Bank in a conversation which was reported in the Legation's despatch No. 1222 of February 8, 1940.

There was an opportunity several days ago to mention this traffic in a further conversation on this subject with Mr. Rosy. The latter appeared to be somewhat embarrassed by the citation of the figures showing the large imports by Switzerland of Russian gold and my assumption that the shipments proceeded almost immediately to

-3-

the United States. Mr. Rosy stated that the bulk of the Russian gold was assayed and remelted at Le Locle, at the branch office in that city of the Swiss Bank Corporation (Schweizerischer Bankverein, Basel) and reshipped to the United States where the exchange value was credited to the account of the "Soviet commercial representation in New York" at the Swiss Bank Corporation's office in that city. He admitted also that a large part of the recent shipments of gold from Germany (valued at 35 million francs in March alone) consisted of metal of Russian origin. The excess of German exports of gold over imports, in the traffic with Switzerland, amounted to 40 million francs in favor of Germany during the first three months of 1940.

Italy

Italian exports of gold to Switzerland amounted to nearly 20 million francs in March and imports to nearly 17 million (first quarter: imports, 33 million francs; exports, 49 million francs). These movements are said to be explained, partly, by the trade in gold in which the Banca d'Italia engages in order to profit by the difference in price between gold pieces and ingots, and by Swiss payments in gold, other than through the clearing, for certain (unspecified) raw materials urgently

-4-

required by the Swiss army.

France and Great Britain

The allied Governments have recently delivered a certain quantity of gold to Switzerland to pay for orders of war material. France: 2.2 millions in March, 33 millions (net) during first quarter as a whole; Great Britain: 1.5 millions in March, 8.4 millions during the quarter. In addition, a quantity valued at 2,179,380 francs was received in January directly from the Union of South Africa.

Netherlands

Imports of gold from the Netherlands amounted to 26.7 francs during the first three months of 1940 (8.3 millions in March), almost balancing the exports: 28.9 millions during the quarter and 8.7 millions in March.

The traffic with other countries, with the exception, of course, of the United States, has been on a very much smaller scale.

Switzerland as intermediary for gold transactions

It appears that Switzerland, because of its central geographical position and strict official neutrality backed by a strong army, is thought of as affording substantial safeguards for international monetary transactions and to be a reliable intermediary. It is thus not

-5-

surprising that gold movements in Switzerland are fairly numerous. There is reason to believe that they are watched attentively by the British and French authorities in view of their possible bearing on the effectiveness of the financial blockade of Germany.

Respectfully yours,

Leland Harrison.

Enclosure:

Table.

File No. 851

DFB/mk

In quintuplicate

Copy to American Consulate
General, Zurich

COPI

MOVEMENT OF MONETARY GOLD (IN BARS) IN SWITZER-
LAND DURING THE FIRST QUARTER OF 1940

(Statistique Mensuelle du Commerce Extérieur de
la Suisse, March 1940, page 158)

<u>Country</u>	<u>Swiss Imports</u> (Sw. Frs.)	<u>Swiss Exports</u> (Sw. Frs.)
Germany	41,397,039	1,041,892
France	4,168,852	835,915
Italy	33,426,971	49,818,133
Belgium	46,480	899,570
Netherlands	26,762,871	28,996,785
Great Britain	8,423,553	—
Sweden	558,310	—
Hungary	8,937	—
U.S.S.R.	95,995,958	—
Union of South Africa	2,179,380	—
U.S.A.	320,142	241,970,185
Cuba	7,550	—
Argentina	55,900	376,338
Albania	—	1,690
Latvia	—	44,868
Yugoslavia	—	46,240
Greece	—	5,790
Turkey	—	6,100
Morocco, French	—	138,000
Syria	—	6,300
Totals	213,351,943	324,187,806

COPY

April 30, 1940

276

STATE DEPARTMENT OFFICIALS SAY THEY HAVE NOT RECEIVED A CABLE FROM AN AMERICAN COMMITTEE IN SHANGHAI SUGGESTING A U. S. LOAN TO HELP STABILIZE CHINESE CURRENCY.

A SPOKESMAN SAID THAT SUCH A REQUEST MUST BE DEALT WITH PRIMARILY BY THE TREASURY DEPARTMENT. HE ALSO POINTED OUT THAT SECRETARY MORGENTHAU RECENTLY ASSURED CONGRESS THAT HE WOULD NOT USE THE \$2,000,000,000 STABILIZATION FUND FOR LOANS TO SUPPORT FOREIGN CURRENCIES WITHOUT ADVISING CONGRESS IN ADVANCE.

THE SPOKESMAN RECALLED THAT THE FEDERAL EXPORT-IMPORT BANK ALREADY HAS AUTHORIZED A \$20,000,000 LOAN TO CHINA TO SUPPLEMENT \$25,000,000 PREVIOUSLY ADVANCED.

4/30--GE1259P

11:15 a.m.
April 30, 1940

Mr. Livesey phoned that message dated today
re Italian sailings had been received as
follows:

"Rex sailed this afternoon."

J. M. R.

JR

GRUY

Milan

Dated April 30, 1940

Rec'd 2:10 p.m.

Secretary of State,
Washington.

18, April 30, 4 p.m.

FOR TREASURY DEPARTMENT.

Today's prices as follows: 202; 347. 50; 510;
not listed; 981; 208. 25; 1665; 65. 75; 234. volume
82,046.

Market slow but steadily firmer apparently due more
favorable rumors of impending profits tax than heretofore
reported.

SHOLES

CSB

HSM

GRAY

Berlin

Dated April 30, 1940

Rec'd 11 a. m.

Secretary of State,
Washington.

1164, April 30, 9 a. m.

FOR TREASURY FROM HEATH, AND ALSO FOR THE
DEPARTMENT'S INFORMATION.

My 979, April 15, 10 a. m., and 1062, April 20, 9 a.m.

As reported in my report under reference the recent reduction of the Reichsbank rediscount rate was a first step towards a fundamental lowering of the interest structure of the Reichsbank. A long further stride toward such an end has now been taken through the ordering of substantial decreases in interest rates on bank deposits and bank loans. The order is contained in an announcement of the Central Credit Committee of the German banking associations published in the REICHSANZEIGER of April 24 countersigned and made mandatory as of May 1 (except for the former Polish territories now annexed to the Reich which it is expected will be included later) by the Reich Board of Credit supervisors.

Interest on loans extended by the banks will be
reduced

hsm -2- No. 1164, April 30, 9 a. m., from Berlin (Section 1)

reduced from 5 to $4\frac{1}{8}\%$ which adding the customary service charge of $1/8\%$ per month makes an effective annual rate of 5% instead of the usual $6\frac{1}{2}\%$ which in the absence of special conditions entitling the borrower to a lower interest has been the prevailing rate to date. The former regulation of interest on bank loans provided for a rate 1% above the Reichsbank's rediscount rate with a minimum of 5%.

Interest rates on sight deposits are to remain unchanged at 1% on accounts free of service charges and $1\frac{1}{2}\%$ on accounts subject to service charges. The banks opposed any decrease in interest rates on demand deposits on the ground that even under present easy money conditions they were not too high and that undesired developments might occur if the rate were lowered in view of the fact that German depositors have so long been accustomed to receiving interest on such deposits.

Interest rates on savings and other time deposits have been reduced by amounts ranging from $1/2$ to $3/4\%$. The interest on ordinary savings deposits which can be withdrawn in full only after 90 days notice has been reduced from 3 to $2\frac{1}{2}\%$. This is the smallest decrease on any type of deposits. Since by far the majority of the savings accounts come under this category and since these accounts represent for the most part genuine savings

in

hsm -3- No. 1164, April 30, 9 a. m., from Berlin (Sec. 1)

in contrast to the so-called kuendigungsgelder (deposits which can be withdrawn after the term of notice agreed upon) and term deposits both of which ordinarily consist of idle funds of business concerns and thus are of a temporary nature it was deemed advisable to make the decrease as small as possible in view of the present policy of encouraging savings as a means of absorbing excess purchasing power and facilitating government financing. (END SECTION ONE).

KIRK

CSB

JR

GRAY

Berlin

Dated April 30, 1940

Rec'd 9:45 a.m.

Secretary of State,
Washington.

1164, April 30, 9 a.m. (SECTION TWO)

On other types of deposits greater decreases of interest are ordered. Thus interest on savings deposits which can only be withdrawn after notice of six to twelve months is decreased from three five eighths to three per cent and on savings deposits on which the notice required is over twelve months from four to three one quarter per cent. Formerly a slightly higher interest rate was paid on deposits subject to a withdrawal notice of three to six months but the new order while not definitely abolishing this type of savings deposits prescribes that no higher interest shall be paid than on ordinary savings accounts.

On ordinary time deposits subject to one to three months notice of withdrawal the interest is diminished from two one half to one three quarters per cent; for accounts of from three to six months notice from three to one half per cent; for deposits subject to from six to twelve months notice from three one-half ^{to} two seven eighths per cent; for deposits requiring over twelve months notice
from

-2- #1164, April 30, 9 a. m. (SECTION TWO) from Berlin.

from three one half to two seven eighths per cent; for deposits requiring over twelve months notice from three seven eighths to three one eighth per cent. Interest on fixed term deposits of from one to three months is decreased from two one half to one three quarters per cent; three to six months from three to two one half per cent; six to twelve months from three one half to two three quarters per cent; over twelve months three three quarters to three per cent.

The foregoing represent maximum rates which can be paid on deposits by credit institutions in which trust funds may be deposited. Lower rates than the maximum permitted would for competitive reasons almost never be paid. Other credit institutions not permitted to serve as depositories for trust funds (credit cooperatives and private banks) may according to the new regulation pay interest rates from one quarter to one half per cent higher than the other banks varying according to the type and size of bank and the type of deposits. The excess in rate permitted for such institutions by the new order is somewhat less than was formerly the case.

In his recent address Economic Minister Funk (see my No. 1062, April 20, 9 a.m.) indicated that depositors would not receive compensation for lower interest rates in the

form

-3- #1164, April 30, 9 a. m. (SECTION TWO) from Berlin.

form of (1) incomplete abatements, and (2) a change in the provision concerning the date on which interest begins to accrue on deposits (the waiting time has heretofore been from 15 to 29 days). A provision granting tax abatements as regards income from savings deposits will, it is assumed, be included in the new income tax regulations which are expected to be issued shortly. It is understood that pending a possible change in the credit law interest will begin to accrue on the 15th day after money is deposited the minimum at present permitted.

KIRC

KLP

JR

GRAY

Berlin

Dated April 30, 1940

Rec'd 10:24 a.m.

