DIARY

Book 468

December 3 and 4, 1941

- B -

- R -

- S -

- T -

- U -

- W -

December 3, 1941
9:15 a.m.

HMJr: Hello.

Operator: Mr. Gaston.

HMJr: Herbert?

Herbert Gaston: Yes.

HMJr: Good morning. Where are you? Hello.

G: Yes.

HMJr: Where are you talking from Herbert?

G: From the Governor Clinton Hotel.

HMJr: Yeah. Herbert, remember the conversation we had after staff on Monday?

G: Yes.

HMJr: That particular agent - did he do what I instructed him to do?

G: Yes. I got it yesterday afternoon, and gave it - since I was coming up here, I gave it to Ed Foley to hand to you.

HMJr: No, that isn't what I mean. The agent who I wanted to report to a certain gentleman.

G: Well, he hasn't reported to him, no. I thought we would send a copy of his report to the man. He is out in Chicago.

HMJr: When is he going to see this certain gentleman?

G: When is he going to see him?

HMJr: Yeah.

G: Why, I didn't instruct him to see him. I thought we would deliver a copy of this report to him.

HMJr: Well, is this report written by you or by the agent?

G: It's written by him.

HMJr: By the agent.

G: Yes. He was in Chicago, and Harry got him on the phone. He wrote the report, and it came in yesterday.

HMJr: But it hasn't been given to this man yet.

G: It has not, no.

HMJr: Well, that's unfortunate.

G: Would you like me to see that man?

HMJr: No, I'm going to talk to him myself on the phone.

G: Uh huh. This agent is in Chicago.

HMJr: Yeah. Well..... Have you read the New York Times today?

G: I have, yes.

HMJr: Yeah. All right, Herbert, I'll - the report is in the hands of Foley?

G: It is, yes.

HMJr: Okay. All right.

G: All right.

HMJr: I've got to get it into this man's hands. I had hoped it was in his hands, but I'll tell - I'll see that it gets to him today.

G: Right. You don't want me to do anything?

HMJr: Well, I don't see - what can you do?

G: I don't think there's anything, unless you wanted me to see somebody here.

HMJr: No, I - it's this report I want to get into this man's hands.

G: Yes.

HMJr: And I'll make the arrangements.

G: Yes. Well, Foley has it.

HMJr: All right.

G: All right.

HMJr: Thank you.

December 3, 1941
10:45 a.m.

RE FINANCING

Present: Mr. Hadley
Mr. Bell
Mr. Morris
Mr. Rouse
Mr. Haas
Mr. Murphy

H.M.Jr: Now listen, let's go to town on this thing. We have been fooling around long enough. Where is Rouse?

Bell: He went out to telephone to New York to get the reactions. I can get him in a minute.

(Mr. Hadley entered the conference).

H.M.Jr: Each fellow take a piece of paper and write down with his initials what he recommends on this financing, will you please? Is anybody missing that I usually use on this?

Bell: Rouse is the only one out, and he will be here in a minute.

H.M.Jr: Let me see. One fellow says eight hundred million of the '67 - '72's with a fifty cent premium. There is no harm in giving the name, is there?

Bell: No.

H.M.Jr: That is Mr. Bell.

Bell: I think I would rather see it at par, but I wouldn't kick at fifty cents premium.

H.M.Jr: Then Mr. Morris says reopen the two and a halfs at a hundred and a half.

George has open '67 - '72 at a hundred and a half for the seven fifty.

And then Mr. Murphy, seven fifty, for a '65 - '75. He likes something new.

Hadley wants a billion of the two and a halfs, '70 - '75.

Now, on the twos Bell wants '51 - '53, Morris wants '52 - '54, Hadley wants '52 - '54, Haas wants '51 - '56, and Murphy wants '51 - '56.

Bell: I didn't know where they fell. I just meant in that area. I hadn't seen any price charts.

Morris: Yes, I said 'about'. I hadn't had time to dope that out.

Bell: But that area is what we mean.

Morris: As a matter of fact, that '51 - '56 was in George's memorandum, and I think it is a pretty good idea.

Haas: Just a little --

H.M.Jr: I personally lean toward a billion of the long.

Bell: Do you?

H.M.Jr: And I will tell you why. I think on the refunding we will have to go somewhere on a two, and if we got out a twelve now, we might want to reopen the two in January for the refunding. Had you thought of that?

Bell: Yes. That is one reason you ought to put on the five-year call period.

H.M.Jr: That would be all right.

Hadley: I agree with that, if you are willing to reopen, make it five years.

H.M.Jr: That would be all right.

Haas: Then I think I would like Henry's longer call on the billion.

H.M.Jr: But I was thinking of a billion dollars, reopen this one, half a billion of the two, and then reopen the two, possibly in January.

Murphy: Reopen both of them in January.

H.M.Jr: No, I would say if we had a billion dollars now, I would say that issue is closed.

Bell: Well, I was hitting at the billion.

H.M.Jr: If you did a billion would you want a fifty cent premium.

Bell: Nine hundred fifty million.

H.M.Jr: Would you want a fifty-cent premium?

Bell: Well, the fifty-cent premium doesn't worry me. I would like to see it go off. I think you have got that much more cushion out there, and it is very important.

H.M.Jr: Would you put on the fifty cents?

Bell: I would prefer to see it not on there. I wouldn't argue about it.

H.M.Jr: But I mean how about you, Dave, if I say a billion? Do you still want to sell at a hundred and a half?

Morris: I would hesitate a little bit, but I would like to say something.

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

December 3, 1941
10:56 a.m.

HMJr: Hello.

Allan Sproul: Good morning, Mr. Secretary.

HMJr: Good morning. How are you?

S: Fine.

HMJr: Allan, we're down now that we've got to do business, see?

S: Yeah.

HMJr: And I wondered after cogitating over the night, whether you were ready to make a recommendation to me.

S: Well, I have cogitated and I'm still of the opinion that a billion of two and a half as close to this outstanding issue as you could put it and five hundred million of fifty-two fifty-four would be the best ticket.

HMJr: Well, you and I are practically together. What I was thinking of was this. A billion dollars, and I'm willing to reopen the other one. Then if I do, telling the people though that just after we did this, it would be close.

S: Uh huh.

HMJr: Now, some of the people here in the Treasury think if we do the billion - well, I mean, some of them think we ought to charge a hundred and a half.

S: My recommendation would be to do it at par.

HMJr: It would be.

S: Yeah.

HMJr: I see.

S: If you think that the issue - my guess is that the issue will settle down around a hundred and one to a hundred and one and a quarter or somewhere around there; and I think that would make a better offering than to put the half on.

HMJr: The boys hear you on the loudspeaker. They say you think of a new issue. I'm talking about reopening the old.

S: That's right.

HMJr: You still stick by that?

S: Yeah.

HMJr: It will settle down to a hundred and one?

S: It will settle down to a hundred and one to a hundred and one and a half, yes.

HMJr: Well, I think you're a little more conservative than some of us, but that's all right. Bell just wet his pants.

S: (Laughs)

HMJr: Well, I'll have to get him diapers, then.

S: (Laughs)

HMJr: (Laughs) Well, anyway - these side remarks have completely upset the meeting.

S: (Laughs)

HMJr: Now, where were we?

S: Well, we were wondering whether the reopened issue should be at par and a half or at par.

HMJr: Yeah. Well, let me just go to the other a minute. We can come back.

S: Yeah.

HMJr: If we do the five hundred million, what do you recommend on that?

S: Well, my recommendation there would be fifty-two, fifty-four.

HMJr: Fifty-two, fifty-four. Well, let me just.....

S: Two per cent.

HMJr: Yeah. Just let me give you this thought. I'd like to keep that issue in mind and possibly using it again in January.

S: Uh huh.

HMJr: Now, if you did that, couldn't you spread it a little bit? Make it a little bit longer call?

S: Well, you mean.....

HMJr: Make it fifty-two, fifty-five or fifty - Bell says fifty-one, fifty-six.

S: Yes, I - if you're going to use in January with that refunding, I'd rather bring the call date up a year or make it, say, fifty-one, fifty-five.

HMJr: Fifty-one, fifty-five.

S: Yeah.

HMJr: You wouldn't give me fifty-six?

S: Well, I think that at these rates, the market tends to look at the maturity date rather than the call date and if you get it out to fifty-six, it might be a little thin, but I.....

HMJr: Well, four years is plenty.

S: Four years is plenty for a call date.

HMJr: Well, don't you think we ought to have it in mind for January?

S: Yes, I do. A five hundred million issue and with a billion or more of refunding to be done in January, I think it would be well to have it there so you might reopen it; and on that basis I'd like to bring the call date down a year to fifty-one.

HMJr: And make it fifty-one, fifty-five.

S: Yeah.

HMJr: Well, I don't think - I found Chicago much more bullish than New York; and I find the insurance companies generally are just as keen to buy now as they were last time.

S: Yeah. Their ability to buy may be a little slack, but their kenness to buy is just as great.

HMJr: That's right. Now.....

S: Chicago doesn't think we're going to pot in New York this time?

HMJr: Going to do what?

S: The last time Chicago seemed to think New York was going to go into a tailspin and be.....

HMJr: No. Nobody said anything about that.

S: Good.

HMJr: But I mean the Chicago people just - I mean, they're not so sensitive to the foreign news.

S: I see.

HMJr: And one - George Harrison - for instance, said if there was a declaration of war or breaking off relations between Japan and United States tomorrow, his inclination will be to increase his subscription.

S: Well, that sort of reaction makes sense to me in that we've been living in this kind of a world for two years now, and you can't base your operations on what happens or tomorrow. Anything may blow up at any time.

HMJr: The only thing that bothers me, heretofore I've always given the market one day's sort of notice on what we were going to do, and then see it settle down. I'm not doing that this time. We're saying it'll be a long bond and a medium bond.

S: Well, your sin would be to go for a billion and a half in bonds.

HMJr: Yeah.

S: I don't think you need to give them a day on this. There were two alternatives in the market mind - one all a long bond and one a long and a medium - and they're getting one of them and the one they prefer, and I think that's all they need.

HMJr: I see. Well, Bell tells me he wants for the Government to invest seventy-five million? (Talks aside) Oh, well, no. But supposing I want a billion and a half for the public, how much do you want? What?

We might put our own selves down for another fifty.

S: For your account?

HMJr: Yes.

S: Well, that would be all right, too.

HMJr: That doesn't make any difference.

S: No, I don't think that makes any difference.

HMJr: What?

S: I think that's perfectly all right.

HMJr: Now, I tell you, could I - oh, the other thing - I haven't talked to - Bob Rouse hasn't come back - have you seen those regulations?

S: No, he was just talking to me when you called.

HMJr: Oh, damn. Oh, I very much want your advice on those. Could he - should he go somewhere and finish talking to you?

S: Yes, can he do that?

HMJr: Yeah.

S: All right, that'll be fine.

HMJr: Then if you don't mind I'll entertain myself by talking to the Chairman while he's talking to you.

S: Well, you'll be good for quite awhile.

HMJr: Just a moment, Bell's pointing. Just a moment I'll have you switched over to Bell's phone.

S: Thank you.

HMJr: Just a moment.

Operator: Operator.

HMJr: Will you switch Mr. Sproul to Mr. Rouse, who's in Mr. Bell's room?

Operator: Right.

HMJr: Thank you.

(Mr. Rouse left the conference).

H.M.Jr: You wouldn't make it December?

Hadley: My basis on December for a four-year call would probably be up around one point.

H.M.Jr: That is not enough.

Hadley: I think I am a little pessimistic on that issue, mainly because of the length of the call date.

H.M.Jr: Have you talked with Piser at all?

Hadley: His figures are about the same as mine on this.

H.M.Jr: Have you talked with anybody in New York?

Hadley: Yes. Of course, they haven't considered the longer call.

H.M.Jr: Go to work on it, because I have got to move. Will you? Talk with Piser. Who have you talked with, Miller?

Hadley: Harris and Miller, both.

H.M.Jr: Well, move, will you? And then as soon as you have it, come on back.

(Mr. Hadley left the conference).

Morris: If you split the issue and then you have a million naught seven five for your refundings, you get a total for that issue of eight twenty-five, which isn't a bad size for that issue. Also, I think there may be some advantages, this may be a good time or not, if you are going to reopen issues, to get them used to taking a small premium, and not expecting everything flat. It gives you a little better flexibility on prices. It is not important.

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

December 3, 1941
11:07 a.m.

Marriner
Eccles: Hello.

HMJr: Marriner.

E: Yes, Henry.

HMJr: We're getting towards the point where I've got to make up my mind, and this is the way I feel. We'd like to reopen the last long two and a half, and offer the public a billion of that.

E: Well, that's fine. That was our feeling about it. We felt very strongly that to put another long issue out so near to that as it would be necessary to do it would be unnecessary and possibly only confusing.

HMJr: And then five hundred million issue of, say, fifty-one, fifty-five.

E: Fifty-one. What date in fifty-one?

HMJr: Well, I just told Hadley to go out and talk with Piser and work it out as to the date, see?

E: Do you.....

HMJr: I don't know as.....

E: How much do you want to give them on.....

HMJr: Oh, a point and a half.

E: Point and a half, huh. It figured yesterday fifty-two - even December '52 figured about a point and an eighth. Of course, these fellows differ sometimes a little.

HMJr: Well.....

E: But I would imagine if it's going to be fifty-one, it would be possibly - the last would be December '51, likely, wouldn't it?

HMJr: Well, I don't know. I just told them to talk to - somebody he talks to in New York - I don't know - and Harrison, I guess, and that's all. He talked to Piser to see if the three of them could get together.

E: Uh huh.

HMJr: If that's what we decided to do.

E: Uh huh. You wouldn't object to going to fifty-two if it was - if the pricing was - gave them too much?

HMJr: No. The point is, I want four years, and I'll tell you why I'd like that instead of five. I'd keep that issue in mind, possibly to re-open it in January on our refunding.

E: Yeah. For the billion dollars guarantees.

HMJr: Yeah. And therefore, I'd like a little more call, you know?

E: Uh huh. Yeah, that would be a good one to open.

HMJr: You see?

E: What - did you discuss with Dan at all the method of allotment that.....

HMJr: Yeah, we've come to a decision here, but he hasn't been able to leave the room. I've had him right here on the carpet.

E: Oh, yeah.

HMJr: And the minute he gets ready I want him to see you.

E: Yeah. We talked about it yesterday a little while, but - about various means of cutting down this padding and.....

HMJr: Well, at least we're together here, and.....

E: Well,....

HMJr: He'll present it to you.

E: Well, I'm sure that your decisions - the conclusions that you've come to - are pretty much in line with the ones we came to yesterday with the exception that we felt that it wasn't necessary to put out two issues, but we didn't feel it very strongly; and if it was necessary - that is if it was felt to be desirable on the part of the Treasury, and then we were pretty strong for opening up the existing issue and for putting out the five hundred ten-year issue. So I think we - I'm sure our people will be all pretty well pleased with the decision.

HMJr: Now let me ask you this. There are some people here think we ought to get a fifty cent premium on the long one.

E: I wouldn't put a premium on.

HMJr: You wouldn't.

E: No, I wouldn't do it, because it isn't - it just isn't enough; and personally, I don't think that we ought to expect to finance at cheaper than we financed on the last issue. If we can hold a long two and a half, it seems to me that that's going to be pretty good; and to put a premium on, is equivalent to putting it out for a longer period.

HMJr: Yeah.

E: And it means driving - it means, in effect, trying to get a little more favorable financing than the Treasury got on the last issue.

HMJr: Yeah.

E: And with all the financing that is to be done, I think it's a good thing to have a two and a half point leeway.

HMJr: Yeah.

E: Because if the market should break down, you've got two and a half points to go before the - anybody loses any money; and it's our feeling that the market, of course, if it should break, it should be supported and not be permitted to go through par, that the country has got to be made to realize the Treasury is going to finance on not more than a two and a half basis.

HMJr: Yeah.

E: That's the way we feel about it; so it's a good thing, I think, it leaves them some leeway.

HMJr: Well, I'll tell you what we'll do. While the boys are figuring out whether it should be fifty-one, fifty-five or fifty-two, fifty-four and where it should fall, I'll ask Bell to go to his office and talk to you about these regulations.

E: Yeah.

HMJr: And if you prefer - well, anyway, I'll have him go into his office and talk to you and see whether we can clear that. Then after the boys get together, I'll give you another ring.

E: Fine.

HMJr: How's that?

E: That's fine.

HMJr: Is that all right?

E: That's fine.

HMJr: Thank you.

E: All right.

H.M.Jr: As long as Sproul and Eccles both say "No" on the fifty cents, Dave --

Morris: Well, I agree with you for a billion. I think there is a difference. That extra thing does it.

H.M.Jr: Yes. Well, I will tell you what I would like you to do, Dan. Just as soon as you are - there are two things. Let these three men work on the pricing of this, whether it is '51 - '55 or '52 - '54, and get that clear. When you have got that and when you have got Eccles cleared on these other regulations, give me a ring, and I will see you. You can leave your stuff here, if you want to. Will you give me a ring?

Bell: Yes.

H.M.Jr: I will clear it with Jones and I am waiting to hear from you.

Bell: You are satisfied with this?

H.M.Jr: Yes.

Bell: We will give this to the press immediately and wire to the banks, so they can send it out. They ought to get it before this announcement.

Sproul 21

1.000.

500 52-54

June 15- 51 - 55

$9\frac{1}{2}$ - $13\frac{1}{2}$

101.10-15

{ June 52-54
500 - 2%{ 10½ - 12½ yrs 22

1000 - 2½%{ 29-34 yrs
{(1970-75)

HMJr.

750 million

2% 9-15/51-56

750 million

2 1/2% 12/15/65-75

H C Murphy

fer 67-72 - 2½ at 100½ for 750

2% 51-56 for 750

HCHaas

25

Japan 67-72 at par (50 p. prem. would do no harm) | $800 M
Govt. Ins. app. $75 M

2% 51-53 | 600
1.400

Add 10% | 140

Govt. Ins. | 75
$1.615 M

DWB

reopen 2½ - 67/72 @ 100½ for 750 M
new 2 - about 52/54 for 750 M

DH Morrison

December 3, 1941
11:16 a.m.

HMJr: Hello.

B. A. Tompkins: Hello. Mr. Tompkins.

HMJr: I'm calling up, as I really felt sorry we didn't have a chance to talk to each other yesterday.

T: Yes, I understood.

HMJr: And I wanted to ask you myself this morning just how you felt about this issue.

T: Well, I was going to say to you - as I told Danny - I think you can open up your two and a half.....

HMJr: Yes.

T: .....safely.

HMJr: Yes.

T: I think you should put in a medium two per cent issue.

HMJr: Yes.

T: With the weather as uncertain as it is, I think that would be a measure of safety.

HMJr: I see.

T: I think that the - while the long-term market perhaps hasn't the zip in it that it had in October, the undertone is still good.

HMJr: Yes. Well.....

T: How do you feel about it?

HMJr: Well, you and I don't feel very different.

T: And I think that in view of the picture, that it would be well to go right ahead with it instead of delaying it.

HMJr: I think you're right, too. My son Bob was sorry he didn't have a chance to meet you, because he enjoyed your hospitality.

T: I left a message for you about him.

HMJr: I didn't get it.

T: Well, I guess Dan was too busy.

HMJr: Yes.

T: There's no dividends in this, but they're not bad things to hear.

HMJr: Yes.

T: I happened to have a group of five ensigns dining at my house one night who had just come down from that school.

HMJr: Oh, yes.

T: And they asked me if I knew Bob, and I said that I hadn't and they said that he was the most respected man in that unit.

HMJr: Is that right? Well.....

T: I know that isn't a hard thing for a father to hear.

HMJr: No, that's very nice.

T: He must be a great lad, and I do want to see him some time.

HMJr: Well, he asked me when he heard that you were coming. He said, "Daddy, where's Mr. Tompkins?" And I said, "Well, there was a confusion and he's gone back to New York." But he did want to meet you.

T: Well, I hope we'll do it. Tommy will get hold of him some time, and we'll get together.

HMJr: Well, next time there'll be no confusion.

T: All right, sir.

HMJr: All right.

T: Good-bye.

HMJr: Good-bye.

December 3, 1941
11:25 a.m.

General Watson: Yes.

HMJr: This is the story that I get. I understand that Senator Thomas approached the White House on his own.

W: That's right.

HMJr: It was not our suggestion.

W: That's right.

HMJr: And he wants to take two personal friends with him.

W: Well, that's all right. You mean in Treasury?

HMJr: No, of his own friends.

W: Yeah.

HMJr: And then we have to send two people out to assist in the opening of this, you see? And we thought as long as the Army's plane was going and they were taking a Senator and two of his friends, we could send two of ours; but it's unimportant if.....

W: All right. We can do it as long as they're giving it to the Senator.

HMJr: Yeah.

W: It's okay. He is Chairman of the subcommittee of the Appropriation on Military Affairs.....

HMJr: Yeah.

W: .....and that justifies - you see, the thing that's important is the trip.

HMJr: Sure.

W: And we're going to send as long as they can hold two or three more. There's no reason why they shouldn't take them, provided they take their chances on meeting death and so forth.

HMJr: Well, you take that every day.

W: Yeah. They can't take that and hold me responsible for that.

HMJr: No.

W: No.

HMJr: No. Well, what else?

W: And that's all that I had come over here yet.

HMJr: Well, I'm ready to talk to him now any time.

W: All right. All right.

HMJr: Thank you.

December 3, 1941
11:30 a.m.

HMJr: Hello. Henry speaking.

Mr. McIntyre: Yes, Henry. Ready to shoot?

HMJr: Yes, sir.

Mc: Let her go.

HMJr: All right.

Mc: It's a good time.

HMJr: It is.

Mc: When do you close it?

HMJr: Well, we open it tomorrow morning.

Mc: Yeah.

HMJr: And close it tomorrow night.

Mc: That's good.

HMJr: It'll be a billion dollars of the same two and a half issue that we offered a month ago.....

Mc: Yes.

HMJr: .....and half a billion of two per cent.

Mc: Half a billion of two per cent. How long?

HMJr: We're figuring on it. It'll be somewhere around '51-'54. That's from ten to thirteen years.

Mc: Yes. Yes.

HMJr: Ten to thirteen years. I mean, it's a question.....

Mc: Yes. How much is the long-term issue?

HMJr: It's twenty.....

Mc: Twenty-five, thirty?

HMJr: It's twenty-six, thirty-one.

Mo: Good. That's fine.

HMJr: Twenty-six, thirty-one.

Mo: That's all right.

HMJr: And it will be over there within the hour. But you think tomorrow is as good a chance as any?

Mo: I think you may just get under the wire.

HMJr: Wonderful.

Mo: Yeah.

HMJr: Thank you so much.

Mo: All right. Good-bye.

December 3, 1941
11:50 a.m.

RE FINANCING

Present: Mr. Rouse
Mr. Bell
Mr. Murphy
Mr. Haas
Mr. Morris
Mr. Hadley
Mrs. Klotz

H.M.Jr: Well now, how does Sproul feel about this --

Rouse: I went over it with him, and he felt it was all right. It was a good thing, and it would not hurt the market. He was sorry that we didn't have a little more time on it, for the final consideration and so on, but after I had discussed it with him, he felt it would be better to go ahead with it now, rather than wait for the next time, and he thought it would not interfere with a successful issue.

In general, I think his ideas about it are pretty much the same as both Randy and George Harrison expressed, that this thing over a period of time is going to solve itself, and that the evils were not as great as is sometimes feared.

H.M.Jr: Now, are you people together as to what the five hundred million issue should be?

Bell: Treasury and New York say that a '51 - '55, June 15, '51 - '55, is nine and a half - thirteen and a half years.

H.M.Jr: Nine and a half --

Bell: And thirteen and a half. Will sell at a premium of about one point ten to one point fifteen thirty-seconds.

H.M.Jr: Not a hundred and one?

Bell: A hundred and one ten --

H.M.Jr: You didn't say a hundred and one.

Bell: No, I said a premium of one point ten. A hundred and one ten to a hundred and one and fifteen thirty-seconds. Piser feels it will be richer than that, with the probability of a hundred and one twenty.

H.M.Jr: He has never been right yet, has he?

Bell: He is on the right side if he is right. Now, if you want to move it up to December 15, 1951, I think they feel it will give you one point premium instead of the ten or fifteen extra thirty-seconds.

H.M.Jr: You mean that makes it what, ten years and thirteen years?

Bell: That makes it ten and fourteen.

H.M.Jr: That makes it a flat what?

Hadley: One point.

Bell: About a point.

H.M.Jr: What do you think, Rouse?

Rouse: It would be all right. The only consideration that leads to the desirability of the higher premium is the possibility of reopening in January, adding a billion to it, in which you would want for the billion perhaps a little more cushion.

H.M.Jr: For the reopening?

Bell: The refunding in January.

Rouse: So that I think I tend back to the nine and a half - thirteen and a half. Though I like the idea of the ten to fourteen better.

Bell: Now, as to '51, there is a June, September, and December - there is quite a large sum that may be called in each of those places. There is a billion and two that actually matures in March, but you have got several call periods in that area - beyond that area, which you can call, all of these maturities or issues separately and I don't think they would interfere with each other.

H.M.Jr: Of course you could reopen something else. It is just a question of five hundred million of twos at --

Bell: You mean at that time?

H.M.Jr: Yes.

Bell: Oh, yes, you could reopen --

Rouse: Well, of course this thing too may go a little better because of the small size of it.

H.M.Jr: Didn't that one yesterday go very well?

Rouse: That New York State issue?

H.M.Jr: Yes.

Bell: One forty-four.

Rouse: Well, it is tax exempt one to four years, and the competition is keen.

Bell: One forty-four is the average rate.

H.M.Jr: It would be keen for this five hundred.

Rouse: Oh, yes, this meets a different market. This is a bank market, and they are keen for it.

H.M.Jr: I think that the best policy always is to price the thing as of today, not what we are going to do in January. How the heck are we going to know where we are in January? If you were doing it just to sell five hundred million, what would you do, Bob?

Rouse: I would do the ten - fourteen.

H.M.Jr: That would be December?

Rouse: Yes.

Bell: That is one point. Do you think that that --

Rouse: That is the one eighty-five, isn't it?

Bell: Do you think that premium will throw the subscriptions to the other side, to the long bond, because of the higher premium?

Rouse: Yes, I think it will throw the corporate and individual subscriptions, and I think the banks will be in there fully, and the insurance companies partially, on the two per cent bonds.

Bell: It might have a tendency then to decrease the subscriptions on the five hundred million, increase the subscriptions on the billion?

Hadley: That is about a one eighty-eight rate. isn't it?

H.M.Jr: Well, supposing we did throw them in to the long. What is the matter with that?

Bell: It is no harm. It would just cut down the percentage of allotment.

H.M.Jr: Well, let me find out what they are thinking in New York. Incidentally, I cleared this with the President. He has guaranteed me tomorrow.

Bell: He is here today, so now we can send a letter over.

H.M.Jr: Oh, yes, he is in his office. It is a funny thing, Marvin McIntyre called up and said - they said Marvin McIntyre wanted to speak, and I have got orders that nobody can use that phone but the President. It was Marvin McIntyre, so they threw him on to this phone, and then the next thing I knew, the President was on, on this wire.

Bell: Well, I suppose the reason they did that was because Marvin was calling first.

Klotz: They couldn't tell who it was.

H.M.Jr: But when it was Marvin McIntyre, she wouldn't put him on that phone, because I won't let anybody else use it.

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

December 3, 1941
11:55 a.m.

HMJr: Hello.

Allan Sproul: Hello.

HMJr: Allan.

S: Yes.

HMJr: You're on the loudspeaker. Now, I've got a clearance from the President to go ahead for tomorrow.

S: Fine.

HMJr: So he ought to know what's going on.

S: Yes.

HMJr: And it's just a question whether we make this two per cent thing December or June of nine and a half, thirteen and a half, or ten, fourteen.

S: Nine and a half, thirteen and a half or ten, fourteen.

HMJr: Yeah.

S: It doesn't seem to me it makes a great deal of difference.

HMJr: Well, you've got to have an opinion.

S: (Laughs) Well, I would make it ten, fourteen myself.

HMJr: You would?

S: Yeah. I'd make it December.

HMJr: The boys figure that's about one point in it.

S: I think that's enough on that five hundred million issue.

HMJr: They'll be hungry for it, won't they?

S: I think that's been the strongest section of the market, and it's right down the alley of the banks and ought to go well.

HMJr: Well, I'll talk to Marriner and see what he thinks. And one other thing, do you think if we're going to go ahead with this, don't you think it would be a good thing if I told the press we're going to go ahead with the financing tomorrow?

S: I distinctly do, yes.

HMJr: I thought so.

S: Your statement about the weather was interpreted correctly and I think it would be a good thing now to tell them the weather is all right as far as the financing is concerned.

HMJr: I was going to say the weather is static, but that doesn't - I don't mean that - I mean stationary.

S: No. (Laughs)

HMJr: That's what I mean.

S: Yeah.

HMJr: The weather's stationary for the moment.

S: Yeah.

HMJr: I think just as soon as I clear it with Marriner, I think I will give something out.

S: I think it would be a good idea.

HMJr: Right. All right. Unless Marriner has some other ideas. And now as for that - those new rules and regulations, okay?

S: Yes. I talked that over thoroughly with Bob Rouse, and I think it's okay.

HMJr: Thank you.

S: All right, sir.

HMJr: Wait a minute, Bell's saying something. (talks aside) What?

Oh, Marriner is okay on the regulations.

S: He is.

HMJr: Bell looks a little weak. I didn't know what happened to him.

S: (Laughs) They've probably had a long conversation.

HMJr: Yeah, that's what happened.

S: (Laughs)

HMJr: All right.

S: All right.

HMJr: Okay.

S: Good-bye.

H.M.Jr: I had a nice talk, just so that you (Rouse) know. I called up Tommy Tompkins and had a nice talk with him. I think he had it coming to him. But I still say I was unnecessarily disturbed, but that wasn't his fault. It was a combination. I shouldn't let things disturb me, that is the answer.

Bell: Mr. Secretary, we would like to put on these two issues a five thousand dollar preferred allotment, stick to the five this time. You suggested ten. I think I would stick to five.

H.M.Jr: What were they last time?

Bell: Five. Two, we did.

H.M.Jr: Five? Are you going back to five?

Bell: No, it was originally five.

H.M.Jr: But last time there wasn't any preferred.

Haas: Since the F and G's have been out.

H.M.Jr: What do you want to do that for?

Bell: You suggested the other day you wanted ten.

H.M.Jr: I made a lot of suggestions. You didn't take them all seriously?

Bell: Yes, I did that one, because I have always favored it, but I thought it was a mistake for this time.

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

December 3, 1941
12:00 Noon.

HMJr: Hello.

Operator: Chairman Eccles.

HMJr: Hello. Marriner.

Marriner Eccles: Yes, Henry.

HMJr: Now I've cleared this thing for tomorrow with the President.

E: Fine.

HMJr: He's given me an all clear weather signal, so we're ready to go ahead. Now, I understand that Dan's talked to you about the new rules and regulations.

E: Yes, he read them over the phone.

HMJr: They're all right?

E: Yes, they're pretty much in line with what we discussed yesterday. As I told him, they're fine as far as they go, that I would go farther than he's gone, but they're - certainly could have no objection whatever to any of the provisions and they're all in the right direction; and he said that after all, they were the result of a compromise and it's about as far as he felt they could go this time. And I said, "Well, of course, we certainly could have no objections to the modifications you've made, because we're all very strong for them, except we'd go farther."

HMJr: Now, did you know that the president - or the head - of one of the biggest banks in Atlanta came in and told us that the four banks down there agreed that they would make loans to customers to buy Government securities and put up the Government securities as collateral? And that's the way that they were operating down there.

E: Well, I didn't know that specifically. I did know that in Atlanta - from what Ronald Ransom has told me - that for years they're a bunch of speculators down there, and every time they get a chance to get a rake-off, they get it.

HMJr: No, this - some man said that there's an agreement amongst the four banks and they make loans to their customers to buy Governments with Governments as collateral. I think it's outrageous.

E: Well, now, this memorandum of Dan's - I mean this new regulation - calls specific attention to that provision, so that it seems to me that if those banks don't cooperate, why we can do something about it.

HMJr: Well, I'm going to send a Treasury man down there just to observe this time.

E: I think it's - I think it might be all right.

HMJr: But evidently they're - they haven't been playing the game, Marriner, down there.

E: Well, what - I think we're partly at fault, because with the twelve banks and the branches throughout the system, there has been no uniformity.

HMJr: That's right.

E: And I think that that's been one of the faults.