Secretary of State,
Washington.

1164, April 30, 9 a.m. (SECTION THREE)

The margin of profit of German banks began to dwindle shortly after the beginning of the war when the money market became very liquid and the probable necessity of reducing interest on bank deposits has been a subject of discussion in the press for the past several months. As a result, however, of the steady increase in deposits during most of 1939 and the striving for liquidity at the beginning of the war which caused many concerns to place their funds in lower interest bearing demand deposits instead of in time deposits most of the banks made normal profits during the calendar year 1939. With declining interest rates on investments in particular on treasury paper which represents a large part of the banks investment portfolios and a shift back from demand deposits to time deposits as the war continued it became clear that the banks would sooner or later get into difficulties unless they were permitted to reduce the interest paid on deposits.

The reduction in interest on banks deposits represents

an

-2- #1164, April 30, 9 a.m. (SECTION THREE) from Berlin.

an important step toward ultimate new issues and it is likely conversions can be granted of long term government loans at a lower interest rate since banking institutions in particular savings banks are very important investors in government bonds. The long term so-called (liquidity) loans which the government has sold in appreciable quantities to the savings banks, insurance companies, et cetera at a $4\frac{1}{2}\%$ interest rate will probably undergo a reduction in interest. Five year loans sold at 99 carrying 4 per cent interest have been issued since March 12, 1940, see my 641 of March 14, 11 a.m., and according to an article in the DAIKARCHIU over one billion marks of these were issued during the first month after they were introduced. (END MESSAGE)

KIRK

KLP

TREASURY DEPARTMENT

287

INTER OFFICE COMMUNICATION

DATE April 30, 1940.

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

The principal foreign currencies experienced a decline today which was attributed to the latest reports on European war conditions. Sterling, after opening at 3.53, fell to a low of 3.51 by noon-time. It returned to 3.51-3/8 in the mid-afternoon, but then eased to close at 3.51.

The reported turnover figures below indicate that the volume of trading was not large. It was reported that some selling of sterling by the New York agencies of Japanese banks took place, and this contributed toward the decline in the rate.

Sales of spot sterling by the six reporting banks totaled £ 397,000, from the following sources:

By commercial concerns.....	£ 147,000
By foreign banks (Europe, Far East and South America).....	£ 250,000
Total.....	£ 397,000

Purchases of spot sterling amounted to £ 260,000, as indicated below:

By commercial concerns.....	£ 117,000
By foreign banks (Europe).....	£ 143,000
Total.....	£ 260,000

The following reporting banks sold cotton bills totaling £ 24,000 to the British Control on the basis of the official rate of 4.02-1/2:

£ 10,000 by the National City Bank
7,000 by the Irving Trust Company
4,000 by the Guaranty Trust Company
3,000 by the Bank of Manhattan
<u>£ 24,000 Total</u>

The guilder, which eased yesterday to .5310, moved off further today to close at .5309. The belga touched a low of .1685 and closed at .1686.

- 2 -

The other important currencies closed as follows:

French francs	.0199
Swiss francs	.2242-1/2
Canadian dollars	15-1/16% discount

The discount for the Cuban peso narrowed further to 10-13/16%. The Mexican peso was unchanged at .1672.

The Federal Reserve Bank purchased 20,000 guilders for account of the Bank of Latvia.

We purchased \$700,000 in gold from the earmarked account of the Central Bank of the Colombian Republic.

The Federal Reserve Bank of New York reported the following shipments of gold:

\$5,875,000	from Switzerland, shipped by the Swiss National Bank to the Federal Reserve Bank, to be earmarked for account of the Swiss National Bank.
1,465,000	from England, shipped by Samuel Montagu & Company, London, to the Irving Trust Company, New York, for sale to the U. S. Assay Office.
310,000	from Peru, shipped by the Banca Italiana, Lima, to the Irving Trust Company, New York, for sale to the U. S. Assay Office.
<u>\$7,650,000</u>	Total

The State Department forwarded to us a cable stating that the following shipments of gold were made from Bombay, India:

* 714,000	shipped by the National Bank of India to the Canadian Bank of Commerce, San Francisco.
315,000	shipped by the National City Bank, Bombay, to the American Trust Company, San Francisco.
210,000	shipped by a French bank to the French American Banking Corporation, New York.
192,000	shipped by the National Bank of India to the Chase National Bank, San Francisco.
<u>\$1,431,000</u>	Total

The shipments consigned to San Francisco will be sold to the U. S. mint there, and the one being sent to New York will be sold to the U. S. Assay Office.

The Bombay spot silver quotation rose 1/16¢ to the equivalent of 41.77¢.

In London, the prices fixed for spot and forward silver both moved up 1/16¢ to 21-1/16¢ and 21¢ respectively. The U. S. equivalents were 33.52¢ and 33.16¢.

Hendy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

CONFIDENTIAL

- 3 -

We made seven purchases of silver totaling 747,000 ounces under the Silver Purchase Act. Of this amount, 497,000 ounces represented sales from inventory, and the remaining 250,000 ounces consisted of new production from foreign countries, for forward delivery.

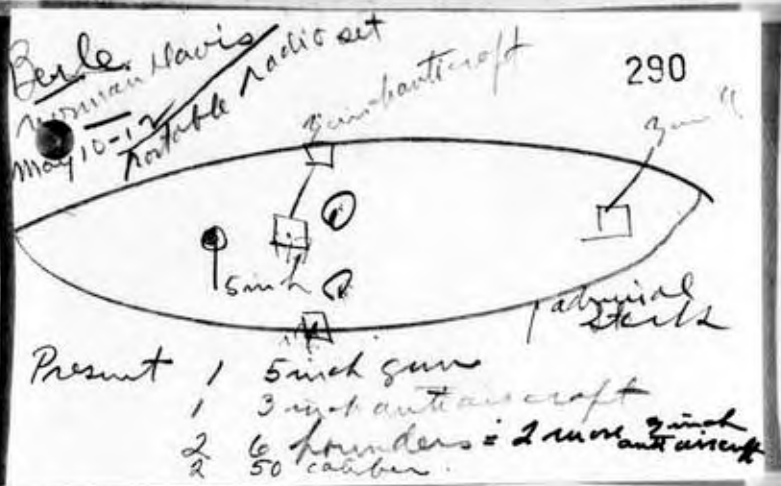
We also purchased 51,000 ounces of silver from the Bank of Canada, which raises the total bought from Canada during April to the agreed limit of 1,200,000 ounces.

During the month of April, we purchased a total of 11,734,900 ounces of silver under the Silver Purchase Act. The sources of these purchases were as follows:

<u>TYPE OF SILVER</u>	<u>OUNCES</u>
New Production	
1. From various countries	6,997,900
2. From Canada under Agreement	1,200,000
Inventory Silver	3,137,000
Trading Silver	400,000
	<u>11,734,900</u>



CONFIDENTIAL



gokhaat

291

Algarquin
10 days

Campbell (June 5
6 days.

April 30, 1940

The Secretary had Gaston and Admiral Waesche in his office this morning to discuss the dispatching of a Coast Guard cutter to Greenland. He asked Waesche to send him a memorandum of what armament was on the Comanche and Campbell. (Waesche's memo, dated 5/1/40 is attached.

The Secretary conferred with the President and then sent for Gaston and Waesche to come in to Mrs. Klotz' office as the Secretary had a group in his office.

The following conversation took place between the three gentlemen:

HM, Jr: You (Gaston) are to call up Mr. Berle and Norman Davis and tell them the Algonquin will sail between May 10th and May 12th. Who does the State Department want to go on board and what does Norman Davis want? The Campbell should be ready to sail between June 1st and 5th.

The President wants you (Admiral Waesche) to set up a portable radio set on the shore. First he said the Navy and I said, "Couldn't Coast Guard do that?" and he said yes. I said we can handle it and he said let Coast Guard do it. Have you something powerful enough?

Admiral Waesche: Yes.

HM, Jr: He told me to call up Admiral Stark and tell him to put two three inch anti-aircraft guns on the end.

Mr. Gaston: The Campbell should be able to get in there without any difficulty.

HM, Jr: But I would send the Algonquin. Tell them they go on the Algonquin.

Admiral Waesche: Where is she to sail from? Any place she can get in?

HM, Jr: I'd say the Capital. These people

-2-

should be prepared to get on the Algonquin. The Campbell might not get in there.

Mr. Gaston: I think from what Graves said the chances are better of getting in Godthaab.

(At this point, HM, Jr called up Admiral Stark and told him what the President wanted and said that Admiral Waesche would come over to see him. Admiral Stark suggested that Waesche see Gormley instead.)

Mr. Gaston: That's the Algonquin. You want the Algonquin equipped with some more Thompson sub-machine guns.

Admiral Waesche: It's the Lewis machine guns.

HM, Jr: The maximum they can take.

Admiral Waesche: The Algonquin is to take some passengers but no freight?

HM, Jr: Well, we don't know. You are to ask Norman Davis that.

Admiral Waesche: The other ship that goes up in June, is she to take passengers and freight?

Mr. Gaston: I will talk to Norman Davis as to what he wants to send.

(Mr. Gaston's memo of conversation with Mr. Berle of the State Department and Mr. Davis of the Red Cross is attached.)

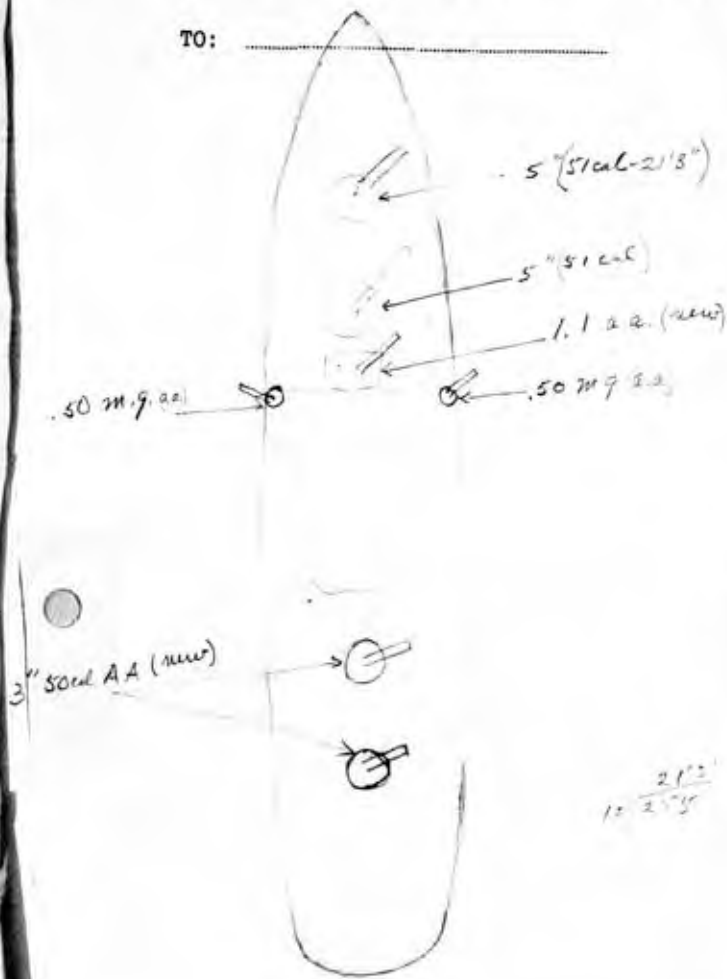
2-100 watt tubes -
 1-500 " " - 2 long -
 2000 lbs. of fuel

10 Lewis Grenades
 20 " Campbell

FROM: MR. GASTON'S OFFICE

294

TO: _____



April 30, 1940.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston



I talked to Berle in the State Department and to Norman Davis of the Red Cross. The State Department would like to send two men aboard the ALGONQUIN, sailing May 10th. These men will be Penfield, who is to be the Consul, and West, to be his assistant. They will have only their baggage and a limited amount of personal supplies.

Davis told me when I first called him that they would not want to send anyone aboard the ALGONQUIN, but he called later to correct this. They also would like to send two men, one of whom will be Donald MacMillan, if they can get him, and the other Morris Reddy, a relief expert. Davis will let me know later whether they will wish to send any supplies on the CAMPBELL, but he is quite certain they will not wish to send any on the ALGONQUIN. The Danish Ambassador he says assures him that Greenland has everything that is needed for the present.

I explained to both that if the ALGONQUIN sails on May 10th, she would probably arrive at Godthaab between the 23rd and the 25th and that there would be time to get back word before the CAMPBELL sails, about June 1st.

Waesche is giving the necessary instructions about equipment of both ships.



TREASURY DEPARTMENT

UNITED STATES COAST GUARD

WASHINGTON

1 May, 1940.

CONFIDENTIAL.Memorandum to Assistant Secretary Gaston.

Subject: COMANCHE and CAMPBELL - Cruise to Greenland.

1. COMANCHE.
Will be ready to depart New York, 10 May, 1940.
- (a) Armament - Two 3"-.50 caliber A.A. guns
Twelve .30 caliber Lewis machine guns
Twenty-nine .30 caliber rifles
Seventeen .45 caliber pistols
- (b) Ammunition - 886 rounds 3"-.50 caliber A.A.
111,000 " .30 caliber
4,000 " .45 caliber
- (c) Dry stores for six months.
- (d) Fresh provisions to capacity of refrigeration space.
- (e) Fuel and water to capacity.
- (f) Full authorized complement of officers and men plus five radiomen for shore radio station.
- (g) Ship's Medical Officer, Surgeon U. S. Public Health Service.
- (h) Radio equipment for shore station (radio):
2 - 100 watt and 1 - 500 watt transmitters, radio receivers, 10 kw. Kohler generator, 20 drums 73 octane aviation gasoline, and 2 portable houses.
- (i) Accommodations for four (4) passengers (no stateroom available).
- (j) Will report ready not later than 1200 May 9, 1940.

2. CAMPBELL.

Will be ready to depart New York 1 June, 1940.

(a) Now New York Navy Yard for installation of guns, range finder, and additional ammunition stowage.

(b) Armament will be:

Two 5"-.51 caliber guns
 Three 3"-.50 caliber A.A. guns
 Two .50 caliber A.A. guns
 Twenty .30 caliber Lewis machine guns
 Sixty .30 caliber rifles
 Thirty .45 caliber pistols
 One .30 caliber Colt Monitor rifle
 One .45 caliber Thompson sub-machine gun

(c) Ammunition:

748	rounds	5"
936	"	3"-.50 caliber A.A.
80,640	"	.50 caliber
226,000	"	.30 caliber
9,000	"	.45 caliber

(d) Dry stores for six months.

(e) Fresh provisions to capacity of refrigeration space.

(f) Fuel and water to capacity.

(g) Thirty (30) drums of 73 octane aviation gasoline.

(h) Full authorized complement of officers and men.

(i) Amount of cargo undetermined.



R. R. WAESCHE.

APR 30 1940

My dear Mr. Smith:

There are enclosed an original and one copy of a letter for transmission to the President, through your office, on H. R. 9214, 76th Congress, 2nd Session, a bill "To transfer to the Government of the Virgin Islands of the United States all taxes collected under the Internal Revenue Laws of the United States on articles imported into the United States from the Virgin Islands."

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

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

5-1-40 Taken by Mr. Sullivan
to Mr. Smith at 11:00 a.m.

File to Mr. Thompson

OAP: S YAM

April 30, 1940.

My dear Mr. President:

Reference is made to the attached bill H.R. 9214, 76th Congress, 3rd Session, "To transfer to the Government of the Virgin Islands of the United States all taxes collected under the Internal Revenue Laws of the United States on articles imported into the United States from the Virgin Islands."

Although I appreciate that you have already indicated your approval of the purposes of this Bill, there are certain policy considerations which I feel should be brought to your attention.

It is to be noted that the taxes involved which it is proposed to earmark for the Government of the Virgin Islands are taxes paid by citizens of the United States located in the United States and not by persons in the Virgin Islands. The Bill would thus segregate a part of the general revenues of the United States for the exclusive use of the Virgin Islands. It must be emphasized that serious difficulties are always inherent in earmarking general tax funds for specific purposes. There is rarely to be found any relation between the amount of funds earmarked and the need for such funds. Such need may be greater or it may be less than the amount of funds available; it is purely fortuitous when the amounts are the same.

It is further to be noted that budgetary control over expenditures becomes almost impossible when such expenditures are met from the earmarking of specific taxes. Experience shows that when receipts are large expenditures become correspondingly large, with the result that when receipts become unduly small expenditures must necessarily become correspondingly small because no back-log of receipts has been built up to meet the decline in collections. The experience of the States in earmarking funds for the construction and maintenance of highways is highly indicative of the results which follow upon a lack of effective budgetary control.

Furthermore, the Department feels that the sanctioning of a policy of segregating general revenues for specific purposes has inherent dangers to our revenue and budgetary systems. Demands for the introduction of this principle to other fields of taxation are often made. For example, it is sometimes asserted that Federal collections of gasoline and automotive taxes should be earmarked for highways. Aside

- 2 -

from the lack of any necessary relation between the amounts collected and the amounts required for construction and maintenance of highways, such earmarking would have grave consequences to the revenues. It is felt that approval should not be granted to any Bill which might establish a precedent for the further extension of a policy of earmarking general funds for specific purposes.

I am aware that in the past somewhat similar legislative assistance has been rendered to Alaska, the Philippine Islands and Puerto Rico. I likewise recognize that the amount here involved is not substantial. I raise the question at this time because of the danger which might result from a projection of this technique. To segregate for the use of the Hawaiian Islands all income taxes paid by residents in Alaskan mines or fisheries would, in principle, hardly differ from what is here proposed.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

r:JLS:kb
RRE:als
4-30-40

5-1-40 Taken by Mr. Sullivan to
Mr. Smith of Budget at 11:00 P.M.

File to Mr. Thompson

COPY FOR SECRETARY

Codman

CABLE FROM LONDON

Sent and received 10

420/40

Personal for Knoke

We are in constant contact with De Jong at De Nederlandsche Bank and he has asked me to inform you of situation in Amsterdam as many false reports are being circulated by enemy agents. The stock exchange is closed and exchange dealings are prohibited but the banks are open for all normal payments. No moratorium has been declared but an announcement will probably be made this afternoon regarding exchange policy. We shall maintain contact and pass messages to you for the next few days. We have temporarily suspended quotation of guilders and belgas. If possible I shall telephone you this afternoon.

TEST OK

BOLTON

April 30, 1940

10:30 a.m.

Present:

Mr. Bloch-Laine
Major Vidalot
Mr. Ballantyne

Admiral Furlong
Colonel Burns
Colonel Menton

Captain Collins
Mr. Young
Mrs. Klotz

HM, Jr: The reason I asked these gentlemen to come here from the Army and Navy is because the questions that you asked me are largely ones that they will have to pass on and I thought I would save your time and their time if they could hear direct.

Mr. Bloch-Laine: Surely, Mr. Secretary and I think they want to ask questions of Mons. Vidalot and he will tell them what he is after and why we have to trouble you with the present request.

HM, Jr: Possibly if he could tell his story and then these gentlemen will ask and then would you want to take up

(At this point the Secretary went into his washroom to take a call from the President. When he returned to his office he asked the group to excuse him while he went with Mrs. Klotz' into her office to meet with Gaston and Waesche whom he summoned by phone.)

(The Secretary returned to his office.)

HM, Jr: I am sorry gentlemen. Have you had time to explain?

-2-

Mr. Bloch-Laine: No. We have not started, Mr. Secretary. We did not want to do that while you were away.

Major Vidalot: Excuse me, I speak English very bad. It is the French Minister of Armament's desire to have by the first of July, to buy shells, 70,000 tons.

Admiral Furlong: What size?

Major Vidalot: Three sizes. First size, 82 m.m. of shells 3" 75; second size, 110 m.m. for shells 105; third, be shells the 225 m.m. for shells 220.

Just now the other is the following: Bethlehem Steel, 5,000 tons of shell bars the first size, 82 m.m.; 5,000 tons, second size, 110 m.m., with option for 50,000 tons. This option is not specified now.

Admiral Furlong: Not specified as to size. Would they be larger or smaller?

Major Vidalot: Quantity, 50,000 tons.

Mr. Bloch-Laine: Always the same size as previously indicated, but don't know exactly the proportion.

Major Vidalot: But make Bethlehem Steel 60,000 tons and now we have

HM, Jr.: Pardon, me. Do you (Admiral Furlong) understand that?

Admiral Furlong: Yes, I have it.

Major Vidalot: We have discussed 5,000 tons with the Bethlehem Steel, the third size, 225 m.m.

Admiral Furlong: 5,000?

Major Vidalot: That makes 60,000 sure and

-3-

65,000 possible. With the United States Steel we have 3,000 tons round bar, 82 m.m., and we have 5,000 bars, shells 225 m.m., with Jones & Laughlin.

Admiral Furlong: Just those two sizes with the United States?

Major Vidalot: Yes.