HMJr: Yeah.

E: Now with this memorandum as a basis, we can tighten up from now on a basis of uniformity, and this will give us the basis of experience.

HMJr: That's right.

E: Outside of Atlanta - well, there's Atlanta and Richmond, in particular - we're bad.

HMJr: Yeah.

E: And I think this is all in the right direction myself.

HMJr: Okay. Now, one other thing. On the two per cent.

E: Yeah.

HMJr: There's the question of whether we make it December or June. In other words, nine and a half, thirteen and a half, or ten-year, fourteen-year.

E: I would go December. I think you've got plenty of - plenty on it for December. That's ten years.

HMJr: Ten-fifty-two, yeah.

E: Ten-fifty-two. I think nine and a half is too short. You're giving a premium that you don't need to give, I think, on that type of bond.

HMJr: All right.

E: Don't you agree on that?

HMJr: Yeah. Well, we'll make it ten-fourteen.

E: Yeah, I wouldn't go nine. Who wants nine and a half?

HMJr: Oh, we've got a couple of conservative fellows here at the Treasury, you know.

E: In fact, that sounds like the bankers.

HMJr: Well, we talk to bankers.

E: (Laughs) Yeah, well, nine and a half sounds more like the bankers than the Treasury.

HMJr: We don't associate with them, but we talk to them. (Laughs)

E: (Laughs) I see. Well, ten certainly looks better to me.

HMJr: All right.

E: Fine.

HMJr: All right.

E: All right. Good-bye.

H.M.Jr: There is quite a difference. Now, what I would do is, I would have Chick Schwarz announce that it is a billion dollars, and we are reopening the old issue, and that five hundred million would be offered of the new issue, and that there will be some new regulations coming along.

Bell: They will be out this afternoon. Let's see, you are going to announce now that you are going to reopen and five hundred million of - you are not going to say that is an intermediate --

H.M.Jr: I am going to say the whole thing.

Bell: Rate and everything?

H.M.Jr: Sure, I want the whole thing out. It is too tight. We will get the whole thing out and give the fellows a chance.

Rouse: You didn't decide on that five thousand.

H.M.Jr: No, I want to get the thing out. Wouldn't you? Or would you just tell them we are going to go ahead?

Rouse: I think I would first tell them you are going to go ahead tomorrow, and then after the close of the market, tell them this, unless you want to get the effect in the '67 - '72's today.

H.M.Jr: No. We have never done that.

Bell: We have never given out anything except the amount when we split one billion of a long bond and five hundred million as an intermediate.

H.M.Jr: O.K.

Rouse: That is fine.

H.M.Jr: Now, what about your five thousand dollars?

Bell: Well, I think there is a real need for us to go back to that five thousand dollar allotment. I think you have got a lot of small banks that refuse to subscribe because of the limitation on their capital.

H.M.Jr: Why not make it ten, if you are going to make it anything? The five thousand didn't bring in twenty-five million dollars.

Bell: Thirty-nine million on the last, and we had ninety days before they could get their securities, and statistics show that when the ninety days were up, only about half of them asked for coupon bonds. They showed about the same percentage as the first one on which we got twenty-one million.

Rouse: You don't announce a hundred per cent of them as preferred allotments. If you get too much, you can make it partial.

Bell: Fifty or sixty, yes.

H.M.Jr: What is the argument against the Baby Bond thing?

Rouse: The argument is that there are a number of individuals, for example - of course banks can't subscribe to Baby Bonds, small banks, but on the individuals, there are a number of people who would like to buy marketable Government securities because they don't know when they will have to borrow against them.

H.M.Jr: Oh, banks can't take the others?

Bell: Can't take any savings bonds at all.

H.M.Jr: Anybody don't want to see five thousand dollars?

Morris: I am in favor of five. I just question ten, but not strongly.

Hadley: I would go along with ten.

Haas: Five is all right with me, and I wouldn't worry about ten.

Murphy: Ten is O.K. with me.

Bell: I vote for five for this issue; maybe ten on the next one.

H.M.Jr: It is all right with me.

Bell: What?

H.M.Jr: Five.

Bell: O.K.

Murphy: Is that ninety days?

Morris: Oh yes, definitely.

Bell: One reason I would like to have it ninety days is because it falls in March, and I hope that we won't have a financing in March. I wouldn't want it to fall on the day when we have a financing.

H.M.Jr: Now what else do you want, Dan?

Bell: That is all I have. I am all set.

H.M.Jr: The Government bond market is up two thirty-seconds.

Bell: That reflects the conference yesterday. Maybe this long bond will go up instead of down.

H.M.Jr: Now when do you want me to sign?

Bell: It will take some little time to get ready. What I would like to do is get this memorandum on the subscriptions out right away and then I would like to send a preliminary telegram to the banks, giving them just a little more than you are giving to the press, so that they can get that ready to go in the first mail.

H.M.Jr: I can sign for you at two o'clock. Do you want me before that?

Bell: No, I am sure we won't be ready. Maybe a little later than two, even.

H.M.Jr: Thank you very much, Bob. You have been very helpful.

Rouse: Thank you, sir.

Calendar of Direct and Guaranteed Bonds and Notes 1/

November 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
				First callable		Final maturities	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
1941-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
1942-Jan.15	RFC 7/8%		310				
Jan.15	FFMC 3% (1942-47)				236		
Feb.							
Mar. 1	FFMC 2-3/4% (1942-47)				103		
Mar.15	Note 1-3/4%	426					
Apr.							
May							
June							
July 1	RFC 1%		276				
July 1	HOLC 2-1/4% (1942-44)				875		
Aug.							
Sept.15	Note 2%	342					
Oct.15	RFC 7/8%		320(T)				
Nov.							
Dec.15	Note 1-3/4%	232					
	Total	1,000	906		1,214		
1943-Jan.							
Feb.							
Mar.15	Note 3/4%	66(T)					
Apr.							
May 1	CCC 3/4%		289				
June15	Note 1-1/8%	629					
June15	Bond 3-3/8% (1943-47)			454			
July15	RFC 1-1/8%		324(T)				
Aug.							
Sept.15	Note 1%	279					
Oct.15	Bond 3-1/4% (1943-45)			1,401			
Nov.							
Dec.15	Note 1-1/8%	421					
	Total	1,395	613	1,855			
1944-Jan.							
Feb. 1	USHA 1-3/8%		114				
Mar.15	Note 1%	515					
Mar.15	FFMC 3-1/4% (1944-64)				95		
Apr.15	Bond 3-1/4% (1944-46)			1,519			
Apr.15	RFC 1%		571(T)				
May 1	HOLC 3% (1944-52)				779		
May 15	FFMC 3% (1944-49)				835		
June15	Note 3/4%	416					
July 1	HOLC 2-1/4% (1942-44)						875
Aug.							
Sept.15	Note 1%	283					
Sept.15	Note 3/4%	635(T)					
Oct.							
Nov.							
Dec.15	Bond 4% (1944-54)			1,037			
	Total	1,849	685	2,556	1,709		875

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

Calendar of Direct and Guaranteed Bonds and Notes 1/

November 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
				First callable		Final maturities	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
1945-Jan.							
Feb.15	CCC 1-1/8%		412(T)				
Mar.15	Note 3/4%	718					
Apr.							
May							
June 1	HOLC 1-1/2% (1945-47)				755		
July							
Aug.							
Sept.15	Bond 2-3/4% (1945-47)			1,214			
Oct.15	Bond 3-1/4% (1943-45)					1,401	
Nov.							
Dec.15	Bond 2-1/2%	541					
Dec.15	Note 3/4%	531(T)					
	Total	1,790	412	1,214	755	1,401	
1946-Jan. 1	Conversion 3%	16					
Feb.							
Mar.15	Note 1%	503(T)					
Mar.15	Bond 3-3/4% (1946-56)			489			
Apr.15	Bond 3-1/4% (1944-46)					1,519	
May							
June15	Bond 3% (1946-48)			1,036			
June15	Bond 3-1/8% (1946-49)			819			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total	519		2,344		1,519	
1947-Jan. 1	Conversion 3%	13					
Jan.15	FFMC 3% (1942-47)						236
Feb.							
Mar. 1	FFMC 2-3/4% (1942-47)						103
Apr.							
May							
June 1	HOLC 1-1/2% (1945-47)						755
June15	Bond 3-3/8% (1943-47)					454	
July							
Aug.							
Sept.15	Bond 2-3/4% (1945-47)					1,214	
Oct.15	Bond 4-1/4% (1947-52)			759			
Nov.							
Dec.15	Bond 2%	701					
	Total	714		759		1,668	1,094
1948-Jan.							
Feb.							
Mar.15	Bond 2% (1948-50)			1,115(T)			
Mar.15	Bond 2-3/4% (1948-51)			1,223			
Apr.							
May							
June15	Bond 3% (1946-48)					1,036	
July							
Aug.							
Sept.15	Bond 2-1/2%	451					
Oct.							
Nov.							
Dec.15	Bond 2% (1948-50)			571			
	Total	451		2,909		1,036	

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

Calendar of Direct and Guaranteed Bonds and Notes 1/

November 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
				First callable		Final maturities	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
1949-Jan.							
Feb.							
Mar.							
Apr.							
May 15	FFMC 3% (1944-49)						835
June 15	Bond 3-1/8% (1946-49)					819	
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec. 15	Bond 3-1/8% (1949-52)			491			
Dec. 15	Bond 2-1/2% (1949-53)			1,786			
	Total			2,277		819	835
1950-Jan.							
Feb.							
Mar. 15	Bond 2% (1948-50)					1,115(T)	
Apr.							
May							
June							
July							
Aug.							
Sept. 15	Bond 2-1/2% (1950-52)			1,186			
Oct.							
Nov.							
Dec. 15	Bond 2% (1948-50)					571	
	Total			1,186		1,686	
1951-Jan.							
Feb.							
Mar. 15	Bond 2-3/4% (1948-51)					1,223	
Apr.							
May							
June 15	Bond 2-3/4% (1951-54)			1,627			
July							
Aug.							
Sept. 15	Bond 3% (1951-55)			755			
Oct.							
Nov.							
Dec. 15	Bond 2-1/4% (1951-53)			1,118			
	Total			3,500		1,223	
1952-Jan.							
Feb.							
Mar. 15	Bond 2-1/2% (1952-54)			1,024(T)			
Apr.							
May 1	HOLC 3% (1944-52)						779
June							
July							
Aug.							
Sept. 15	Bond 2-1/2% (1950-52)					1,186	
Oct. 15	Bond 4-1/4% (1947-52)					759	
Nov.							
Dec. 15	Bond 3-1/8% (1949-52)					491	
	Total			1,024		2,436	779

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

Calendar of Direct and Guaranteed Bonds and Notes 1/
November 3, 1941
(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
				First callable		Final maturities	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
1953-Jan.							
Feb.							
Mar.							
Apr.							
May							
June15	Bond 2% (1953-55)			725			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.15	Bond 2-1/2% (1949-53)					1,786	
Dec.15	Bond 2-1/4% (1951-53)					1,118	
	Total			725		2,904	
1954-Jan.							
Feb.							
Mar.15	Bond 2-1/2% (1952-54)					1,024(T)	
Apr.							
May							
June15	Bond 2-3/4% (1951-54)					1,627	
June15	Bond 2-1/4% (1954-56)			681			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.15	Bond 4% (1944-54)					1,037	
	Total			681		3,688	
1955-Jan.							
Feb.							
Mar.15	Bond 2-7/8% (1955-60)			2,611			
Apr.							
May							
June15	Bond 2% (1953-55)					725	
July							
Aug.							
Sept.15	Bond 3% (1951-55)					755	
Oct.							
Nov.							
Dec.							
	Total			2,611		1,480	
1956-Jan.							
Feb.							
Mar.15	Bond 3-3/4% (1946-56)					489	
Mar.15	Bond 2-1/2% (1956-58)			1,449(T)			
Apr.							
May							
June15	Bond 2-1/4% (1954-56)					681	
July							
Aug.							
Sept.15	Bond 2-3/4% (1956-59)			982			
Oct.							
Nov.							
Dec.							
	Total			2,431		1,170	

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

Calendar of Direct and Guaranteed Bonds and Notes 1/
November 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
				First callable		Final maturities	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
1957-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total						
1958-Jan.							
Feb.							
Mar.15	Bond 2-1/2% (1956-58)					1,449(T)	
Apr.							
May							
June15	Bond 2-3/4% (1958-63)			919			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total			919		1,449	
1959-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug.							
Sept.15	Bond 2-3/4% (1956-59)					982	
Oct.							
Nov.							
Dec.							
	Total					982	
1960-Jan.							
Feb.							
Mar.15	Bond 2-7/8% (1955-60)					2,611	
Apr.							
May							
June							
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.15	Bond 2-3/4% (1960-65)			1,485			
	Total			1,485		2,611	

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

Calendar of Direct and Guaranteed Bonds and Notes 1/

November 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
				First callable		Final maturities	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
1961-Jan.							
Feb.							
Mar.							
Apr.							
May							
June 1	Panama 3%	50					
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total	50					
1962-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total						
1963-Jan.							
Feb.							
Mar.							
Apr.							
May							
June15	Bond 2-3/4% (1958-63)					919	
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total					919	
1964-Jan.							
Feb.							
Mar.15	FFMC 3-1/4% (1944-64)						95
Apr.							
May							
June							
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total						95

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

Calendar of Direct and Guaranteed Bonds and Notes 1/

November 3, 1941

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues			
				First callable		Final maturities	
		Direct	Guaranteed	Direct	Guaranteed	Direct	Guaranteed
1965-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.15	Bond 2-3/4% (1960-65)					1,485	
	Total					1,485	
1966-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total						
1967-Jan.							
Feb.							
Mar.							
Apr.							
May							
June							
July							
Aug.							
Sept.15	Bond 2-1/2% (1967-72)			1,590(T)			
Oct.							
Nov.							
Dec.							
	Total			1,590			
*	*	*	*	*	*	*	*
1972-Sept.15	Bond 2-1/2% (1967-72)					1,590(T)	

1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

December 3, 1941
12:05 p.m.

HMJr: Hello.

Colonel Donovan: Henry.

HMJr: Yes.

D: I'm sorry I can't be there at lunch.....

HMJr: I am, too.

D: .....but Jim Baxter will talk very openly and freely.....

HMJr: Good.

D: .....and - have you been getting some of my little stories?

HMJr: Yes, I have.

D: That will be a steady flow, Henry.

HMJr: Fine.

D: And if there's any particular thing that we can do, I'll let you know.

HMJr: Will you do that?

D: Yeah.

HMJr: All right.

D: Now, I was glad to have Gaston over yesterday. We explained the whole thing to him.

HMJr: Good.

D: All right.

HMJr: Thank you.

D: All right, Henry.

December 3, 1941
12:07 p.m.

HMJr: Hello.

Operator: Secretary Jones is at the Capitol.

HMJr: Well, leave word I called him.

Operator: Right.

HMJr: Leave word I called.

Operator: Right.

December 3, 1941
12:10 p.m.

HMJr: Hello.

Jesse Jones: Hello, Henry.

HMJr: Jesse, we're about ready to blow.

J: Yeah.

HMJr: We're going to reopen that last two and a half per cent issue for a billion dollars.

J: Uh huh.

HMJr: And then sell a new two per cent ten-fourteen year.

J: Ten-fourteen.

HMJr: Yeah.

J: I think you've hit on the right - that's about the way you were talking yesterday, wasn't it?

HMJr: Yeah. Sound all right to you?

J:	I think it sounds all right.
HMJr:	Well.....
J:	And I believe we're going to like it.
HMJr:	The President gave me a clearance for tomorrow.
J:	Uh huh.
HMJr:	So that's.....
J:	Well, I'm whole-heartedly for it.
HMJr:	Thank you, Jesse.
J:	Okay. Thanks.

TREASURY DEPARTMENT
Washington

62

FOR IMMEDIATE RELEASE,
Wednesday, December 3, 1941.

Press Service
No. 28-71

In advance of the cash offering of Treasury securities to be announced tomorrow, the Treasury today announced the basis on which subscriptions will be entertained from the various classes of subscribers who will participate in that offering. The primary purpose is, so far as possible, to meet the legitimate investment requirements of the public, and to accomplish that purpose subscriptions will be grouped broadly into four classes, as follows:

> Banks and trust companies for their own account-- not to exceed 50 per cent of capital and surplus.
>
> Mutual savings and cooperative banks, Federal Savings and Loan Associations, trust accounts and investment corporations, pension funds, insurance companies, and similar institutions and funds -- not to exceed ten per cent of total resources.
>
> Corporations organized for profit, and dealers and brokers -- not to exceed 50 per cent of net worth.
>
> Individuals -- not to exceed 50 per cent of net worth or 100 per cent of cash deposited with subscription. (Note: No preferred allotment will be made on such full-paid subscriptions.)

Notwithstanding the general limitations outlined above, the Federal Reserve Banks are authorized and instructed to continue to examine applications for cash offerings of securities issued by the Treasury, and to report to the Secretary of the Treasury any which, in their judgment, require special treatment, or which appear to be excessive from the standpoint of the resources or investment practices of the subscribers, or for other reasons, with recommendation as to the acceptance, reduction or rejection of any such applications, which recommendations will be promptly acted upon by the Secretary.

The cooperation of banking institutions, and of the subscribing public generally, is earnestly solicited so that subscriptions forwarded to the Federal Reserve Banks and the Treasury will in each instance be for amounts not in excess of the limitation set forth above. Attention is again invited to the requirement that subscribers agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books.

It is also requested that banks and others refrain from making any unsecured loans, or loans collateralized in whole or in part by the securities subscribed for, to cover the initial deposits which are required to be paid when subscriptions are entered.

-oOo-

December 3, 1941
1:40 p.m.

HMJr: Hello.

Mr. O'Dwyer: Hello, Mr. Morgenthau.

HMJr: How are you?

O: Splendid, thanks.

HMJr: Mr. O'Dwyer.....

O: Yeah.

HMJr: The reason I'm calling you is this. Monday of this week it was brought to my attention that our Narcotic Agent, Albert E. Aman.

O: Yes.

HMJr: You know of him?

O: Yes, very well.

HMJr: He had some information which he got from two men which you gave him permission to talk to.

O: That's right.

HMJr: Now, I asked him to give me a written report which has just been handed to me this morning and I think it's - it may be of interest to you. And Aman is in Chicago, and he's leaving there tonight and will arrive in New York tomorrow and hand it to you personally.

O: That's lovely.

HMJr: Now, if there's anything else that we here can do, call on me personally.

O: Yes. Well, that's swell. Thanks a lot, Mr. Morgenthau.

HMJr: Now, this has certain income tax angles, and we will pursue those through our Internal Revenue agents.

O: Yes.

HMJr: But there are other things in there which are of interest to you and don't come under the Treasury.

O: I see.

HMJr: But.....

O: Well, thank you very much, sir; and when will I have the pleasure of meeting you?

HMJr: Well, any time - I very rarely get to New York.

O: You're rarely in town, aren't you.

HMJr: Practically never; but if I do, or you should happen to come to Washington, why I'd be delighted to see you.

O: Thank you very much.

HMJr: Good-bye.

O: I will take advantage of that invitation when I come down.

HMJr: Do that, will you?

O: Yes, sir.

HMJr: But I think you'll be interested in what Aman has.

O: All right. Thank you very much.

HMJr: Okay.

O: Good-bye.

cc - Mr. Foley STRICTLY CONFIDENTIAL

December 3, 1941
2:26 p.m.

HMJr: Hello.

Francis Biddle: Henry, this is Francis.

HMJr: Good morning.

B: How are you today?

HMJr: Okay.

B: Henry, I have two matters - one personal and the other business. I'm afraid Kathryn and I won't be able to make your party in New York.

HMJr: Oh, I'm sorry.

B: I'm terribly sorry. Shall I write your secretary about it?

HMJr: No, no, I'm.....

B: Shall I send the tickets back?

HMJr: If you don't mind.

B: I'll send them over tomorrow morning if that's time.

HMJr: That's time enough.

B: Now, the other thing, Henry. John Mack is coming over to see you.

HMJr: Yes.

B: Then also, I thought I'd say a word about that situation.

HMJr: I wish you would. I know nothing about it.

B: John Mack has recently been made president of General Aniline.

HMJr: Yes.

B: He's represented by Homer Cummings.

HMJr: Yes.

B: The majority of the stock - practically all of the stock - is owned by a Swiss company, called a Cemmie Company.....

HMJr: Yes.

B: .....who undoubtedly could vote in any group they wanted.

HMJr: Yes.

B: This situation involves a - really a fight for control, and it is a stockholder's bill, asking under the Delaware laws, for a special election brought by the Cemmie group, which, in turn, is controlled undoubtedly from Germany.....

HMJr: Yes.

B: .....and has been pending for some time.

HMJr: Yes.

B: I think on the whole, we've looked at it pretty carefully, that the present board which has been changed.....

HMJr: Yes.

B: .....and the association of both Mack and Cummings with the board, gives us much more confidence than the other groups, who are Raskob, DuPont, and Al Smith.

HMJr: Yes.

B: Of course, what they're trying to do is to get the DuPont's control over this competitor company and divide up the boodle pending the war.

HMJr: Yeah.

B: Now, it's a very simple matter, but apparently there's been a good deal of backing and filling. They want us to try to get the case postponed again for three months.

HMJr: Yeah.

B: For several reasons. Mainly because we can get a better picture of it.

HMJr: Yeah.

B: I approve that. I think the Inter-Departmental Committee, who naturally don't like to take responsibility for some of these things without going to us, are a little shy about it; although Frank Shea gotten into the position where he agrees.

HMJr: Yeah.

B: You'll want, of course, to talk to Ed about it afterwards.

HMJr: Right.

B: I think Ed is a little instinctively against it.

HMJr: Yeah.

B: But literally, all I think need be done is to go down to court and say that this involves a serious situation and we are already on record in a criminal proceeding under the Anti-Trust Act in which we state that it is our belief and we expect to prove that the Chemnie Company is controlled and owned by General Aniline under a geographical trust distribution agreement. Therefore, we've said that already. We repeat that, and we talk a little bit about national defense and the emergency situation. I haven't the slightest doubt that the court will respond as they have already once done, so I think it should be done.

HMJr: Well, I know nothing about it. I'll listen to

Mack. I'll make no commitment one way or the other.

B: That's right. And then talk to Ed.

HMJr: And then talk to Ed.

B: Give me a ring when you've decided.

HMJr: I'll very definitely give you a ring before I decide.

B: Oh, incidentally, Mack's been over to see the President, I think, about it; and I think he was put in the company with the President's approval.

HMJr: I see.

B: Which would indicate that the boss would like us to play along; and if you want to speak to him, that would be all right, but I hardly think it's necessary.

HMJr: Well, before I make up my mind, I'll talk to you again.

B: Thank you, Henry.

HMJr: Thank you.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE December 3, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 4 p.m. this afternoon Secretary Morgenthau received Sir Frederick Phillips, at the latter's request. Mrs. Klotz and Messrs. White and Cochran were present. Sir Frederick stated that he desired to report to the Secretary on progress being made on "take outs" from old contracts. While it had resulted from the recent meeting participated in by Messrs. Phillips, McCloy, Greenbaum, Wilson and others that there were no funds available to the Army to relieve the British from any of the contracts which have been under discussion, Mr. Stettinius seemed willing to give such relief out of the second Lend-Lease appropriation, provided free funds can be found in this allotment. Phillips made the point that $1,000,000,000 of this second appropriation has been set aside for Russia, but that study is now being made as to whether the desired relief can be obtained from the remaining funds. In answer to the Secretary's inquiry, Sir Frederick stated that Colonel Greenbaum had been quite helpful. The Secretary had stressed to Colonel Greenbaum, on the latter's visit to the Treasury, the importance which he attached to this matter. The Secretary asked to be kept currently informed of developments.

Phillips then recalled to the Secretary that the British authorities had given the definite ruling when refugees from the British Isles came out to Canada and United States that foreign exchange could not be remitted to these countries to take care of such refugees, principally women and small children. Principally as a result of experience with Canada, it has now developed that strict adherence to this rule cannot be maintained. The British calculate that something like £250,000 per year will be required for remittances to women and children now in the United States. Since this would mean an additional drain on British dollar exchange resources, Sir Frederick desired to consult the Secretary before giving his assent to the arrangement. The Secretary said that he gladly and heartily agreed thereto. Incidentally, he asked Phillips sometime to bring him to date on the recent arrangement consummated with the British Treasury authorities by the American Embassy in London with respect to dividends for American movie interests.

Sir Frederick then mentioned the question of payments to Russia. The Secretary told Phillips that this question had been brought up, particularly in Sir Frederick's absence, on one or more occasions, but in a matter of "trading", rather than in the direct fashion which has always characterized dealings between Sir Frederick and the Secretary. The latter hoped that on this, as on all matters, Sir Frederick would tell the Secretary directly what he wanted, and a frank reply would be forthcoming. Phillips stated that the first point was with respect to supplies which the British had obtained from the United States against actual payment in United States dollars before Lend-Lease was operative. When such articles have now been transferred by the British to the Russians, does the United States Treasury agree to the British collecting dollars or gold from the Russians therefor? As the second point, Phillips referred to certain Boston bombers which had been acquired by the British and which are now to be released by the British to fulfill the American commitment to the Russians under the Moscow protocol. Should the British expect payment in dollars or in kind? To these two questions the Secretary replied that he would like to have a written memorandum from Sir Frederick. He would then give an early answer.

H. M. J.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE December 3, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Confirming the information which I gave you orally at 4:15 this evening, word was today received from the Soviet Embassy that the SS DONBASS was arriving in San Francisco today, and that an amount of $6,000,000 of gold would be deposited at the Mint in San Francisco to our credit. From the SS TRANSBALT, arriving at San Francisco on December 6, a similar amount of $6,000,000 in gold will be deposited, leaving still due from Russia under the $30,000,000 advance, a balance of $13,326,000.

H.M.C.

C
O
P
Y

EMBASSY OF THE
UNION OF SOVIET SOCIALIST REPUBLICS
WASHINGTON, D. C.

December 3, 1941

My dear Mr. Secretary:

On or about December 6, 1941 there will be deposited at the United States Mint, San Francisco, an amount of gold for the account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics. This gold will arrive on the S.S. Transbalt and is to be applied against the amount of gold sold under the agreement of October 10, 1941.

Very truly yours,

(Signed) A. Gromyko

A. Gromyko
Charge d'Affaires

The Honorable

The Secretary of the Treasury

Washington

Copy:ec
12-5-41

C
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San Francisco, California

December 5, 1941

Mr. D. W. Bell

Washington, D. C.

I have been advised that there will be 98 cases of Russian gold at an estimated value of $6,800,000 delivered to this mint today. Will we handle it the same as other Russian deposits?

Haggerty
Superintendent

Copy:hj:12-5-41

Exchange Stabilization Fund

DEC 3 1941

Superintendent,
United States Mint,
San Francisco, California.

On or about December 5, 1941 you will receive gold valued at approximately $6,000,000 for the account of the Secretary of the Treasury by order of the Government of the Union of Soviet Socialist Republics. Upon receipt of this gold you are hereby authorized and instructed to melt and determine its value. After determination of the value you are further authorized and instructed to purchase the gold at the flat price of $35 per fine troy ounce without subtracting the 1/4 of 1 percent handling charge, to draw the deposit certificate accordingly and to draw your check for the net value of the gold (less the usual mint charges) to the order of the Federal Reserve Bank of San Francisco for account of the Federal Reserve Bank of New York for credit to the "Secretary of the Treasury, Special Account." Please instruct the Federal Reserve Bank of San Francisco to transfer this amount by telegraph to the Federal Reserve Bank of New York for credit to the "Secretary of the Treasury, Special Account." Please have the Federal Reserve Bank of San Francisco include in its telegram to the Federal Reserve Bank of New York the outturn of the number of fine ounces, the total dollar value, the amount of the regular 1/4 of 1 percent handling charge, and the mint charges which have been deducted, as well as the name of the ship on which the gold was transported, and the date of its arrival. Please prepare two copies of Mint Form 42-2 in the usual manner inserting in the prepared spaces at the foot of the report the total value of the gold, the melting charge, the handling charge, the total charges, and the net value of the gold, with the handling and other charges deducted, but without other extraneous notations on the form. Please forward these forms to the Secretary of the Treasury, Attention: H. Merle Cochran, Treasury Department, Washington, D.C. You will observe from the instructions that you are not to deduct the 1/4 of 1% handling charge.

(Signed) D. W. BELL

Acting Secretary of the Treasury.

FD:ima.12/3/41

C
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EMBASSY OF THE
UNION OF SOVIET SOCIALIST REPUBLICS
WASHINGTON, D.C.

December 5, 1941

My dear Mr. Secretary:

On or about December 5, 1941 there will be deposited at the United States Mint, San Francisco, gold valued at approximately $6,000,000.00 for the account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics. This gold arrived on the S.S. Dnebass and is to be applied against the amount of gold sold under the agreement of October 10, 1941.

Very truly yours,

(s) A. Gromyko

A. Gromyko
Charge d'Affaires

The Honorable

The Secretary of the Treasury

Washington

Copy:bj:12-5-41

Computation of tax liability on 1940 income
under present law

National Steel Corporation

Return filed on an unconsolidated basis, for the calendar year.

The income method is used in computing the excess profits tax.

Computation of excess profits tax

1.	Net income	$13,508,570
2.	Adjustments in arriving at excess profits net inc.	- 1,029,699
3.	Excess profits credit and specific exemption	11,818,791
4.	Adjusted excess profits	660,080
5.	Excess profits tax	350,048
6.	Balance of net income, after E.P.T., subject to normal tax and surtax	13,158,522
7.	Normal tax	3,158,045
8.	Surtax	920,847
9.	Total income and excess profits taxes	4,428,940
10.	Total income & excess profits taxes as a percent of net income	32.8%

Invested capital credit

Amount of invested capital		128,780,993
5,000,000 at 8%	400,000	
123,780,993 at 7%	8,664,670	
Total credit		9,064,670

Average earnings credit 11,813,791

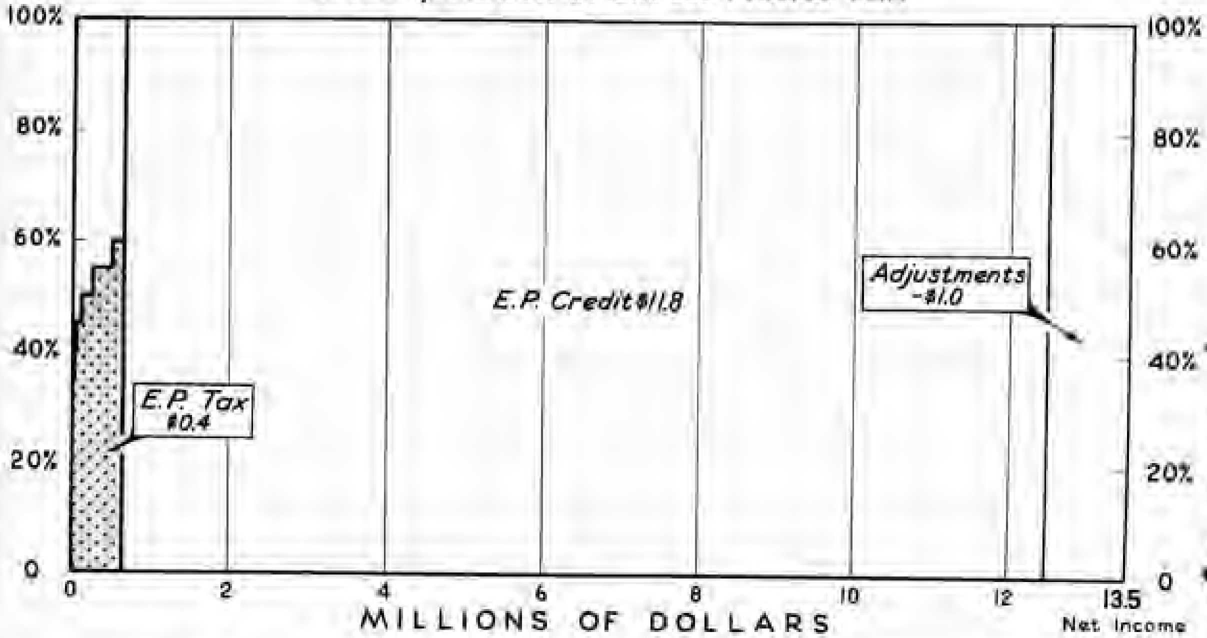
COMPUTATION OF TAX LIABILITY ON 1940 INCOME UNDER PRESENT LAW

NATIONAL STEEL CORP.