Admiral Furlong: 5,000 with the United States?

Major Vidalot: No. No. With Jones Laughlin. We also have sheets and plates.

Mr. Bloch-Laine: But I understand sheets and plates are of standard quality.

Major Vidalot: Yes. This steel bar is not standard.

Admiral Furlong: It is not? You will specify?

Major Vidalot: There is a very great difference between the French shell and the English shell. The French one is made with very thick wall.

Mr. Bloch-Laine: Thin.

Major Vidalot: Thin.

Admiral Furlong: This explosive shell.

Major Vidalot: Capacity maximum for powder. So steel is added, special steel, for a very, very firm foundation by explosion.

Mr. Bloch-Laine: In other words, I understand it is brittle and makes a more deadly weapon.

Admiral Furlong: I understand.

Major Vidalot: That's why we require special steel, not difficult steel but special steel. This

-4-

is about the same steel as the United States specifications for tube called Grade C. About the same. And reception and condition of the steel is French condition 1909 - 1925.

Admiral Furlong: What does he mean? Date of the specification?

Mr. Bloch-Laine: Yes.

Major Vidalot: French specification 1909.

Admiral Furlong: Modified in 1925?

Mr. Bloch-Laine: Yes. Amended in 1925.

Major Vidalot: And the specification is the following: we have test. Only physical test. No analysis. The difference between our specifications and the United States is analytical. We have only physical test.

Admiral Furlong: Tensile and breakage.

Major Vidalot: And I handle this shell only for Army artillery, not artillery Navy. Only Army artillery.

Mr. Bloch-Laine: But what is really your trouble is, if I understand well, is that this steel to be made in this special way, it is necessary to help them along and it is necessary to be in contact with them. In fact, if I understand from Major Vidalot's visit yesterday at Bethlehem Steel he found them quite ready to and willing to cooperate and provide the steel. They were not reluctant but had a little trouble because they had to modify certain methods and adapt themselves to that special steel we want. So in order to be able to do that and continue that work either at Bethlehem or U. S. Steel or other places, Major Vidalot has to be in almost constant contact with them, not only the President and Chairman of the Board but also with the engineers and technical people, and he may have to go and watch the work they are doing and give them indications and put it in

-5-

shape. He has done it in England recently and he has succeeded in arranging tons, production of 20,000, of that kind of steel in England for us. So today if he can go ahead and do it, if he is not restricted by the fact that one factory is reluctant so much on Army or Navy work that it is reserved and he cannot penetrate, I think he will either have to give it up there and turn to another factory or perhaps give up the fact of getting that steel in that particular direction. That's why we are having the problem and that's why we are putting it before you today.

HM, Jr: So far, I think you are looking for trouble which I don't think you will find. We had a meeting here yesterday at which the Assistant Secretary of War and Assistant Secretary of Navy were present and, as I understand it, of course I don't know, we don't know whether the Bethlehem wants the order or don't want it -- when it comes to that they will have to decide -- but let's say they do want the order, or U.S. Steel wants it, then it gets down to the question of inspection and from what these gentlemen said, there may be certain parts of the factory which we will not permit you to go to, but in that case the Army and Navy will be willing to cooperate, perhaps with their own inspection force.

Mr. Bloch-Laine: That we are very prepared to do with them.

HM, Jr: Is that correct, Colonel?

Colonel Burns: That's correct?

HM, Jr: Admiral?

Admiral Furlong: That's correct.

Colonel Burns: We don't have much of a problem of secrecy. Primarily Navy. I think we would have to impose very few restrictions.

Admiral Furlong: Our stuff is being made in these plants.

-6-

HM, Jr: What I understand -- and you gentlemen correct me -- there is no reason why you should not place the orders. Quite the contrary. We would be glad to see these companies get the business.

Admiral Furlong: That's right.

HM, Jr: So there is no conflict here on production. Our plants have ample capacity and we are glad to get business. Next is the question of inspection.

Admiral Furlong: That can be arranged.

Mr. Bloch-Laine: Before inspection there is a great deal of work to be done and we have had a problem of that kind with steel shells with Bethlehem where we have been unable to get in and when it came to inspection it did not meet the specification because we cannot cooperate.

Admiral Furlong: Recently?

Mr. Bloch-Laine: Yes, sir.

Admiral Furlong: I think that's all been ironed out.

HM, Jr: You know about that?

Admiral Furlong: I heard a complaint about that some months ago and in order to assist in allowing them to go in for their inspection I hired an extra man in Bethlehem so inspectors could go in at any time. No reason on earth why they should not see anything they want, except when they see our stuff which, of course, they cannot see. But I had Bethlehem on the phone this morning and Bethlehem said they could take on any of this work. They might even put up an extension to their building or make a separate arrangement of another building. I also had the U.S. on the phone about sheets and plates and they said they also could take any of it and I also inquired about Jones-Laughlin. And if these gentlemen will come in to see me about it, we will iron out the details.

-7-

Mr. Bloch-Laine: I don't know whether I have opened a door, but I am very glad to see it opened.

HM, Jr: You never know. Sometimes we are very tough. Today we are in a good humor.

Mr. Bloch-Laine: I would like to take every advantage of it.

HM, Jr: Today is a very good day.

Mr. Bloch-Laine: That will make me ask you for five minutes more.

HM, Jr: I don't know how long it will stay good!

Admiral Furlong: Those details can easily be worked out.

HM, Jr: And as I understand it, Colonel Burns, this is largely a Navy problem. You are not in these plants.

Colonel Burns: No, sir. I don't think we have to impose any restrictions. We could have a man sit with Admiral Furlong and he might be able to help.

HM, Jr: Could you arrange that?

Admiral Furlong: I can, but it's my inspector who keeps them from seeing my work. That's what he's growling about and my inspector does it because it's this particular stuff, but we are very glad to help you in any way we can.

Mr. Bloch-Laine: That's very nice and I suggest if Mr. Vidalot has any problem of that kind to go to you and talk it out.

HM, Jr: Go directly to Admiral Furlong.

Admiral Furlong: For instance, the head of

-8-

the inspection service of the Canadian mission -- they came in to see me to work out any difficulties on inspection. We are glad to help. We are not trying to stop anything. We are trying to help.

HM, Jr.: And we want to see the companies get the business.

Admiral Furlong: Want to see them get the business and the companies are glad to get the business.

Mr. Bloch-Laine: And we are glad to see them make our kind of steel, because I understand it makes a better kind of shell all around.

Admiral Furlong: I shall be glad to learn about it.

Mr. Bloch-Laine: I would be glad to see American steel industries be able to do it.

HM, Jr.: Does that clean up steel?

Mr. Bloch-Laine: That cleans up ^{the} steel problem as far as we are concerned.

Admiral Furlong: There are even other companies that can make plates that they do not have on their list here.

HM, Jr.: Who are they?

Admiral Furlong: Lukens could make some plate. It's up near Philadelphia. And I noticed that they were in a hurry for some plates. And I asked one of the companies -- there is a large company in this country who has store houses all over the company who store plates for quick delivery -- Joseph T. Ryerson -- and they charge a little more than where you buy direct from the mills, but they said that the first inquiry that came in, when they quoted prices -- this is Ryerson -- that the mission said they could wait three or four months for the plates so they would not need to get them from the fellow who stores them. But if you ever get in a hurry and don't

-9-

want to wait for the mill, these people have large supplies in store houses all over the country.

Mr. Bloch-Laine: Danger is not at the door. Steel mills in France are working at capacity. I understand from Major Vidalot they are making 45,000 tons of those shells, steel, regularly.

HM, Jr: A month?

Mr. Bloch-Laine: Month. Yes. And that goes on all right, but many of our steel mills are very near the line and in any disturbance

HM, Jr: So your production is 85,000 tons. Metric tons, I suppose.

Mr. Bloch-Laine: Metric tons, of that particular brand of steel. That could be disturbed easily and increase in number of shells wanted may come at any time.

Admiral Furlong: We can work this out, Mr. Secretary.

HM, Jr: While I have these gentlemen here, do you know where Admiral Furlong's headquarters are?

Mr. Ballantyne: Yes, sir. I do.

HM, Jr: This thing I have here, anything you want to discuss? That I got from your mission?

Mr. Bloch-Laine: No. This is substantially correct with the orders we already had on hand. This has recently been completed by the arrival of Major Vidalot and I suppose in the next statement we will correct whatever there is to change in that so as to give you a clear picture of what we have in mind.

HM, Jr: Do you want to say anything?

Mr. Bloch-Laine: If you will give me three minutes.

HM, Jr: Army satisfied?

-10-

Colonel Burns: Yes, sir.

Admiral Furlong: They can see me any time.

oOo-oOo

See separate transcript of meeting between
HM, Jr and Mr. Bloch-Laine immediately following this
meeting.)

312

A photostat of this to
Phil Young 4/29/40

April 26th, 1940.

STEEL ORDERS TO BE PLACED IN THE UNITED STATES.

313

We have requisitions for placing the following Steel contracts:

- (a) Bars for shells 70,000 tons
- (b) Sheets and Plates 46,000 tons

All for early delivery, and completion, if possible, by the 1st of July.

If the first consignments prove satisfactory, the above shell steel order will be followed by orders for:

- (a) 35,000 tons a month up to November,
- (b) a minimum of 100,000 tons per month thereafter, and
- (c) 20,000 tons of semi-manufactured steel from May onwards.

The suppliers selected for the first orders of round steel shell bars (70,000 tons) are:

- (1) Bethlehem Steel Co.
- (2) United States Steel,
- (3) Jones Laughlin.

French shell steel differs entirely from the American and English product. The process of manufacture is also different and very complicated. Commandant Vidalot, who is a specialist in this process, has been sent from France to collaborate with the metallurgists of the American companies. Commandant Vidalot has already undertaken this task in England, and, as a result of his instruction, 20,000 tons are now being produced monthly.

The above contracts can only be placed if the manufacturing process is fully understood, and for this purpose it is essential:

1. That Commandant Vidalot is enabled to work in the closest collaboration with the industrial concerns (whose major products are for the American Army and Navy). He will have to be in a position to follow the process through stage by stage, and advise the firms' personnel throughout. For this purpose, naturally, he must have complete freedom of movement within their works. As a French officer his discretion can be counted upon.
2. That the necessary permits should, if necessary, be granted to inspection personnel, for which purpose we should be inclined to employ either an American firm or the personnel already employed by the American Army and Navy.-

h-30 2nd floor

FRENCH PURCHASING COMMISSION

15 BROAD STREET
NEW YORK, N. Y.

314

Whitehall 4-7900

April 26th 1940.

Dear Mr. Secretary:

I understand from Mr. Purvis that you were kind enough to grant me an interview for next Tuesday, April 30th at 10:30 a.m., in connection with our prospective steel purchases in the United States, and that it would facilitate the study of the question if I sent you, beforehand, a short memorandum on the subject.

Please find the above mentioned memorandum herewith.

Sincerely yours,

J. F. Mochlainé
J. F. Mochlainé.

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

April 30, 1940

(Immediately following meeting at 10:30 am)

Present:

Mr. Bloch-Laine
Captain Collins
Mr. Young
Mrs. Klotz

(Note: Meeting had already started when Miss Chauncey came in to record it.)

HM, Jr: But they say they want to turn out 500 Bloch bombers. They take two engines? And those I take it will be produced from July 190 to the 30th of April, 1941.

Mr. Bloch-Laine: We would like 50 a month.

HM, Jr: Fifty a month?

Mr. Bloch-Laine: Yes, sir.

HM, Jr: (Reading) "If the American Army would consent to this transfer we would arrange for Pratt Whitney to assign to the American Army an equal number of engines to those which would have been transferred to us, but such engines would only be delivered to the U. S. Army during the second part of 1941, by which time it is considered that Pratt and Whitney are certain to have recovered their present delay."

Is there a chance on that?

Captain Collins: Will try. Going to be an awfully tough one.

Mr. Bloch-Laine: Colonel Jacquin explained to me at length yesterday that the Army is in the market for ordering 50% for spare parts and replacement engines. You see, we are using about 10 or 15. It is true these have not been used the same way, consequently the proportion should be less.

If they could manage with 30 for a few months,

-2-

they would get that 50 back probably when they need them. That is Jacquin's view.

HM, Jr: I know. Have they got these?

Captain Collins: I will have to check. Of course the Navy is in this too.

HM, Jr: What they want is the 1830. What horsepower is that?

Captain Collins: 1350, rated right now.

HM, Jr: But they want this over and above their own stuff? You want 50 engines a month from Pratt-Whitney?

Mr. Bloch-Laine: Which are now being turned out for the American Army. I don't know how many in Army orders they are making every month. I think in proportion it is larger now.

HM, Jr: You going to give me a copy of this?

Mr. Bloch-Laine: This is yours.

HM, Jr: (To Collins) Find out. Well, that's a tough order.

Captain Collins: Plenty tough! That's 50 a month.

HM, Jr: Have a copy of this made for Captain Collins.

Well, we can find out.

Mr. Bloch-Laine: I thought it was the kind of thing to present to you.

HM, Jr: Oh, yes! I don't know whether there is a chance. They have to be Pratt-Whitney? Can't be Wright.

-3-

Mr. Bloch-Laine: I think they are expecting it. Besides, that's where the delay occurs.

HM,Jr: Have you heard? Is Mr. Ward going to head this mission to go to France?

Mr. Bloch-Laine: It is quite possible. It is progressing very well.

HM,Jr: You get any good news?

Mr. Bloch-Laine: I don't think any more than you do. Have to read the papers like everybody else and listen to the radio. The only thing I had was young Malin, whom you met, the machine tool people, young fellow who spent a month there, just came back yesterday and I was leaving just when he arrived. I asked what the general impression was. Marvellously excellent physically. Malin was the machine tool fellow who was with us. But he's quite good and he brought back a good impression, general aspect, way of going of the whole, good.

HM,Jr: Well, you get ready on this, will you?

Captain Collins: Yes, sir.

HM,Jr: And see what happens. Do the best we can.

Mr. Bloch-Laine: Thank you so much.

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ANGLO-FRENCH PURCHASING BOARD

MEMORANDUM FROM Colonel Jacquin
Monsieur Fleven.

318

Your Reply
Fully Quote

TO Monsieur Bloch-Lainé.

29th April, 1940.

MOST SECRET.

We had to advise the French Air Ministry a few days ago that -

- (i) Pratt and Whitney production programme was suffering an average delay of six to seven weeks, and that this would cause delays of deliveries of engines of type 1830 S-3C-4G. The deficit can be estimated at 375 engines so far as we are concerned;
- (ii) Pratt and Whitney expect to make good part of the delay at the end of 1940 and the other part at the beginning of 1941.

The French Air Ministry has replied expressing great concern at this situation, which is the more to be regretted on account of the fact that the output of Bloch 175 bombers, which are produced in France in which the Pratt and Whitney S-3C-4G engines are to be installed, is just going ahead of schedule. This two-engined bomber is one of our most modern designs expected to rank equal in performance with the Douglas D.B.7, and it is most important to be able to put it in service at the front without any delay. If we cannot get a certain number of engines it means that 275-300 Bloch bombers will remain without engines precisely at the time when they will be particularly needed.

The American Army is accustomed to order 50% spare engines with all its orders. We wonder whether the American Army could find its way to authorise Pratt and Whitney to deliver to us between the 1st July 1940 and 30th April 1941, 550-600 Pratt and Whitney engines type 1830 S-3C-4G, or any other type which Pratt and Whitney could convert into the S-3C-4G. These engines could be drawn from the production now reserved to the U.S. Army and would allow us to meet the situation in France. They would be for delivery evenly distributed between 1st July 1940 and 30th April 1941.

If the American Army would consent to this transfer we would arrange for Pratt and Whitney to assign to the American Army an equal number of engines to those which would have been transferred to us, but such engines would only be delivered to the U.S. Army during the second half of 1941, by which time it is considered that Pratt and Whitney are certain to have recovered their present delay.

We understand that you are visiting Mr. Morgenthau Jr. tomorrow (Tuesday) and we wonder whether you would agree to ask him if he considers our proposal practicable from the point of view of the U.S. Army?

April 30, 1940
10:25 a.m.

H.M.Jr: Hello.

Samuel
Rayburn: Yes.

H.M.Jr: Sam.....

R: Yes, Henry.

H.M.Jr: How are you?

R: All right.

H.M.Jr: Sam, you saw we got our bill through the Senate yesterday.

R: Yes. Well, I had it all arranged to get it up for unanimous consent on last Wednesday, I think it was.

H.M.Jr: I know you did.

R: And looked around and hell, Henry was gone to Alabama.

H.M.Jr: Right.

R: I told him I'd recognize him the next morning or late the next afternoon and I had arranged with Martin thereby to get up a unanimous consent, but he got away. Well, we'll handle it today or tomorrow, Henry.

H.M.Jr: Would you be willing to substitute the Senate bill?

R: Sure.

H.M.Jr: What?

R: Oh, sure.

H.M.Jr: Because it has one amendment on that Wagner put on.

R: Sure.

H.M.Jr: And.....

- 2 -

R: Sure that's the way to do it.

H.M.Jr: Is that all right?

R: Then be through with it.

H.M.Jr: What?

R: That's the way to do it and then be through with it.

H.M.Jr: Ed Foley is on his way up to see Williams.

R: Yeah.

H.M.Jr: Should he come and see you too?

R: No, it's all right. Whatever arrangements he makes with Clyde will be all right with me. I think probably Henry Steagall will be here today.

H.M.Jr: Oh, you think he's going to be there today?

R: I think so, but he was under the -- we ought to vote on this farm parity thing, you know.

H.M.Jr: I see.

R: And it has gone over until tomorrow, but the -- we'll -- if Clyde will get with Wolcott and -- could agree on this thing, why I could recognize them at the session -- beginning of the session today or -- if it doesn't take any time -- or late this afternoon or the first thing in the morning.

H.M.Jr: I get you.

R: Well, we'll try to do it today or tomorrow, Henry.

H.M.Jr: And if you're -- if you need me, give me a ring.

R: I sure will.

H.M.Jr: If you please.

R: All right.

H.M.Jr: Thank you.

April 30, 1940
10:30 a.m.

H.M.Jr: Hello.

Jesse
Jones: Henry.....

H.M.Jr: Hello, Jesse.

J: How are you?

H.M.Jr: Fine. That's a nice article in the Fortune about you.

J: Well, it's quite a story.

H.M.Jr: A nice painting too.

J: Uh-huh. Fine, thank you. Henry, are you familiar with the fact that this Home Loan Bank bill that will come up the latter part of this week or early next that authorizes the Treasury to buy -- or I think to lend maybe the Home Loan Banks money.

H.M.Jr: No, I'm not familiar. Dan Bell may be, but I'm not.

J: Would you ask him and see whether you've got any objection to it or not?

H.M.Jr: To the Home Owner's Loan Bill.

J: Home Loan Bank bill.

H.M.Jr: I'll ask him right away.

J: O. K.

H.M.Jr: And I'll tell him if he has any to get in touch with you.

J: Oh, thank you very much.

H.M.Jr: Thanks.

J: Goodbye.

April 30, 1940
12:19 p.m.

H.M.Jr: Hello.

Ed
Foley: Mr. Secretary.

H.M.Jr: Yes, Ed.

F: I've gone over the whole matter with Williams and left the material with him. I saw Sam Rayburn and he says that he doesn't think that he can bring it up before late afternoon and possibly not until tomorrow.

H.M.Jr: Right.

F: Nobody has heard from Steagall and they don't know whether he will be back or not.

H.M.Jr: All right.

F: O. K.

H.M.Jr: Thank you.

April 30, 1940
3:16 p.m.

H.M.Jr: Hello.

Operator: Mr. Wellett. Go ahead please.

Lowell
Wellett: Yes.

H.M.Jr: Lowell.....

M: How do you do.

H.M.Jr: It's fine. In the first place, your speech made a big hit the other night.

M: Thousands cheered, huh?

H.M.Jr: No, I was surprised.....

M: I tell you, the delivery was darn good. I listened to it.

H.M.Jr: Well, people liked it anyway. Now, with that in mind, I've got to make a speech. I don't know, I'm going to try to crawl out of it is the way I feel today for Mrs. McAllister Friday morning at ten-thirty.

M: Oh, yes.

H.M.Jr: Now, I gave something in New York -- oh, before a small group

M: Yes.

H.M.Jr: And I'd like to send it over to you now if I might just the way I gave it up there, you see?

M: Yeah.

H.M.Jr: And see whether you think it's appropriate for that thing. My trouble is this, I talked to White about a speech on the budget and I find it almost impossible to give a speech on the budget without saying I'm for or against a balanced budget, you see?

- 2 -

M: Yeah.

H.M.Jr: And I don't want to bring it up at this time. I don't want to, you know.....

M: What's the topic

H.M.Jr: Oh, the topic -- I don't know -- something about -- oh yes, the budget and the debt.

M: Uh-huh.