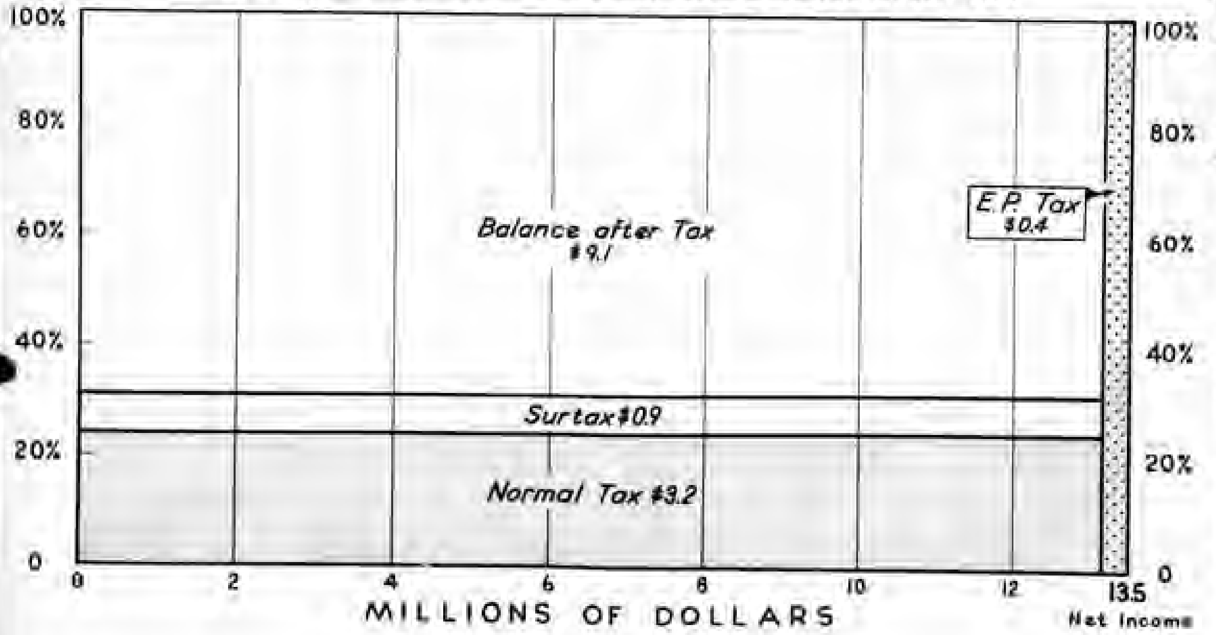
Income Method

Net Income $13.5 mil. *Adjusted Excess Profits* $0.7 mil.
E. P. Credit $11.8 mil. *Normal Tax Net Income* $13.2 mil.

I. Computation of Excess Profits Tax



II. Computation of Income Tax and Balance after Tax



Computation of tax liability on 1940 income
under present law

Lockheed Aircraft Corporation

Return filed on an unconsolidated basis, for the calendar year.

The income (growth) method is used in computing the excess profits tax.

Computation of excess profits tax

1.	Net income	$5,149,409
2.	Adjustments in arriving at excess profits net income	-
3.	Excess profits credit and specific exemption	3,535,306
4.	Adjusted excess profits	1,614,103
5.	Excess profits tax	922,462
6.	Balance of net income, after E.P.T., subject to normal tax and surtax	4,226,947
7.	Normal tax	1,014,467
8.	Surtax	295,636
9.	Total income and excess profits taxes	2,232,565
10.	Total income & excess profits taxes as a percent of net income	43.4%

Invested capital credit

Amount of invested capital		26,963,853
5,000,000 at 8%	400,000	
21,963,853 at 7%	1,537,470	
Total credit		1,937,470

Average earnings credit 3,530,306

12/3/41

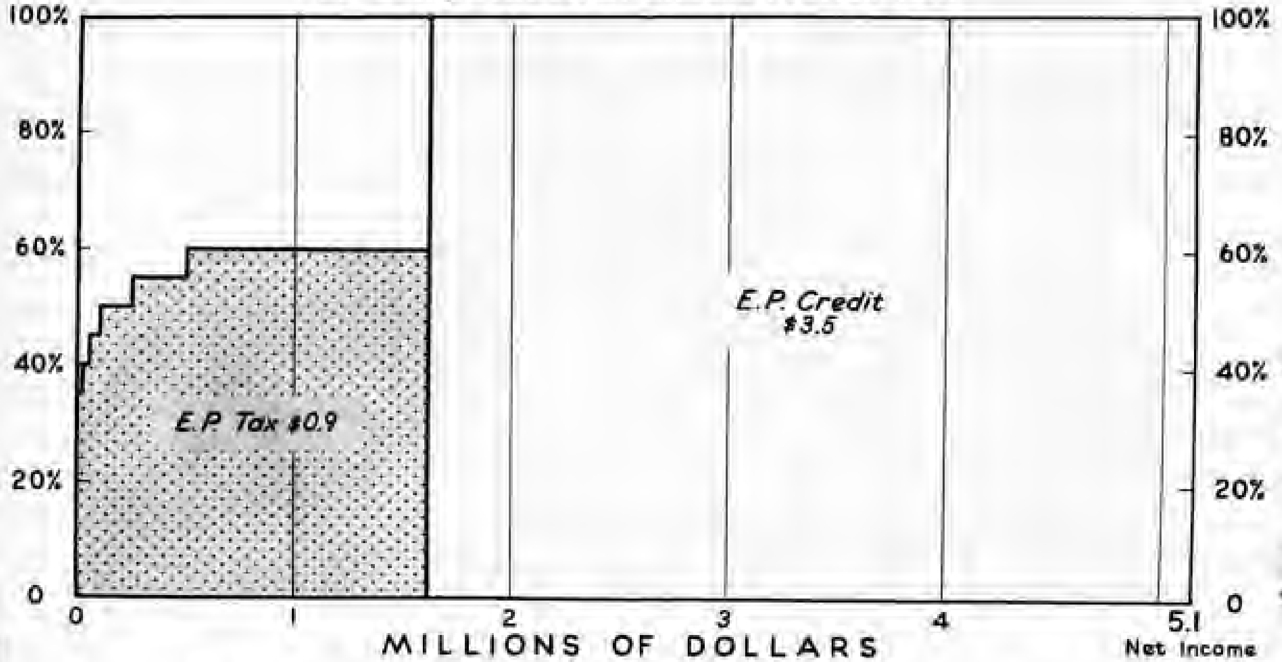
COMPUTATION OF TAX LIABILITY ON 1940 INCOME UNDER PRESENT LAW

LOCKHEED AIRCRAFT CORP.

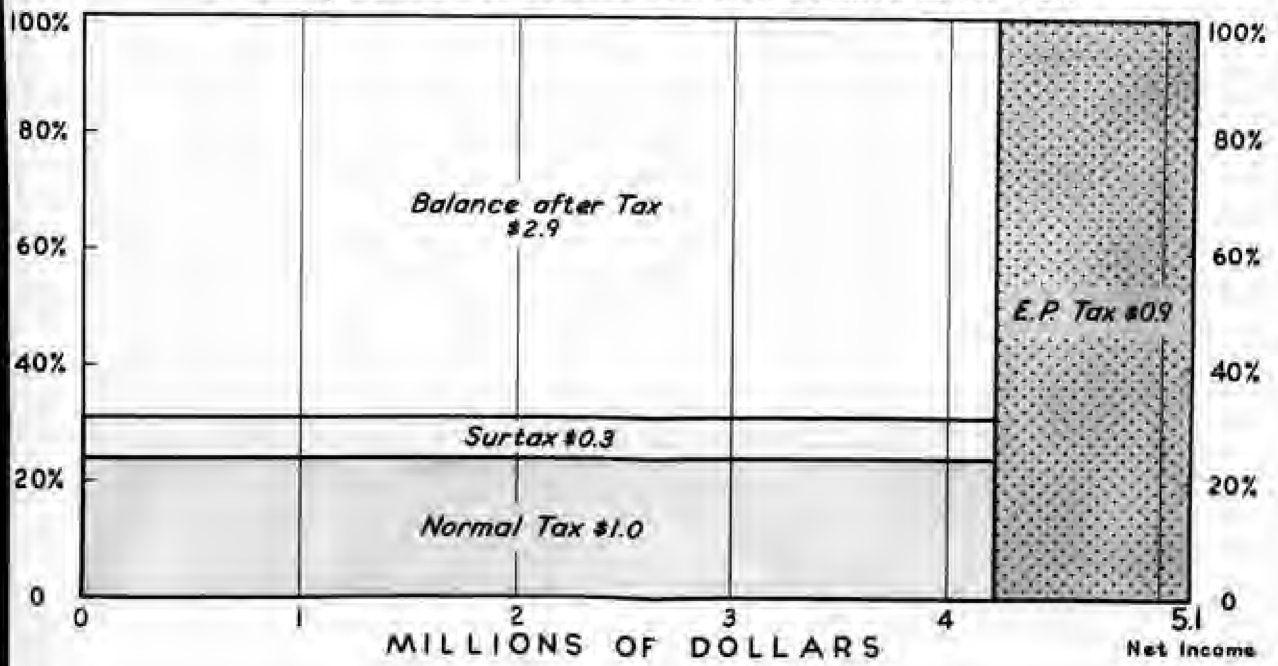
Income (Growth) Method

Net Income $5.1 mil. *Adjusted Excess Profits* $1.6 mil.
E. P. Credit $3.5 mil. *Normal Tax Net Income* $4.2 mil.

I. Computation of Excess Profits Tax



II. Computation of Income Tax and Balance after Tax



CONFIDENTIAL

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Two Business Days of December, November, and October, 1941
(October 1-2, November 1-3, December 1-2)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	December	November	October	December over November	November over October	December over November	November over October
Series E - Post Offices	$ 4,205	$ 4,394	$ 3,320	-$ 189	$1,074	- 4.3%	32.3%
Series E - Banks	6,496	5,171	5,815	1,325	- 644	25.6	- 11.1
Series E - Total	10,701	9,565	9,134	1,136	431	11.9	4.7
Series F - Banks	1,956	2,009	2,153	- 53	- 144	- 2.6	- 6.7
Series G - Banks	12,970	13,292	12,596	- 322	696	- 2.4	5.5
Total	$25,627	$24,866	$23,883	$ 761	$ 983	3.1%	4.1%

Office of the Secretary of the Treasury, Division of Research and Statistics. December 3, 1941.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States Savings Bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

CONFIDE[NTIAL]

UNITED STATES SAVINGS BONDS

Daily Sales - December 1941
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
	Series E	Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
December 1941									
1	$ 2,976	$ 3,904	$ 1,333	$ 7,220	$ 12,458	$ 6,880	$ 1,333	$ 7,220	$ 15,434
2	1,229	2,592	623	5,750	8,964	3,821	623	5,750	10,193
Total	$ 4,205	$ 6,496	$ 1,956	$ 12,970	$ 21,422	$ 10,701	$ 1,956	$ 12,970	$ 25,627

Office of the Secretary of the Treasury, Division of Research and Statistics. December 3, 1941.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States Savings Bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

DEC 3 1941

My dear Admiral Land:

Thank you for your letter of November 28, 1941, enclosing three tables presenting certain information on the status of appropriations requested in my letter of November 10. Your cooperation in this matter is greatly appreciated.

The tables supply me with the information I desired, and we are now developing a chart covering the figures. As soon as it has been completed, I shall send you a copy.

Sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral Emory S. Land, Chairman,
United States Maritime Commission,
Washington, D. C.

By Messenger Steen 4[00]

N.M.C. Photostat file
Original to Haas' office

WL:vas 12/2/41

UNITED STATES MARITIME COMMISSION
WASHINGTON

OFFICE OF THE CHAIRMAN

November 28, 1941

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

Attention: Mr. George C. Haas
Director of Research and Statistics

My dear Mr. Secretary:

Further reference is made to your letter of November 10 and your request for information for each appropriation act and contract authorization acts approved since January 1, 1940, and defense aid allocations providing for construction by the Commission of vessels and equipment for national defense.

In response to the above, the following statements have been prepared and are attached hereto:

a. Contract Authorizations for Ships and Facilities

b. Obligations for Ships and Facilities (Cumulative)

c. Disbursements for Ships and Facilities (Cumulative)

All of the above from inception of the Commission (October 26, 1936) to period ending October 31, 1941.

Mr. Lindow of your department has collaborated with this agency in the preparation of the foregoing.

Sincerely yours,

E S Land

E. S. Land
Chairman

Enclosures

UNITED STATES MARITIME COMMISSION

OBLIGATIONS FOR SHIPS AND FACILITIES (CUMULATIVE)

INCEPTION TO OCTOBER 31, 1941

Period Ending	Long Range Program: Ships (Millions)	Long Range Program: Facilities (Millions)	Long Range Program: Total (Millions)	Emergency Ship Program: Ships (Millions)	Emergency Ship Program: Facilities (Millions)	Emergency Ship Program: Total (Millions)	Defense Aid Program: Ships (Millions)	Defense Aid Program: Facilities (Millions)	Defense Aid Program: Total (Millions)	War and Navy Departments; Ships (Millions)	Total - All Programs: Ships (Millions)	Total - All Programs: Facilities (Millions)	Total - All Programs: Total (Millions)
Dec. 31, 1937	$ 15.8		15.8								15.8		15.8
March 31, 1938	26.3		26.3								26.3		26.3
June 30, 1938	26.3		26.3								26.3		26.3
Sept. 30, 1938	76.5		76.5								76.5		76.5
Dec. 31, 1938	92.6		92.6								92.6		92.6
March 31, 1939	135.7		135.7								135.7		135.7
June 30, 1939	161.1		161.1								161.1		161.1
Sept. 30, 1939	231.1		231.1								231.1		231.1
Dec. 31, 1939	330.3		330.3								330.3		330.3
March 31, 1940	343.5		343.5								343.5		343.5
June 30, 1940	362.8		362.8								362.8		362.8
Sept. 30, 1940	426.1		426.1							12.2	438.3		438.3
Dec. 31, 1940	434.7		434.7							12.2	446.9		446.9
Jan. 31, 1941	458.1		458.1							12.2	470.3		470.3
Feb. 28, 1941	480.3		480.3		33.4	33.4				12.2	492.5	33.4	525.9
March 31, 1941	479.8		479.8	310.	35.0	345.0	184.8	12.4	197.2	33.0	1,007.6	47.4	1,055.0
April 30, 1941	518.9		518.9	310.	36.8	346.8	184.8	42.8	227.6	33.0	1,046.7	79.6	1,126.3
May 31, 1941	722.1		722.1	310.	38.9	348.9	477.0	43.8	520.8	33.0	1,542.1	82.7	1,624.8
June 30, 1941	722.2		722.2	310.	38.9	348.9	477.0	47.6	524.6	33.0	1,542.2	86.5	1,628.7
July 31, 1941	722.7		722.7	310.	40.7	350.7	489.7	50.0	539.7	33.0	1,555.4	90.7	1,646.1
Aug. 31, 1941	1,039.9	22.6	1,062.5	352.0	40.8	392.8	494.5	50.0	544.5	33.4	1,919.8	113.4	2,033.2
Sept. 30, 1941	1,158.5	24.9	1,183.4	343.8	46.6	390.4	521.5	50.0	571.5	33.2	2,057.0	121.5	2,178.5
Oct. 31, 1941	1,284.8	25.	1,309.8	340.	47.3	387.3	497.1	53.2	550.3	36.4	2,186.3	125.5	2,283.8

UNITED STATES MARITIME COMMISSION

DISBURSEMENTS FOR SHIPS AND FACILITIES (CUMULATIVE)