H.M.Jr: This thing that I did up in New York was called "A Day in the Treasury". See?

M: Yeah.

H.M.Jr: And -- oh, I'm kind of tired and I just don't want to do.....

M: Well, I'll give you the benefit of the best opinion I can if you want to send it over.

H.M.Jr: Read it, and if you think it's worth doing, then if you could take it home and make any changes you felt like, see?

M: Yeah.

H.M.Jr: Would you be willing to do that?

M: Well, if I had a chance to take it home. I'm -- you see that's Friday and I've got -- I'm obligated for both tomorrow night and the next night.

H.M.Jr: Well, have you got a half an hour.

M: But I can fit it in somewhere possibly.

H.M.Jr: Well, I mean, could you read it now and call me back and tell me, "Henry, it's worth fussing or it isn't."

M: Well, can you send it over now?

H.M.Jr: I can have it there in six and half minutes.

- 3 -

M: Well, all right. I've got to be over at the White House at four and I'll be back here before five I think.

H.M.Jr: Could you read it.....

M: And what -- how long are you there?

H.M.Jr: Oh, I'm either here or at home.

M: All right, I'll call you up.

H.M.Jr: I'll send it over.

M: Send it over now and I'll call you up before the evening is over.

H.M.Jr: We're giving Miss Knight a trial.

M: Beg pardon?

H.M.Jr: We're trying out Francis Knight.

M: I hope she works out.

H.M.Jr: Well, I -- she certainly has got an awfully good record.

M: Yes, she's good in every other respect. Now how well she writes you'll have to find out -- you'll find out. I don't know.

H.M.Jr: O. K.

M: And -- but if you'll send that over, Henry, I'll -- will you be home tonight?

H.M.Jr: I'm -- no, I'm going to that -- I'm pinch-hitting for Mrs. Morgenthau at this Nurses' dinner. I'm leaving the house at six-thirty.

M: Uh-huh. I'll try to get in touch with you before the day is over.

H.M.Jr: I'm leaving the house at six-thirty.

M: Righto.

- 4 -

H.M.Jr: I hope you don't mind my bothering you.

M: Oh, no, no, it's a pleasure.

H.M.Jr: Thank you, Lowell.

M: Righto.

H.M.Jr: Thank you.

April 30, 1940
3:34 p.m.

H.M.Jr: Hello.

George
Harrison: Hello.

H.M.Jr: Go ahead, George.

H: Hello, Henry.

H.M.Jr: Yes.

H: First thing, I want you to know that the agent of the Bank of Italy this morning.....

H.M.Jr: Yes.

H:came in and gave us -- or sent us a note giving us a copy of a cable he had received from the Bank of Italy saying that they were shipping us by the REX and the ROMA from 7 to 8 tons of gold to be sold against dollars.

H.M.Jr: I see.

H: That will amount to some 7 or 8 millions of dollars. About 7 million 800 thousand. Now, I see nothing wrong in that. I just wanted to let you know.

H.M.Jr: No, no.

H: But it rather indicates to me that they think nothing is very imminent or they wouldn't be doing that.

H.M.Jr: On what boat is that on?

H: Well, he said, "I understand that the Rex is scheduled to sail from Genoa today and is due to arrive in New York on the 9th while the Roma is scheduled to sail on May 2nd, due here on May 15th."

H.M.Jr: Which.....

H: I suppose they'll send it half and half.

H.M.Jr: I see.

H: And I also deduced from the transaction about which I spoke to you yesterday about the cotton linters.....

- 2 -

H.M.Jr: Yes.

H:that they wouldn't be spending even two hundred and fifty thousand dollars for cotton linters to be put on the water if they thought anything was going to happen before it got there.

H.M.Jr: I see. Well, I think that all helps.

H: It would all be held up.

H.M.Jr: I think that all helps.

H: Yes, I think so. I -- nothing is conclusive, but I think this last thing is significant.

H.M.Jr: And -- and this is coming on the REX and the ROMA?

H: Yes.

H.M.Jr: And the ROMA doesn't sail until May 2nd?

H: That's right. I t wouldn't get here until May 15th.

H.M.Jr: I see. Well.....

H: He wanted to know whether we would buy it as usual, and I think the department downstairs just said the usual thing that we would.

H.M.Jr: Right. You don't think they'd be sending it if they were going to go to war.

H: Well that would be my impression.

H.M.Jr: Yeah.

H: They would certainly not send it until they were sure it got through Gibraltar.

H.M.Jr: That's right.

H: And then, as I say, the cotton linters thing was important. The only two other transactions that are worth while bothering you about we've been advised of. One is 300 thousand credit to a man named _____ in Singapore.

- 3 -

H.M.Jr: Yeah.

H: By the Bank of Italy.

H.M.Jr: Yeah.

H: I don't know what that might mean. And one irrevocable credit by the Credito Italiano for 116 thousand covering a shipment of cellulose from Florida to Genoa.

H.M.Jr: I see. Well, it all is -- maybe we'll get a picture after while.

H: Yeah. Well, the only thing that I can collect from the various new transactions we've gotten is either they are wholly insignificant or so far as they mean anything that they think nothing is imminent for the next few days.

H.M.Jr: Every so much obliged.

H: All right.

H.M.Jr: Thank you.

H: First-rate.

April 30, 1940
3:55 p.m.

H.M.Jr: Hello.

Sumner
Welles: Hello.

H.M.Jr: Sumner.....

W: Hello, Henry.

H.M.Jr: I've been watching the Italian thing very closely
for the President.

W: Yes.

H.M.Jr: Financial funds.

W: Yeah.

H.M.Jr: And I thought I'd give you this for what it's worth.
On the REX and on the ROMA, sailing on May 2nd,
the Italian Government has got about \$ million
dollars gold.

W: I see.

H.M.Jr: Now, the ROMA doesn't get here until the 15th of
May.

W: Yes.

H.M.Jr: And -- for whatever it's worth.

W: The ROMA sails the second.

H.M.Jr: Second.

W: Did the REX sail today?

H.M.Jr: Yeah.

W: I see.

H.M.Jr: And on the two boats there's about \$ million dollars
gold.

W: Yes.

- 2 -

H.M.Jr: Well, evidently they're not afraid to get the ROMA by Gibraltar up to the second or third of May -- fourth of May.

W: That's very interesting, or for that matter much further out.

H.M.Jr: Pardon?

W: Or for that matter much further out.

H.M.Jr: Right. Now, the other thing on that, and this is if you don't mind -- I'm getting it sort of through a secret source so I'd like you to protect me, see?

W: Yes, indeed.

H.M.Jr: They gave a credit yesterday to the Hercules Powder for 250 thousand dollars for linters, cotton linters, which goes into gun powder.

W: Yeah.

H.M.Jr: Also showing that they must figure that manufactured on the way that they're spending 250 thousand dollars.

W: I think that's extremely -- extremely helpful, that information, Henry.

H.M.Jr: And I'm getting it every day now. I mean, I've got my lines out so I'll know every day what they do.

W: That's tremendously helpful and I'd be awfully grateful if you'd let me know of anything of significance.

H.M.Jr: Right.

W: I may tell you also that I notified the President that -- early this afternoon -- that the Italian Government had informed us today that they were anxious to conclude the suggested barter arrangement.

H.M.Jr: I see.

- 3 -

W: Which I told the President, and he agreed, seemed to be a reassuring sign.

H.M.Jr: Right.

W: The British this afternoon have announced that not only ships but no British ships are going into the Mediterranean on account of the attitude of the Italian leaders towards the Allies.

H.M.Jr: Well, I saw that and that is what you might call a sort of a mouth bet -- I mean, a sort of gesture.

W: Well, it seems to be an exceedingly stupid one.

H.M.Jr: Well that's what I thought, and then with this cash news I'm giving you, so to speak.....

W: That's exactly what I mean. For that reason it seems to be incredibly stupid.

H.M.Jr: Yes. Sumner, there's been kicking around, as I understand, between State, War and Navy this order which will make it -- forbid the re-export of tin and rubber. Hello?

W: Yes.

H.M.Jr: I understand it's all really finished, that it could be given out. Would you.....

W: Well, I'll have to check up on that. I'm not familiar with it.

H.M.Jr: Well, I understand it's all there and it's just that somebody has to give it a little push.

W: I see. Is it hanging up here or where?

H.M.Jr: I think it's in the State Department. I understand Justice has passed on the legality of it.

W: I'll take it up at once.

H.M.Jr: And if I'm correct and it could be pushed out, why I think it would be ~~awfully~~ good.
all to the

- 4 -

W: I'll take it up immediately.
H.M.Jr: Thank you.
W: Thanks a lot, Henry. Goodbye.
H.M.Jr: Goodbye.

April 30, 1940
4:00 p.m.

George
Harrison: Oh, Henry.

H.M.Jr: Yes.

H: I'm calling you only because that's my arrangement but I was wondering whether you don't want to set up a different arrangement whereby I'll call you oh, once a day or something unless there is something very unusual.

H.M.Jr: I think once a day is all right, but let me have you now. I love to hear your melodious voice.

H: And then maybe you'll let me -- Knoke -- these fellows are all reporting directly now to Knoke so maybe you'll let me have him call you as a matter of routine unless there's something special.

H.M.Jr: Well then, if it's a matter of routine, let him call Merle Cochran.

H: Well, can he do that?

H.M.Jr: Yeah.

H: All right. Well, there's only one other thing. There are two small transactions here now, one for 50 thousand that doesn't amount to anything, but there's another one for 515 thousand that's arranged for credit to Copper Company for the export of copper which only adds to my conviction, along the lines that I spoke to you a few minutes ago.

H.M.Jr: Yeah.

H: Towers just called and reported to me what you may or may not know, I don't know. Somebody down there knows. About the fact that the foreign exchange control board in Canada is taking over all of the gold in foreign exchange of the Bank of Canada as of tomorrow morning.

H.M.Jr: Well, they may know it but I don't know it.

- 2 -

H: Just -- that the British are doing, or have done.

H.M.Jr: I see.

H: The Foreign Exchange Control Board is also requisitioning all of the foreign balances of their residents so they are putting it all into one pot.

H.M.Jr: I see.

H: And will pay their residents as of the rate of exchange tomorrow morning.

H.M.Jr: Right.

H: As to foreign nationals resident in Canada, they may be exempted from this thing provided there is some covering agreement between Canada and the country of the foreign national.

H.M.Jr: I see.

H: And he said that the officials in Canada had been talking to the Embassy up there in Ottawa about it and that they know all about it. Now, what arrangement is being made I don't know, but they have until June 30th to turn over their balances I understand.

H.M.Jr: Well I'll tell Merle. I haven't seen him since ten o'clock this morning.

H: Yeah.

H.M.Jr: But I'll ask him. Now, the other thing, on this Italian thing if Knoke could tell Cochran direct then I'll have Cochran give it to me once a day.

H: Well, I think that's the best way and I'll have Knoke arrange for a special time to call Cochran about it.

H.M.Jr: Yes, I think -- well, around three o'clock New York time or any time that he thinks is best.

H: All right, I'll tell him.

H.M.Jr: And then for something special he can.....

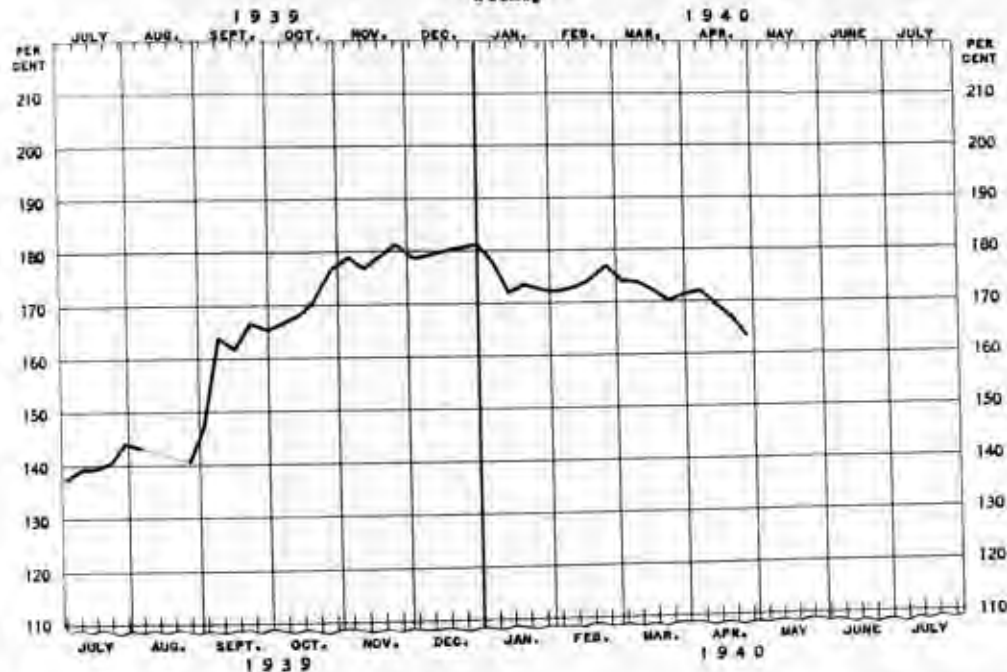
- 3 -

H: He's sitting here now so I'll tell him.
H.M.Jr: And if there's something special you call me yourself.
H: That's right.
H.M.Jr: Thank you.
H: All right.

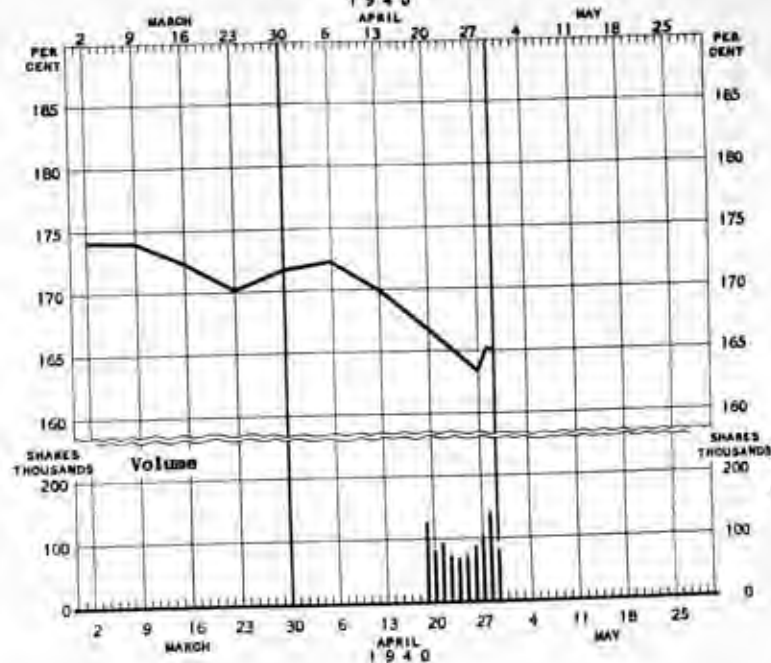
ITALIAN STOCK PRICES (Milan)

Dec. 31, 1927 = 100

Weekly



Daily*
1940



*DAILY FOR LATEST WEEK ONLY

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 30, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Livesey telephoned me at 11 o'clock this morning. He stated that he had received a memorandum from Assistant Secretary of State Grady wanting to know whether information had been received from our Embassy in London in regard to future British policy with respect to a multiple currency system. Livesey asked what we had. I told him that there was no multiple currency system in effect in Great Britain other than that involved in official and free sterling, of which his Department was fully aware. I reminded him that the daily certified rates of the Federal Reserve Bank of New York definitely confirmed the existence of these two types of sterling. I also referred to the memorandum which the British Embassy had provided the Treasury, a copy whereof we had sent to Secretary Hull, and of the note which the British Embassy had addressed to Mr. Hull at the time the question of establishing the rate for the assessment of customs duties was up. I told Livesey that we had had no formal conversations with the British in regard to sterling policy, as had been in prospect at the time the customs matter was being considered. I suggested that Mr. Livesey summarize to Assistant Secretary Grady the information already on hand in regard to sterling. I made the point, however, that Livesey should not follow Mr. Grady's suggestion that a cablegram be sent to London asking in regard to future British policy with respect to sterling without consulting us. I told him that this was a matter purely of monetary policy such as our Treasury has been handling directly with the British Treasury.



STRICTLY CONFIDENTIAL

TREASURY DEPARTMENT

339

INTER-OFFICE COMMUNICATION

DATE April 30, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

I telephoned Mr. Gifford at 11:15 this morning. I referred to his letter of April 9. I told him that I had not acknowledged this in writing, but had let Mr. Pinsent know that I had shown it to the Secretary, and that the latter had not commented thereon.

I explained, however, that when I had reported to Secretary Morgenthau this morning the action by the Australian Government in regard to taking over certain United States securities, the Secretary had asked if I had any word as to whether Mr. Gifford had disposed completely of any of the securities which had been vested. Mr. Gifford reminded me of his objections to the suggestion that such information be made public. While cognizant of Secretary Morgenthau's belief that revelation of the selling out of certain specified issues might do something to help the New York stock market, he thought the possibly harmful effects might overbalance any advantages. He said, however, that he would daily keep the Secretary and myself confidentially and currently informed of such issues as may be liquidated. He thought no one issue had yet been sold out, although the bottom had been approached with respect to several. He is checking up on this at once, and will communicate with us through Pinsent. In answer to my request, he agreed to provide us with a figure as to total sales of British owned dollar securities since the war regulations became effective. At present we have the daily record of official sales of vested securities, and the weekly figures of sales of non-vested securities since the official sales began, but we do not have figures with respect to sales of non-vested securities prior to the vesting orders.

Talking with Pinsent at 11:20 this morning, I told him of my conversation with Gifford so that he will understand about passing the data on to me which Gifford has promised to provide. In this connection, Pinsent stated that, after making inquiries, he had found that his Embassy has no information in regard to the Italian banking operations in Shanghai which I mentioned to him a few days ago.

At 4 o'clock this afternoon Mr. Pinsent telephoned me that Mr. Gifford had just told him by telephone that the total of all sales of non-vested securities up to April 20 was \$183,000,000.



GROUP MEETING

April 30, 1940
9:30 a.m.

Present: Mr. Bell
Mr. Cochran
Mr. Young
Mr. Foley
Mr. Schwarz
Mr. Graves
Mr. Haas
Mr. Harris
Mr. Thompson
Mr. Gaston
Mr. Sullivan
Mr. White
Mrs Klotz

H.M.Jr: First let me congratulate Ed Foley on the swell job he did on the Hill.

Foley: You did all the work yesterday on the telephone.

H.M.Jr: We had kind of a busy day. Besides everything else, we had an off-the-record three-quarter hour meeting with Mackenzie King.

Norman?

Thompson: I have nothing this morning.

H.M.Jr: Dan?

Bell: I can be ready within the next half hour or hour to discuss this matter we brought up yesterday morning. We have drafted a reply to Kennedy and also drafted a reply to the other letter which you gave me, which didn't make much sense.

H.M.Jr: I am surprised. I tell you what we will do. On Kennedy and gold, Bell and Harry and Merle Cochran, 3:00 o'clock. If you get a chance, read Harry's statement on gold before 3:00.

What else?

Bell: We have about \$3,200,000 face amount of preferred stock of the Chicago, Milwaukee, St. Paul and Pacific Railroad, which we acquired

- 2 -

under the Transportation Act. Under the re-organization scheme, I think it is valueless. It is selling at about a sixteenth on the market and the question has been raised by the boys in Ed's office as to whether we shouldn't sell it for about two thousand dollars.

H.M.Jr: What do you want to do, establish a loss for the Treasury?

Foley: For income tax purposes.

H.M.Jr: Can we get it through the Bureau?

Bell: Go back to the 1920 value.

H.M.Jr: How are our profits this year? Can we establish this against the profits?

Bell: I question whether we can sell it at \$2,000. We had probably better hold it and take the loss on the full three million two, instead of take the two thousand dollars.

Foley: Mr. Secretary, we have got a lot of this old railroad stuff and we are trying to clean it up. The boys have been working on it now for several months.

H.M.Jr: Who would you sell it to?

Bell: It is quoted on the market for about a sixteenth.

Foley: Anybody that would buy it.

Cotton: You will never get any more for it, will you?

Foley: I would like to clean up these old files. They have been open for twenty years.

White: It is a sixteenth before he offered this block.

Haas: That is right.

Bell: This will break the market.

H.M.Jr: Well, Dan, you and Ed get together and if you can't decide it, come and see me.

- 3 -

Bell: All right. Two thousand dollars isn't very much. I would just as soon keep it.

H.M.Jr: You and Ed get together.

Bell: I would like to clean the files up, too. That is all I have.

H.M.Jr: Harold?
Harry?

White: The two men we had in New York examining the invoices on imports from the United Kingdom have completed their report on the first week in April. They examined 96 percent of all the invoices, which shows that 87 percent were paid for with sterling purchased in the free market and 13 percent were paid for with sterling purchased at the official rate.