INCEPTION TO OCTOBER 31, 1941

Period Ending	Long Range Program			Emergency Ship Program			Defense Aid Program			War and Navy Departments: Ships (Millions)	Total - All Programs		
	Ships (Millions)	Facilities (Millions)	Total (Millions)	Ships (Millions)	Facilities (Millions)	Total (Millions)	Ships (Millions)	Facilities (Millions)	Total (Millions)		Ships (Millions)	Facilities (Millions)	Total (Millions)
Dec. 31, 1937	$ .7		.7								.7		.7
Mar. 31, 1938	1.6		1.6								1.6		1.6
June 30, 1938	1.6		1.6								1.6		1.6
Sept. 30, 1938	3.6		3.6								3.6		3.6
Dec. 31, 1938	8.8		8.8								8.8		8.8
Mar. 31, 1939	17.5		17.5								17.5		17.5
June 30, 1939	35.0		35.0								35.0		35.0
Sept. 30, 1939	54.5		54.5								54.5		54.5
Dec. 31, 1939	81.8		81.8								81.8		81.8
Mar. 31, 1940	108.6		108.6								108.6		108.6
June 30, 1940	139.4		139.4								139.4		139.4
Sept. 30, 1940	172.1		172.1								172.1		172.1
Dec. 30, 1940	210.6		210.6								210.6		210.6
Jan. 31, 1941	223.4		223.4								223.4		223.4
Feb. 28, 1941	232.2		232.2								232.2		232.2
Mar. 31, 1941	246.9		246.9		.2	.2		.1	.1		246.9	.3	247.2
Apr. 30, 1941	259.4		259.4	.2	1.1	1.3	.1	1.7	1.8	.3	260.0	2.8	262.8
May 31, 1941	270.0		270.0	3.6	3.0	6.6	2.0	2.4	4.4	.7	276.3	5.4	281.7
June 30, 1941	281.1		281.1	4.6	8.4	13.0	2.6	6.0	8.6	1.2	289.5	14.4	303.9
July 31, 1941	293.7		293.7	8.8	12.2	21.0	4.6	7.6	12.2	1.0	308.1	19.8	327.9
Aug. 31, 1941	306.2		306.2	12.7	18.	30.7	7.4	13.3	20.7	1.6	327.9	31.3	359.2
Sept. 30, 1941	320.5		320.5	19.4	24.8	44.2	11.5	19.	30.5	2.4	353.8	43.8	397.6
Oct. 31, 1941	330.4	1.1	331.5	28.9	31.3	60.2	17.9	25.4	43.3	3.4	380.6	57.8	438.4

UNITED STATES MARITIME COMMISSION

CONTRACT AUTHORIZATIONS FOR SHIPS AND FACILITIES

INCEPTION TO OCTOBER 31, 1941

Authority	Date	Long Range Program Ships (Millions)	Long Range Program Facilities (Millions)	Long Range Program Total (Millions)	Emergency Ship Program Ships (Millions)	Emergency Ship Program Facilities (Millions)	Emergency Ship Program Total (Millions)	Defense Aid Program Ships (Millions)	Defense Aid Program Facilities (Millions)	Defense Aid Program Total (Millions)	War and Navy Departments Ships (Millions)	Total - All Programs Ships (Millions)	Total - All Programs Facilities (Millions)	Total - All Programs Total (Millions)
...iation Act, 1937	Aug. [illegible]5, 1937	$ 215		215								215		215
...riation Act, 1940	March [illegible], 1937	230		230								230		230
...ision Act, 1940	June [illegible]7, 1940	50		50								50		50
...gress	Feb. [illegible], 1941	65		65								65		65
...priation Act, 1941	April [illegible], 1941	180		180								180		180
... Act, 1942 (...Congress, 1st Session)	Aug. [illegible], 1941	1,246.7	50	1,296.7		50	50					1,246.7	100	1,346.7
...1941 - 54 Statute 377 (Emergency Fund for ...	Dec. [illegible]8, 1940				.5		.5					.5		.5
...Congress ... the President, War (Allotment to U.S.M.C.) 1942	July [illegible]2, 1941				36		36					36		36
...gress	Feb. 6, 1941				310		310					310		310
...gress ... Aid Allocation #7 April 14, 1941	March 27, 1941							500	50	550		500	50	550
" " 285-19 - Oct. 11, 1941									.5	5			.5	5
" " 285 - Sept. 26, 1941								22.5		22.5		22.5		22.5
" " 272 - Sept. 13, 1941								8.2		8.2		8.2		8.2
...Congress ... Ships ... Act, 6/30/32 - 47 Stat. 417 ... and working fund established; ... Transportation ... U.S.M.C. Symbol 6925902 $ 9,200,000.00 (Aug. [illegible], 1941) ... 1941 - Approp. (Stat. 54-967) ... Act, 6/30/32 - 47 Stat. 417 ... working fund established; ... Transports ... 800,000.00 ... U.S.M.C. Symbol 690/15900 $ 10,000,000.00 (March [illegible]0, 1941)	Aug. [illegible]5, 1941										13.2	13.2		13.2
... Vessels, Construction & Machinery (Stat. 54-882) ... Act, 6/30/32 - 47 Stat. 417 ... ships; ... & Working fund established; ... Fund U.S. Maritime Commission $ 8,750,000.00 (March [illegible]0, 1941); " " " 5,980,000.00 (May [illegible]7, 1941); " " " 276,937.50 (June [illegible], 1941); $ 15,006,937.50											23.2	23.2		23.2
		$ 1,986.7	50	2,036.7	346.5	50	396.5	530.7	55	585.7	36.4	[illegible]	[illegible]	[illegible]

88

DEC 3 1941

Dear Henry:

I wonder if I can't start a little real competition between the Army and the Navy!

On November 5th I wrote to you and to the Secretary of the Navy asking for certain information. Copy of the letter is attached.

On November 13th the Army Air Corps supplied us with information concerning its activities. On November 27th the Navy came through in full. When may I expect the Army to do as well by me as the Navy?

Yours sincerely,

(Signed) Henry

Honorable Henry L. Stimson,

Secretary of War.

By Messenger Steen 4^00

n.m.c.

89

DEC 3 1941

My dear Frank:

Since receiving your letter of November 28th, I have ascertained that legal action has been instituted by the Comptroller of the Currency in the Circuit Court of Cook County, Illinois, against Mr. Clarence F. Buck and two surety companies which bonded him as receiver of the Calumet National Bank of Chicago. The suit was filed for the purpose of recovering losses which were sustained by the receivership as a result of alleged negligence on the part of Mr. Buck in conducting the affairs of the receivership. I find that a very thorough investigation was made prior to the institution of the suit and that extreme care was taken by the Comptroller's Office to ascertain and sift all the available evidence before concluding to seek recovery from Mr. Buck or his sureties.

In May of 1939, after Mr. Buck and his counsel, former Senator Otis F. Glenn, had been afforded an opportunity to present to the Comptroller's Office arguments and reasons why recovery should not be sought as against Mr. Buck, a letter was written to Mr. Buck by the Comptroller's Office stating that under the circumstances it had concluded that the facts should be submitted to a court of record of competent jurisdiction, in order that there might be a judicial determination of his liability or lack of liability for the losses sustained.

The Comptroller's Office is convinced that there is no alternative action which would be in complete accord with its duties and obligations with reference to the administration of the affairs of the insolvent Calumet National Bank for the benefit of the depositors and creditors thereof.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

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

File to Simpson

By Messenger Stewart

JLR/CDC:pm 12/2/41

THE SECRETARY OF THE NAVY

WASHINGTON

November 28, 1941

My dear Henry:

One of my oldtime friends in Illinois is Mr. Clarence Buck, of Monmouth, Illinois. He is a former member of the State Senate and formerly one of the best of our Republican leaders in the state. I don't think there is any man in the state of Illinois who enjoys a higher reputation.

Sometime ago, he was urged by the then Comptroller of the Treasury to take the receivership of the Calumet National Bank which he did. This involved him in some very sizeable real estate operations closing out some property which the bank acquired during the depression. Mr. Buck has been in to see me to tell me of a threatened suit against him which he is very insistent is completely unjustified.

Among other things, he told me the matter had been presented by those seeking to prosecute the matter, to Judge Holly and on four separate occasions, Judge Holly, who is the Federal Judge in Chicago, dismissed the case and, despite this failure in the Federal Courts, Buck tells me the case is now being pursued in the state courts. He has no fear of its success and I think he is warranted in feeling so. However, he says it is going to impose a very high cost on him to develop it and he asked me if I would not urge you to have some independent person investigate the matter and get at the actual facts. I feel sure that if the facts are brought out by some impartial investigator, the Comptroller will order the case dropped. Certainly Buck is the kind of an American citizen for whom I am very glad to go to the front. I like him and admire him and have complete confidence in his integrity.

If there is anything you can do to investigate this matter, I would appreciate it very greatly.

Yours sincerely,

Frank Knox

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

December 3, 1941.

Dear Mr. Gugler:

I have your letter of November 28th, and the copies of correspondence exchanged between Mrs. Roosevelt and you. Of course I would have been glad to see you and Mr. McAneny if there had been anything I could do in the matter about which you wrote. However, as I have written Mrs. Roosevelt, the Treasury no longer has jurisdiction over the Sub-Treasury Building in New York, that responsibility having been transferred to the Public Buildings Administration of the Federal Works Agency.

I have suggested to Mrs. Roosevelt that she may wish to take up the matter with that Agency, and I am returning to you the copies of the letters you sent, in case you wish to forward them yourself to the office of the Public Buildings Administration.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Eric Gugler,
101 Park Avenue,
New York, New York.

nmc

Enclosures.

GEF/dbe

ERIC·GUGLER
101·PARK·AVE.
NEW·YORK

November 28th, 1941

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

Dear Mr. Secretary:

I am enclosing a letter from Mrs. Roosevelt, along with copies of the notes to her, to which the letter refers.

Might it be possible for you to fit in a brief word with Mr. McAneny and myself in Washington at some hour in the near future convenient to you?

We could ourselves best come at any hour on Wednesday, Thursday or Friday of next week, though, of course, at any other time that you may suggest.

I do hope that you can manage it, and I am,

Very truly yours,

Eric Gugler

Encls
EG/HF

C O P Y

The White House

Washington

November 26, 1941

Dear Eric:

I gave your letter and the enclosure on Federal Hall to the President. He is all for it and is giving it to Henry Morgenthau. He suggests that you get in touch with Henry.

Sincerely,

/s/ Eleanor Roosevelt

COPY

ERIC GUGLER
101 Park Ave
New York

November 14th, 1941

Miss Malvina Thompson
The White House
Washington, D. C.

Dear Malvina:

I am enclosing a letter to Mrs. Roosevelt. I realize how busy she is, nevertheless, I do want to see her - it has been altogether too long.

The essence of the matter is this - that Federal Hall, the Sub-Treasury Building, is the birthplace of so many of the great accomplishments that established our government - among them, the Bill of Rights. December 15th, 1941, marks the 150th anniversary of the ratification of the Bill of Rights.

There is to be a ceremony there on the anniversary. We should so much have liked to have had the President to be here on this sacred spot rather than in Washington on that day, but he will be addressing both Houses of Congress, so we may have the Chief Justice of the Supreme Court here for an address to take place at the same moment. We would like the President to take this occasion to say that this building shall from now on become a national monument and be given over as a memorial shrine for the public forever. In fact, what would delight me would be if he would indicate to someone that the partitions and desks that now clutter up the big room could be moved out by the 15th of December so the people could walk through the building and get the benefit of the fine dignified shrinelike look that it even now has.

Mr. McAneny has fathered the idea of preserving the building and putting it into shape. He has collected pennies, as well as spent from his own money, and we here in New York who care about our heritage are very grateful to him.

I think the President would undoubtedly be delighted to do all of this without any question, except that it might not occur to him or come to his notice. My guess is that he would be more than pleased.

I wish you would read the attached letter to Mrs. Roosevelt and let me know what you think I ought to do next.

With kindest regards,

Sincerely,
(Signed) Eric

EG/ls
EG/HP

COPY

Eric Gugler
101 Park Ave.
New York

November 14th, 1941

Mrs. Franklin D. Roosevelt
The White House
Washington, D. C.

Dear Mrs. Roosevelt:

The Sub-Treasury Building, in New York, is going to be restored and become a museum in memory of George Washington, and of the great events which took place on that site. It was the site of the old Federal Hall, first American Capitol under the Constitution; the Stamp Act Congress met there, also the Provincial Assembly and the Congress of the Confederation; the Northwest Ordinance was adopted there; on the site, in 1789, Washington was inaugurated, and the Congress, the Cabinet, and the Supreme Court were organized; and Congress adopted the Bill of Rights there. December 15th, 1941, is the 150th anniversary of the ratification of the Bill of Rights.

As you know, in front of the building is one of the greatest and most distinguished portrait statues in America and the interior of the building is handsome. It has been used by the Custom Authorities until lately and the central circular domical room is still all cluttered up with bank screens, counters, etc., and it has been almost impossible to see or appreciate how fine it really is. It should be respectfully restored.

Mr. George McAneny has been trying to collect funds and to develop public interest in this very worthy project. Washington's sturdy character so closely associated with New York is to be handsomely and properly emphasized here. It should be valuable for the education of young Americans. We are all trying to help Mr. McAneny in his fine efforts. It is not only our duty as a public service, but it is our pleasure to help.

Some time ago I made a model for Mr. McAneny of the existing entrance hall, which is so elegant and fine architecturally, that in addition to the historic nature of the site, everyone would agree that it would make a very fitting and proper - and quite sacred - setting for a most important American Washington Memorial, not to be compared in architectural importance with the Washington Monument, but a most worthy counterpart.

Now I would love to show this model to Mr. Roosevelt and get him to arrange for the authorization of enough money to at least put the building back into good condition, but realize, of course, how important the President's time is and how urgent are the matters that lie before him. But I also realize that some times a "change is a rest"; that it might be a diversion to him, that he might think it was entertaining to have Mr. McAneny and me bring the model either to Washington or to Hyde Park for him to look at for a few minutes, but you are the only one to say whether this would be a pleasant and good idea, or whether you should give me an idea of who would be the right one to turn to to help us.

I feel that in times of stress like this the memorialization of Washington's sturdy character and staunch courage, and of those other outstanding figures who made our first Government, is especially timely and appropriate when eyes are clearer and minds more adjusted to the understanding of the trials and troubles of the nation's great men.

EG/RF

Sincerely,
(Signed) Eric

December 1, 1941

Dear Eleanor:

The Treasury no longer has jurisdiction over the Sub-Treasury Building in New York, that responsibility having been transferred to the Public Buildings Administration of the Federal Works Agency. Perhaps you will wish to send to that Agency the enclosed letter you sent to me with your note of November 27th.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,

The White House.

WNT:aja

By Secret Service 5:31
N.M.C.

THE WHITE HOUSE
WASHINGTON

November 27, 1941.

Dear Henry:

I showed this to the President and he said to send it to you. He is all for it.

Affectionately,

ERIC GUGLER
101 PARK AVE
NEW YORK

November 14th, 1941.

Mrs. Franklin D. Roosevelt
The White House
Washington, D. C.

Dear Mrs. Roosevelt:

The Sub-Treasury Building, in New York, is going to be restored and become a museum in memory of George Washington, and of the great events which took place on that site. It was the site of the old Federal Hall, first American Capitol under the Constitution; the Stamp Act Congress met there, also the Provincial Assembly and the Congress of the Confederation; the Northwest Ordinance was adopted there; on the site, in 1789, Washington was inaugurated, and the Congress, the Cabinet, and the Supreme Court were organized; and Congress adopted the Bill of Rights there. December 15th, 1941, is the 150th anniversary of the ratification of the Bill of Rights.

As you know, in front of the building is one of the greatest and most distinguished portrait statues in America and the interior of the building is handsome. It has been used by the Customs Authorities until lately and the central circular domical room is still all cluttered up with bank screens, counters, etc., and it has been almost impossible to see or appreciate how fine it really is. It should be respectfully restored.

Mr. George McAneny has been trying to collect funds and to develop public interest in this very worthy project. Washington's sturdy character so closely associated with New York is to be handsomely and properly emphasized here. It should be valuable for the education of young Americans. We are all trying to help Mr. McAneny in his fine efforts. It is not only our duty as a public service, but it is our pleasure to help.

Some time ago I made a model for Mr. McAneny of the existing entrance hall, which is so elegant and fine architecturally, that in addition to the historic nature of the site, everyone would agree that it would make a very fitting and proper - and quite sacred - setting for a most important American Washington Memorial, not to be compared in architectural importance with the Washington Monument, but a most worthy counterpart.

Now I would love to show this model to Mr. Roosevelt and get him to arrange for the authorization of enough money to at least put the building back into good condition, but realize, of course, how important the President's time is and how urgent are the matters that lie before him. But I also realize that some times a "change is a rest"; that it might be a diversion to him, that he might think it was entertaining to have Mr. McAneny and me bring the model either to Washington or to Hyde Park for him to look at for a few minutes, but you are the only one to say whether this would be a pleasant and good idea, or whether you should give me an idea of who would be the right one to turn to to help us.

I feel that in times of stress like this the memorialization of Washington's sturdy character and staunch courage, and of those other outstanding figures who made our first Government, is especially timely and appropriate when eyes are clearer and minds more adjusted to the understanding of the trials and troubles of the nation's great men.

Sincerely,
Eric

EG/MF

DEC 3 1941

Dear Eleanor:

You will be gratified, I know, to learn that the legislation to permit seeing-eye dogs to enter public buildings with their blind masters, which was brought to your attention last July by Herbert F. Geisler, the blind lawyer from Chicago, has passed both houses of Congress and is now ready for the President's signature.

Senator Maloney and Congressman Lanham were in active charge of the measure.

I am delighted that the Treasury Department was able to contribute to the success of this worth while undertaking.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,

The White House.

LJB:EHF/mp
12/2/41

File to Thompson

By Messenger (Secret Service)
4:35

cc- Mrs Morgenthau
n.m.c.

Treasury Department 100
Division of Monetary Research

Date 12/3/41 19

To: Miss Chauncey

Mrs. Morgenthau may be interested in this.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 3, 1941

TO Mr. White

FROM Mr. Hoflich

Subject: British Women's War Work and the Alleged Deterrent Effect of the Present Income Tax.

A recent article in the London Banker contains the statement that the point has been reached "at which high rates of taxation exert a deterrent on individual output. A particularly flagrant case is the joint assessment of married couples, which removes all incentive for married women to take up jobs in industry at normal wages when any addition to the combined income is subject to taxation at 10s. in the pound. Even though one of our most urgent needs is to attract the greatest possible number of women into industry, this object is entirely defeated by the tax system, and any proposal for separate assessment would certainly be resisted by the Treasury on the ground that we could not 'afford' the resulting loss of revenue. For the sake of minimizing the budget deficit, in other words, war production must be kept down below its potential maximum, even though the only rational reason for collecting revenue at all is to pay for the war."

(The Banker, London, Nov., 1941, pp. 96-97.)

December 3, 1941.

My dear Mr. Green:

I read your letter of November 5th with much interest. Unfortunately, it was mislaid and I am sorry, therefore, that my reply is late in reaching you. Please accept my apologies for I am very glad of the opportunity to make clear the views of the Treasury on the specific question you raise.

The Treasury has, of course, never regarded the Social Security Program as a source of revenue for the Federal Government, nor have we ever contemplated raising the taxes collected under that program unless the increase were needed to help finance the benefits under that program. I am glad to say that I personally am in agreement with your view that both the old-age and survivors' insurance and unemployment compensation programs should be extended in coverage, and that the creation of a complete Federal system of unemployment compensation is preferable to the Federal-State system of unemployment compensation now in force.

Proposals concerning social security and unemployment compensation properly originate, of course, with the Social Security Board and are shaped to fit social needs and not the immediate fiscal program. Nonetheless, the effect upon the fiscal program of any substantial change in the Social Security Program must be considered by the Treasury. Fortunately, from a fiscal point of view, the circumstances at present are timely for the extension of the Social Security Program along the lines outlined in your letter. We are now in a period of rising prices, of approaching scarcity of labor, and of rapid absorption of idle capacity in many vital industries. At such a time, the net withdrawal of purchasing power consequent upon an expansion of the Social Security Program during the initial period, is an aid in combating the danger of inflation.

I hope we may have your continued comments and suggestions.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William Green,
President, American Federation
of Labor,
A. F. of L. Building,
Washington, D. C.

cc - Mr. W [illegible] Office
file [illegible]

DRAFT OF SUGGESTED REPLY

My dear Mr. Green:

In reply to your letter of November 5, 1941, I am glad of the opportunity to make clear the views of the Treasury on the specific question you raise.

The Treasury has, of course, never regarded the Social Security Program as a source of revenue for the Federal Government, nor have we ever contemplated raising the taxes collected under that program unless the increase were needed to help finance the benefits under that program. I am glad to say that I personally am in agreement with your view that both the old-age and survivors' insurance and unemployment compensation programs should be extended in coverage, and that the creation of a complete Federal system of unemployment compensation is preferable to the Federal-State system of unemployment compensation now in force.

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I hope we may have your continued comments and suggestions.

Sincerely yours,

Secretary of the Treasury.

Mr. William Green, President,
American Federation of Labor,
A.F. of L. Building,
Washington, D. C.

TREASURY DEPARTMENT

104

INTER OFFICE COMMUNICATION

DATE November 12, 1941

TO Secretary Morgenthau

FROM Mr. Barnard

not used.

I spent some time on Armistice Day speculating as to what kind of reply might be made to William Green. I don't know your plans on this or whether you have assigned it to someone, but if not, perhaps the attached draft would serve as a start.

CMB

November 12, 1941

Draft only for preliminary consideration

Mr. William Green, President
American Federation of Labor
Washington, D. C.

My dear Mr. Green:

In reply to your letter of November 5, 1941, I am glad of the opportunity to state the views of the Treasury on the specific questions you raise; also on the broader matters involved that are of great concern to all of us.

The Treasury has as yet formulated no definite recommendations to Congress on new taxes. I have urged prompt action in view of the danger of inflation and the great deficit which will occur if additional revenues are not quickly obtained.

The Treasury has, of course, given study to a number of possible measures and it is clear, I think, that several different tax plans and adjustments will be necessary to meet the needs. Some will be required for revenue purposes and to secure an equitable distribution of tax burdens, but are not such as will control inflationary tendencies immediately. Others are desirable as soon as possible not only for revenue but especially to guard against inflation.

Among the latter possibilities are certain proposals concerning social security and unemployment compensation. Proposals concerning these matters properly originate with the Social Security Board and would naturally be determined by social security considerations, and not by the current revenue needs of the government or by regard for the problems of inflation. Thus no proposals on Social Security legislation have been or would be made by the Treasury as a means of taxation for general Treasury purposes. I agree with you that it would be undesirable to impose social security and unemployment compensation taxes except on their merits as insurance premiums.

In fact, the Treasury position is quite the reverse of that implied in your letter. It is compelled, for the reasons I shall set forth later, to scrutinize critically every proposal calling for payments by the people and for expenditures for non-defense purposes, from the standpoints both of their effect upon the capacity of the people to pay for defense and of their effect upon prices. Certain possible changes in social security legislation involving increased social security taxes can be endorsed by the Treasury because they would for several years be anti-inflationary in effect. Among these are some which you desire. They would result in more income than outgo during this period, although this would not decrease the government's deficit and would limit the ability of the government to obtain true current revenues by other taxes. Other social security proposals which are justified on broad social grounds could not be endorsed by the Treasury at this time because they would add to the heavy tax burdens of the people without helping finance the government and without anti-inflationary advantage. This includes one which you also desire.

Our views on this matter as well as on the more general question of savings to which you refer, can best be understood by taking account of the truly gigantic financial burden which our defense program involves. I am sure that you are aware of this; but we ourselves find it necessary constantly to keep it before us in its simplest outlines in order that we shall not become confused in thinking about the specific problems and the practical complexities of the situation.

In the calendar year 1942 we estimate that the expenditures of the Federal Government will be about $37 billions, of which more than $30 billions will be for defense. These total expenditures amount to about $280 for every man, woman and child in the United States. The income of the people may be for the same period about $100 billions or about $765 for every man, woman and child. Thus, nearly 40% of the income of the people must go to the government either in the form of taxes or savings, leaving only about $485 per individual for expenditures on consumption, for local and state government services, and for such other savings as will be necessary.

It is hardly possible to consider these figures without realizing that they mean not nominal but real and substantial sacrifices by all the people. Soldiers and sailors, shot and shell, and armaments, are now the prime necessity of this nation and are basic to the welfare of its people; but the people cannot eat shot and shell or wear armaments, nor can those who produce these things be also producing at the same time what we do consume. Roughly, two-thirds of our people must, therefore, carry the load of providing for their own needs and for the other third which is engaged in defense; and the needs of defense materials will restrict the capacity even of this two-thirds to produce as much as they otherwise could.

We should not feel sorry for ourselves because of this. We shall still live better than our grandfathers and great-grandfathers. But we should only injure ourselves and restrict our ability to meet these conditions if we did not recognize that they are serious and that they impose upon us heavy duties of conservation and economy. They mean that the two-thirds who must supply themselves and the other third with civilian goods must tighten their belts, and that the third which is engaged in defense work in all conscience must do the same.

What does this situation mean in the language of finance? How shall our defense and civilian production be paid for? The $100 billions of national income for the most part will, of course, be paid in money or its equivalent; but this is only nominal payment, the first stage of real payment. Money is only good for what it will buy. For the great mass of our people it will only buy just two kinds of things - goods that can be used and consumed now, and promises and expectations of money in the future that can buy goods that can be used and consumed then.

How much can be bought now and how good are the promises? What can be bought now is limited probably to only 60-odd billions of dollars worth. If all of the balance, some $30-odd billions were covered by increasing the public debt, how good the promises would be would depend upon how much debt there will be. Already the debt is $54 billions and the present authorization by Congress is for $65 billions. This about equals the total production of civilian consumers' goods for a whole year. Moreover, it must be borne in mind that though debt for the country's protection is necessary, it does not provide the kind of things to any great extent, directly useful in future civilian production or consumption. Such a debt can only mean that we shall tax ourselves later to pay ourselves later. That is why the people will regard an excessive debt as mere make-believe promises to pay; and it is why the debt should be kept within reasonable bounds by the maximum of practicable taxation. Any other policy means deluding ourselves as to the real value of the money we receive today.

I am strongly in favor of having the public debt owned by the working people of this country, and have urged it in the efforts to have people buy Savings Bonds. Heretofore, the bulk of the savings have come from individuals receiving the middle and upper incomes, and from corporations. The present income, estate and gift, and profits taxes already have substantially reduced the capacity of such individuals and of corporations to save in the future. Moreover, these taxes will have to be further substantially increased. We shall, therefore, need inescapably the savings of all the people; and cannot supply the consumers' goods which would be demanded if these savings are not made by all the people.

But we must remember that such savings will be good only if current taxation is high enough to make the debt reasonable in relation to the wealth of the country and the future capacity of the country to pay the taxes which will make the debt good. Not only the savings of the people whether voluntary or compulsory or through savings banks and insurance companies, but also the Social Security Reserves which are invested in the public debt, all would be endangered and lost if we foolishly declined to tax ourselves heavily now in the false idea that we can have our cake in the future and still eat now more than we can bake.

In all of this we must have full regard for post-defense conditions. When defense is over we shall want the maximum purchasing power in the hands of the people and as little tax burden as may be. We shall then need also as much saving by individuals as we can secure to restore the full capital equipment of the country, which may be considerably impaired and cannot expand normally under present circumstances. These are all conditions essential to future security of unemployment, and the supply of consumers' goods, and are desired greatly by the people. Our ability to attain these conditions depends on our present unity, forbearance and foresight and on maintaining the credit of the government. Next to defense, to preserve that credit is the first obligation and the first interest of all the people. Surely, to bring up and educate our children with care and expense and sacrifice but in such a way as to burden them with debt and taxes and the disorganization consequent on a bad public credit, is not justice to them, nor good sense for ourselves.

Finally, it may be said that the easiest thing to do and the hardest to bear in its consequences is to let either purchasing power excessive for our present civilian production or excessive government deficits lead to substantial inflation. That easy course means pay in bad dollars, constantly rising prices, and impairment of our savings and reserves; and would leave the government and the people in the worst of circumstances to accomplish the restoral of peace-time production and real prosperity and continued progress in our national welfare. To avoid these disasters, perhaps greater than the loss of a fleet or of an army, is only initially and technically a problem of the Treasury or of Congress. It is the problem of the whole people of the United States of America and that of organized labor at least as much as that of other groups. And it is a problem which only the people can solve by their understanding, self-restraint, strict economy, and willingness to follow the leadership devoted to the protection of their interests.

I hope we may have your continued comments and suggestions and your cooperation in helping to make clear to the people just what it is that we are trying to accomplish in proposing the sacrifices the defense effort calls for.

Sincerely yours,

Secretary of the Treasury

AMERICAN FEDERATION OF LABOR

Copy to each member of 9:30 group

Jm 11/10/41

Washington, D.C.

November 5, 1941

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

Dear Secretary Morgenthau:

The American Federation of Labor has been an active sponsor of the Social Security Act, urging its enactment in 1935 and proposing far-reaching amendments to broaden its coverage, improve its benefit structure, and its financing in the years since it was passed. We have a grave concern that it should be regarded solely as a program for the protection of working men and women and their families against hazards socially created or beyond their individual control which cut off their incomes. We consider the investment of the social security reserves in Federal bonds a wise provision of the law but we would protest vigorously the deliberate conversion of the social security system into primarily a source of revenue for the Federal Government by raising the taxes collected unless such increase were needed to finance new benefits under the program.

Knowing your own interest in the welfare of working people, I want to give you the American Federation of Labor's viewpoint on social security and the defense program. I am sure you will give fair consideration to these matters before formulating a new tax proposal to send to Congress.

Both the old age and survivors' insurance and unemployment compensation programs are too limited in coverage. There is no valid reason for the continued exclusion from protection of millions of persons, farm and domestic workers, employees of religious, educational and charitable institutions and of various government units, which have no equivalent protective programs, and of small-income self-employed persons. To bring these persons under the Act would tremendously increase its value, would create a more effective bulwark against depression later, and would add to the reserve funds now available for Federal borrowing without changing the relation between individual taxes paid and benefits expected.

The Social Security Act is deficient in its failure to provide any protection against loss of income during illness and disability, temporary and permanent, and its failure to make any payments toward medical and hospital costs which often pauperize workers' families. We cannot have security of wage income unless the hazards of ill health are provided against. To spread the cost of payments for permanent and temporary disability and for medical and hospital care over millions of insured persons and by small payments over long periods of time will avoid the overwhelming burden of expense illness or accident places on some families suddenly. It is reasonable that workers should share this cost. We believe an increase in the payroll tax paid by employees would be justified to the extent necessary to add these additional protections to the social insurance program.

The Federal-State system of unemployment compensation immobilizes unnecessarily large reserves in order to make 51 separate systems safe. The benefits payable under the several state laws are uneven in amount and almost all inadequate for their purpose. We urge the creation of a complete Federal system decentralized in administration but with adequate Federal benefit standards and financed from a single pooled fund into which would be paid all social security contributions. We are convinced that the safety of the system could be materially increased and post-defense unemployment more effectively compensated for and reduced if the unemployment compensation and employment services were made Federal programs.

Insofar as these changes in the Act would increase the reserves available for Treasury borrowing, we believe the Treasury has a legitimate interest in them. In all cases the fundamental purpose of social security would be preserved, the additional taxes coming from new beneficiaries and from payments for additional forms of protection. We are convinced, however, that to raise payroll taxes on any other basis would be unjustified and would endanger the whole social security program by destroying confidence in the integrity of its purpose and the safety of its funds.

Payroll taxes are regressive in effect and can be justified only when they are collected to pay specific benefits to wage earners and their families greater than they could provide for themselves with that money. If the payroll tax on present contributors under the Social Security Act were to be increased out of proportion to increased security for those insured, it would be an unfair general tax, levied on only part of the population.

If it is the intention of the Treasury to ask Congress for legislation which would reduce consumers' purchasing power now, the American Federation of Labor submits that this should be in the form of a proposal for a supplementary system of dismissal wage or of required savings so designed that every worker would be guaranteed the return of his own contributions at some future date. When the defense emergency is over, unemployment will increase. If contributions were returned at that time they would transfer purchasing power, helping curb inflation now and deflation later. This should be definitely an emergency measure, separate from the Social Security Act, though using its collection and record keeping system if convenient. The funds should go not into the general reserve for social security, but into a separate trust fund from which each contributor would, at the close of the emergency or in specified individual emergencies, draw out at least his own contributions with interest. The fund could be increased, with advantage, of course, if contributions were made also by employers.

If the social security tax is raised merely to provide extra funds for the Treasury, workers will suffer a disproportionate share of taxation. A savings system will permit the sale of government bonds now and will build up individual reserves to be used by families when the nation faces depression. The Social Security Act should be amended to increase coverage and benefits, but all amendments to that Act must be made to contribute to its purpose, not to subordinate its social function to that of raising money to be used by the government for unrelated purposes.

Sincerely yours,

W Green

President
American Federation of Labor

LMcC

December 3, 1941

My dear Mr. Hoover:

I have received and read with interest your confidential letters dated November 27th, two dated November 28th, and another dated November 29th.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Edgar Hoover,
Federal Bureau of Investigation,
Department of Justice,
Washington, D. C.