H.M.Jr: It is amazing.

White: But again, this cannot be taken as indicative of what will continue, because I imagine that most of the orders and arrangements which resulted in these shipments must have been prior to the date of the four commodities, April 9, so that the percentage will doubtless be lower than that.

H.M.Jr: Shall we wait for the second week in April?

White: No, I was going to suggest two things. First, we don't know how much of the exports are being sold at sterling and it is that sterling which may supply the market.

H.M.Jr: Harry, may I interrupt? Don't give me this stuff when you don't have the answer. When you see daylight, come and tell me.

White: I wanted to get permission for something.

H.M.Jr: To do what?

- 4 -

White: I want permission to have somebody contact the various exporters to find out what they are selling for. They do not append their invoices to export declarations.

H.M.Jr: O. K., sold.

White: And also to follow this, which requires a couple of men up there.

H.M.Jr: Right. You people have got to sift this stuff down to a point where it is yes or no for me. I just can't handle this stuff. You people have got to take more authority. You have got other people. Go talk to them. In the meantime, the first question that I would ask is, on the week's stuff that is coming in, have you divided that up in the various kinds of commodities or is that what you are not able to do?

White: No, we did not do that. We did it in classes. We have got the classes listed.

H.M.Jr: Well, I mean now for instance, we know that whiskey is supposed to come in at the official rate.

White: We have got that.

H.M.Jr: Have you got that?

White: Yes.

H.M.Jr: This goes for all of you. You have got to get this stuff down where it is just up to me to say yes or no. I just can't do it all. Have you got your answer on that?

White: You want it continually followed and you want Danny Bell to take care of it?

H.M.Jr: You have no answer yet. No, I mean if you are worried - I don't want to bother Dan with it except that this comes in the rate, but go ahead and follow it until you see daylight on it.

White: Well, this has reference to the Economist article that you turned over that Lamont sent you.

- 5 -

H.M.Jr: Bell, send it to Bell.

White: Excuse me. Well, you turned it over to me. He says his source of information was that article, I gather, which stated ten percent and --

H.M.Jr: Harry, this is very important but evidently, as I remember it, the English put that thing in, if my memory is right, March 25 or 26.

Bell: 25th.

H.M.Jr: O. K., so evidently the first week of April would not tell the story.

White: No, not on those five articles, it wouldn't.

H.M.Jr: So continue. But it is very important.

White: Now, I don't think this letter should wait any longer on the Chinese thing. I have drafted a reply to it that you can sign and not --

H.M.Jr: Well, Harry, this doesn't turn them down, does it?

White: No, not definitively.

H.M.Jr: I want to turn them down.

White: I doubt, Mr. Secretary, whether you can turn them down any more definitively than that.

H.M.Jr: That says nothing. I don't want to write that.

White: It is against my judgment.

H.M.Jr: Well, I don't want to.

White: Well, give it your consideration.

H.M.Jr: No, Harry, I am not asking you. I don't want to use the stabilization fund.

White: But I don't say that. I don't think you read the letter carefully.

- 8 -

H.M.Jr: I did. It is one of those letters that doesn't say anything.

White: Read it over again.

H.M.Jr: No, I have done it.

White: This doesn't commit you to do it.

H.M.Jr: I don't want to do it. To help the Chinese Government stabilize their currency, I might just as well throw it into the Potomac. Please let me have my way, will you? If you get me the letter today, I will sign it.

White: Very well.

H.M.Jr: Basil?

Harris: After a long chase, we picked up a sizable amount of morphine yesterday in New York that we traced all the way from Japan. We are on the trail of quite a lot more. The price has gotten so high that there are repeated cuttings now. Ten pounds of the pure morphine is ultimately worth about \$286,000, so you can just see the temptation that exists and the care we must now take on it.

H.M.Jr: Well, you read that letter and if you think I am wrong, all right, but the point is that this man Young has been over here and they are trying to get us to some way intimate or in some way angle us into trying to stabilize the Chinese currency. My position for over a year has been no, and suddenly Hornbeck, who has been so pro-Japanese and so anti-Chinese now suddenly wants to do just everything we can and I don't want to even have an inference, that is my position, that the stabilization fund be used to help - it is an absolutely impossible job and I always believe that the greatest kindness you can do to a sick patient or a dying patient is to tell them. You read that thing of Hornbeck's. If you disagree with me and agree with White, I will take it up again. You use your own judgment. If you think I am wrong, I will take it up again. If not, I will sign the thing tonight, but my theory is that there is something -

- 7 -

the stabilization fund - and to keep letting this fellow Young, the financial adviser to the Chinese, give him hope that we are going to do something, is doing them in the long run a disservice. I have had this fellow over here and they sent this Pole over here on the same mission and --

White: I wasn't thinking of the Chinese in this connection. I was thinking that the State Department are very eager because apparently Hull is likewise interested and it would be good to have you give this matter consideration and study and you promised them you would study it and to turn it down flat without at least indicating to them that you have studied it or making available to them the study --

H.M.Jr: I have. I am entirely familiar with the thing. I know all about it. Just as long as they have a man in charge of this thing who is a crook, I don't want to do business with them. I will do business with Chen, because he will keep his word, but the rest of them are just a bunch of crooks.

White: I think everything you say merely endorses the one paragraph in that letter, but however --

H.M.Jr: I can't risk United States money in trying to stabilize the currency in a country where the Minister of Finance and the head of the political party are crooks.

White: I think that is implied definitely in one of these paragraphs.

H.M.Jr: No, it is too smooth, Harry. I don't want to put my name to it. Let Bell take a look at it. He has got a mind of his own.

George?

Haas: I have nothing.

Harris: I just wanted to tell you we expected to clear the Ile de France this afternoon. She is going to sail in the morning. The destination looks like Marseilles.

- 8 -

H.M.Jr: Anything else?

Schwarz: I have the invitation again of the Cooperative Committee for you --

H.M.Jr: Turn them down. I don't want to lead them on. I am in a bad mood today.

White: I advise the rest of the boys to just pass.

H.M.Jr: Phil?

Young: The French Naval officer you requested to come in at 10:30 will be here.

H.M.Jr: Good. What else?

Young: That is all.

H.M.Jr: Purvis is having lunch with me Thursday.

Cochran: Come on, Merle, put up a fight.

Cochran: No. Pinsent was in touch with Haggard, the Consul General in New York, in regard to Major Angas and they have confirmed, much to their regret, that he is a British subject, so they don't want us to do any investigating. The only other thing, the Australian Government has taken over some American securities, the same way with the British, and they are --

H.M.Jr: Who?

Cochran: The Australians.

H.M.Jr: You get Major Angas' letter from George, if you care to read it, what they are so excited about. Why don't you read it?

Cochran: I have.

H.M.Jr: Is it pretty terrible?

Cochran: No.

Haas: His letters are terrible. They sound like he was out on a binge and dictated them the next morning.

- 9 -

H.M.Jr: Maybe he and General Johnson do it together.
What else?

Cochran: I gave you a memo some time back that the Commonwealth Bank of Australia had desired to open a special account with the Federal Reserve Bank of New York in which they could put the proceeds of the security sales.

H.M.Jr: Is that all right?

Cochran: Yes, sir.

Bell: Are committees announcing 17 more American securities for sale?

Cochran: 117, two weeks ago and they are selling those, including some bonds.

H.M.Jr: You ask that fellow in New York if he won't tell the public which of the original sixty he sold. I would like to know.

Cochran: You remember the letter that you wrote back on that.

H.M.Jr: Refresh my memory, then.

Cochran: All right, I will get it out.

H.M.Jr: Did he say --

Cochran: He told us first that he hadn't gone far enough so that they could make any announcement.

H.M.Jr: No, but I would like to know.

Cochran: And then he didn't want to make it public. He thought that they would be obliged to - for our information. I will get it.

H.M.Jr: I would like to know, of the sixty securities that they have cleaned up, how many have they cleaned up.

Cochran: Five.

- 10 -

- H.M.Jr: That would help me in answering Mr. Kennedy, possibly.
- Harris: I should think it would help the market, too, if that were known.
- H.M.Jr: Basil, that is what I suggested. I suggested that on a ten-day basis, as they cleaned them up, they say, "Well, of the original sixty, ten, fifteen or twenty have been sold out." I made the suggestion. They turned me down. What would your reaction be?
- Harris: It would be the same as yours, because I think it would be a relief to the market to know that the selling is over.
- H.M.Jr: That is what I think.
- Sell: Would you name the securities?
- H.M.Jr: Yes. Of the sixty, the following securities have been liquidated. And then at indefinite intervals, announce those.
- White: How would that affect those that weren't liquidated?
- Haas: It couldn't make them any worse, Harry.
- H.M.Jr: No difference and - the people now just don't know. If you have U. S. Steel and it is on the first list and you know it is there, I mean, you treat it tenderly, but if you thought the British were out to the finish and you thought U. S. Steel was a good buy, you might take a look at it. But here they have got a total of how many securities on that?
- Cochran: It will be 117.
- H.M.Jr: And they won't announce whether they are out of any of them.
- White: Well, I take it they may assume that they are selling so much of each. You say they are out of some. That means they have got a lot of others they don't mention.

- 11 -

H.M.Jr: It is just my own opinion, for what it is worth, is that as they cleaned up they let the public know those stocks, that they no longer have any for sales in those particular stocks. I may be wrong. Harry, I have no opinion on that subject.

White: I suppose I should match that and say neither have I.

H.M.Jr: Wonderful!

White: It is just for the record.

H.M.Jr: Don't worry about Harry.

Foley: Huntington Cairns has been asked to participate in a series of radio broadcasts on books. I don't think it has anything to do with the Treasury at all and I think it is perfectly all right.

H.M.Jr: Sure.

Foley: I think it would be nice if you could call Carter Glass and Senator Connally, perhaps.

H.M.Jr: I didn't call Connally. I'll put him on my list. Connally, too?

Foley: Yes, I think he did a very good job, and maybe Wagner and Barkley.

H.M.Jr: I haven't got Connally, but I have the others on my list to call.

Foley: And maybe it would be a good idea, if the Speaker is still away, if you would call Rayburn and tell Rayburn --

H.M.Jr: When do we go?

Foley: The Senate bill should be substituted for the House bill. They are going to try to do it today, but if they get objection they will have to get a ruling.

H.M.Jr: What else have you got?

- 12 -

Foley: Nothing.

H.M.Jr: Herbert?

Gaston: I haven't anything except that matter I wanted to speak to you about after the meeting.

H.M.Jr: Right. O. K., gentlemen, thank you.