12/2/41 114

Photostatic copies to:

1. Mr. Foley

2. Mr. Pehle

JOHN EDGAR HOOVER
DIRECTOR

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

November 27, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

As of possible interest to you, information has been received from a reliable confidential source that Commander F. Tostain, Acting Chief of Staff, Martinique, reported on March 27, 1941, that it had been found almost impossible to obtain an export license for a collective order for 19,407 metal sheets, placed for the account of various Guadeloupe traders by one Mr. Monroux, Pointe a Pitre.

This order was sent to the Newport Rolling Mill, Kentucky, and on December 1, 1940, a credit of $15,069.47 was opened by the Banque de la Guadeloupe in favor of the French American Banking Corporation. Delivery was to be made in January and February, 1941.

For the purpose of effecting this, the Director, Ministry of Finance, Financial Attache to the French Embassy in the United States, was requested by Commander Tostain to contact the Division of Control with a view to obtaining an export license for these goods as soon as possible.

Sincerely yours,

J. E. Hoover

12/2/41

Photostatic copies sent to:

1. Mr. Foley

2. Mr. Pehle

JOHN EDGAR HOOVER
DIRECTOR

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

November 28, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

As of possible interest to you, information has been received from a confidential, reliable source that the Argentine Embassy, Washington, D. C., advised on September 5, 1941, that they are now engaged in negotiations with a view to unfreezing the credits of the S.A.I.C.Y.F., an Argentine Firm.

They are also producing negotiations with a view to having the Banque Francaise Et Italienne removed from the Black List.

Sincerely,

J. E. Hoover

12/2/41 118

Photostatic copies sent to:

1. Mr. Foley

2. Mr. Pehle

JOHN EDGAR HOOVER
DIRECTOR

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.
November 28, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

As of possible interest to you, information has been received from a reliable confidential source that the French Commercial Attache, New York, in March, 1941, advised that the extracts in the enclosed memorandum were addressed to M. Robert Midy, the Professional Group of Manufacturers of Pharmaceutical Products, Vichy.

Sincerely yours,

J. E. Hoover

Enclosure

MEMORANDUM

November 28, 1941

1. "The Commercial Situation

"French products with sales of any importance in the United States are not numerous, and most of them are now manufactured there. The rest, whose individual sales are small but the aggregate of which is fairly considerable, are beginning to be scarce. Representatives and wholesalers endeavour to obtain them from other representatives in the Americas, and do not always succeed. The result in many cases, is a very appreciable increase in the price to the public, which in its turn causes a reduction in sales.

"American specialities are on the whole much cheaper than their imported French equivalents, and moreover goods of French origin, especially if bearing an address in the occupied zone, are today regarded with some suspicion on the grounds that they may have fallen into enemy hands. Further, the Jewish sections of the medical profession and of the population in general (and they are many) feel resentment at the measures of race discrimination taken by the Vichy Government."

2. "The Financial Situation

"French funds are blocked...and I think it improbable that licences would be granted at the present time for the employment of these funds outside the U. S. (e.g. to supply other markets in the Americas with raw materials or finished goods or, still less, to pay for organisation and publicity in these markets).

"This blocking of funds which has as its origin the aim of preventing appropriation by a third Power and which is therefore in the interests of the French themselves, may be turned to their disadvantage if political events should lead to the seizure of these funds."

3. "Trade Marks

"On this matter it is well to remember what happened to the German trade marks which in 1917 were seized and sold for the profit of the American government. One cannot guarantee that developments in the political situation will not cause a similar danger to French trade marks. As a safeguard against this the following measures might be envisaged:

(a) The cession of the trade marks for a small sum to an individual or to an American company, or

(b) The granting of a 99 years' license for their exploitation to an individual or to an American company, in return for a small interest on the turnover.

"This latter solution would perhaps be the one most in harmony with the French internal laws and with the armistice conventions.

"Moreover, one or other of these solutions might prove to be a protection against another danger which is foreseen here (but to what degree it is real I do not know), viz., the possibility of the French being compelled to cede their trade marks to a foreign 'occupying' Power.

"Both the cession of the trade marks and the granting of a license would necessitate the granting of powers of attorney to a person resident in America, the most suitable text for this, in the opinion of an American adviser, being that used in the warrant sent by M. L'Hopitalier to M. Sterling.

"These powers could be profitably extended to all the countries of the American continent, in case measures similar to those envisaged here should be taken in any of these States ....However they should not, in my opinion, be utilized unless absolutely necessary....for the transfers could not fail to provoke complications."

4. "<u>Trade Marks in Canada</u>

"...The trade marks in Canada of French laboratories situated in the occupied zone...have passed into the hands of the Sequestrator - the Secretary of State, Ottawa - and are subject to the regulations governing Trading with the Enemy (1939). It would thus be justifiable to cede these trade marks to an American citizen in order to ensure their protection."

It was further stated:

(a) "MM. Alfredo Herbruger Jr. & Co., Apartado Postal No. 210, Guatemala City, wish to know whether Dienol and Gaiarsine are manufactured on the American continent, in order that they may purchase stocks.

(b) MM. E. Fongera & Co., Inc., 75 Varick Street, New York City, wish to receive particulars of the processes by which Tamar Indien (Darasse) and Specifique Lancelot (Lancelot) are manufactured, in order to supply their market.

(c) The Anglo-French Laboratories, 75 Varick Street, New York City, have commenced the local manufacture of Corbiere products, but would be glad to receive any practical details of the preparation of these products in order to check their method of manufacture."

122

12/2/41

Photostatic copies to:

1. Mr. Foley

2. Mr. Pehle

JOHN EDGAR HOOVER
DIRECTOR

123

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

November 29, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

As of possible interest to you, information has been received from a reliable confidential source that on April 25, 1941, Georges Seloue, French Minister at Bogota, Colombia, commented as follows to the Ministry of Foreign Affairs, Vichy, concerning the position of French commercial credits in Colombia and French Exports in 1940 and 1941:

"This resolution, in fact, does not alter the position of the French commercial credits coming under the first category. As I have informed your Excellency since July, 1940, the Colombian Exchange Control Office has systematically refused to authorize the transfer of these credits to France, even to the unoccupied zone, on the pretext that the remittances would run the risk of not reaching their rightful owners. We note that this official measure simply, somewhat late in the day, confirms the arbitrary action of the Colombian Exchange Control Office.

"It is none the less certain that the total amount of French commercial credits in Colombia are virtually frozen, whether as a result of the moratorium regulation of resolution 100, or by the terms of resolution 101, of February and March, respectively.

"Although, for the reasons given in my letter of February 1, I do not possess the exact figures corresponding to the French credits which come under resolution 101, I think that the amount of the same must undoubtedly be considerable - some 5 or 6 million francs.

"In fact France has supplied Colombian importers, during the last quarter of 1940 and the first quarter of 1941, with large quantities of the type of goods that are classified in the 1st category - raw material and commodities. Among these are looms for weaving, silk and wool yarn, tyres, wines and liqueurs, books, and particularly pharmaceutical products.

"To these credits the sum of 722,766 francs for fertilizer supplied by the Soc. Commerciale Des Potasses D'Alsace, Mulhouse, at present in Montlucon, must be added, the payment of which in transferable currency is equally gravely compromised.

"Since the Colombian Exchange Control refuses to authorize the transfer of remittances to France unless they are given proof that these will reach the banks or creditors concerned safely, would it not be possible to obtain an official testimony to this effect from the French authorities.....?

"At the moment, when it seems that our book trade with Colombia is likely to be resumed, it is to be feared the French editors will not be prepared to carry out further orders while the matter of their credits, payable in transferable currency but at present blocked in Stabilisation Funds, remains unsettled. The same question arises for our future deliveries of other goods and pharmaceutical specialities."

Sincerely yours,

J. Ed. Hoover

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE December 3, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Cameron telephoned from the Federal Reserve Bank at New York at 5:45 this evening to let me know that Mr. Kitadai, representative of the Bank of Japan in New York, had told Mr. Cameron today that, under instructions from Japan, he is closing tomorrow or next day the agency of the Bank of Japan in New York. Mr. Kitadai will leave New York on December 10 and will probably sail from a west coast port on December 16 for Japan.

HMC

Dictated this at 7.05 P.M. to White House for [illegible] [illegible] [illegible] [illegible] in phone until [illegible] [illegible] [illegible]

DEC 3 1941

My dear Mr. President:

I am enclosing report on our exports to some selected countries during the week ending November 22, 1941.

Faithfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,

The White House.

Enclosures

Delivered by Secret Service 4[35]

HMW:mah
12/2/41

cc. White office
N.M.C.

Bt to Secy's office

DEC 3 1941

My dear Mr. Secretary:

I am enclosing copy of report on our exports to some selected countries during the week ending November 22, 1941.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State,

Washington, D. C.

Enclosures

By Messenger Steen 4^{00}

cc- White office

HDW:ah
12/2/41

Ret to Secy's office

November 28, 1941

Exports to Russia, China, Burma, Hong Kong, Japan, France and other blocked countries, as reported to the Treasury Department during week ending November 22, 1941.

1. Exports to Russia

Exports to Russia as reported to the Treasury during the week ending November 22, 1941 amounted to approximately $3,600,000 for a total of $52,409,000 since July 28, 1941. Motor trucks and chassis constituted more than one-third of the total exports during the week under review. (See Appendix C.)

2. Exports to China, Burma and Hong Kong

Exports to Free China were valued at about $1,200,000 of which aircraft parts and motor trucks and chassis were the principal items. (See Appendix D.) Exports to Occupied China were higher than for any single week since October 11, 1941, amounting to over $470,000. (See Appendix E.)

Exports to Burma totalled over $1,000,000 and motor trucks and chassis and metallic cartridges accounted for about 85% of the total. A large percentage of these exports are probably destined for Free China. (See Appendix F.)

Exports to Hong Kong amounted to $600,000. (See Appendix G.)

3. Exports to Japan

Exports to Japan were negligible during the week under review. Japan, however, might be the ultimate destination of some of the exports to Occupied China and Hong Kong (via Occupied China).

4. Exports to France

No exports to France were reported during the week ending November 22, 1941.

5. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

STRICTLY CONFIDENTIAL

**SUMMARY OF UNITED STATES
DOMESTIC EXPORTS TO SELECTED COUNTRIES
AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED
DURING THE PERIOD INDICATED 1/**

July 26 to November 22, 1941

(In thousands of dollars)

	July 26 to Nov. 8	Week ended November 15	Week ended November 22	Total Domestic Exports
U. S. S. R.	$45,803	$ 2,677	$ 3,581	$ 52,061
Occupied China	9,784	155	464	10,403
Free China	17,883	2,851	1,228	21,962
Japan	1,870 2/	-	5/	1,870
Burma 3/	4,245	8	1,081	5,334
France 4/	6	-	-	6
Occupied France	2	-	-	2
Free France	.4	-	-	.4
Spain	1,733	482	1	2,216
Switzerland	3,565	910	133	4,608
Sweden	6,892	2,478	132	9,502
French Indochina	303	2	-	305

Treasury Department, Division of Monetary Research — November 26, 1941

1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.

2/ Of this total $1,864 thousand was reported from July 26 to August 23, inclusive, and shipped prior to freezing orders.
Domestic exports from August 23 through week ending November 8, amounted to $5,905.

3/ From September 11, 1941 to date - It is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.

4/ Includes both occupied and Free France through week ending October 4, 1941. Occupied and Free France separated thereafter.

5/ Less than $500.

STRICTLY CONFIDENTIAL

RM/afe 11/26/41

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APPENDIX B

Exports from the U.S. to China, Burma, Hong Kong, Japan, and U.S.S.R. as reported to the Treasury Department, July 28, 1941 - November 22, 1941

(Thousands of Dollars) 1/

	Exports to China						
	Total	To Japanese controlled ports	To Chinese controlled ports	Exports to Burma 3/	Exports to Hong Kong	Exports to Japan	Exports to U.S.S.R.
July 28 - Aug. 2	937	542	395		654	1,657	4,523
Aug. 4 - Aug. 9	2,794	2,794	-		983	159	551
Aug. 11 - Aug. 16	1,278	969	309		235	42	586
Aug. 18 - Aug. 23	1,352	1,350	2		234	6	2,735
Aug. 25 - Aug. 30	736	735	1		742	-	1,023
Sept. 2 - Sept. 6	897	693	204		634	-	4,280
Sept. 8 - Sept.13	3,038 2/	757	2,281 2/		456	-	5,217
Sept.15 - Sept.20	3,978 2/	156	3,822 2/		389	-	752
Sept.22 - Sept.27	462	352	110	449	810	-	2,333
Sept.29 - Oct. 4	1,305	80	1,225	684	297	-	323
Oct. 6 - Oct. 11	5,864	552	5,312	1,157	1,233	-	6,845
Oct. 13 - Oct. 18	272	267	5	35	584	-	1,624
Oct. 20 - Oct. 25	668	399	269	403	1,243	-	5,623
Oct. 27 - Nov. 1	5,210	438	4,772	58	624	-	4,484
Nov. 3 - Nov. 8	1,836	164	1,672	342	283	5	4,888
Nov. 10 - Nov. 15	3,009	158	2,851	88	303	-	2,677
Nov. 17 - Nov. 22	1,701	473	1,228	1,021	600	-	3,581
Total	35,337	10,879	24,458	4,237	10,304	1,869	52,409

1/ These figures are in part taken from copies of shipping manifests.

2/ Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.

3/ It is presumed that a large percentage of exports to Burma are destined for Free China.

Treasury Department, Division of Monetary Research

December 2, 1941

APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the week ending November 22, 1941

(Thousands of Dollars)

TOTAL EXPORTS	$ 3,561
Principal Items:	
Motor trucks and chassis	1,382
Military tanks and parts	432
Landplanes, powered	299
Refined copper	274
Gasoline	154
Brass and bronze plates and sheets	171
Non-rotating welding sets	121
Lathes	109
Auto replacement parts	108
Men's boots and shoes	72

STRICTLY CONFIDENTIAL

Treasury Department, Division of Monetary Research November 29, 1941

APPENDIX D

Principal Exports from U.S. to Free China,
as reported to the Treasury Department
during the week ending November 22, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO FREE CHINA	$ 1,228
Principal Items:	
Aircraft parts, n.e.s.	376
Motor trucks and chassis	[illegible]
Diesel engines	[illegible]
Steel bars	[illegible]
Road machinery and parts	[illegible]
Insulated copper wire	[illegible]
Tin plate and taggers tin	[illegible]
Tires and tubes	[illegible]
Aircraft engines	[illegible]
Well and refining machinery	[illegible]

STRICTLY CONFIDENTIAL

APPENDIX E

Principal Exports from U.S. to Occupied China as reported to the Treasury Department during the week ending November 22, 1941

TOTAL EXPORTS TO OCCUPIED CHINA	$ 473
Principal Items:	
Wheat flour	44
Hops	35
Medicinal preparations	28
Printing paper	28
Leather	26
Milk	26
Other paper and paper products	25
Auto replacement parts	23

STRICTLY CONFIDENTIAL

APPENDIX F

Principal Exports from U.S. to Burma as reported to the Treasury Department during week ending November 22, 1941

(Thousands of Dollars)

TOTAL EXPORTS	$ 1,021
Principal Items:	
Motor trucks and chassis	655
Metallic cartridges	202
Steel sheets	38
Lubricating oils	25
Well and refining machinery	14
Tin plate and taggers tin	14
Metallic containers	11
Tires and tubes	10

STRICTLY CONFIDENTIAL

APPENDIX 6

Principal Exports from U.S. to Hong Kong
as reported to the Treasury Department
during the week ending November 22, 1941

(Thousands of Dollars)

TOTAL EXPORTS	$ 600
Principal Items:	
Artificial leather, braces, garters, belts and suspenders	212
Tires and inner tubes	38
Medicinal and pharmaceutical preparations	32
Motor trucks	22
Printing paper	19
Miscellaneous office supplies	18
Ginseng	17
Copper manufactures	13
Chemical specialties	13
Automobile parts for replacement	11
Commodities exported for relief or charity	11
Milk and cream	11
Fruits and preparations	10

STRICTLY CONFIDENTIAL

Treasury Department, Division of Monetary Research December 2, 1941

ISF/efe
12/2/41

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 3, 1941

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Summary, British Estimate of Axis Oil Production

1. Up to July 1, 1941, German oil reserves of 5,000,000 - 5,500,000 tons did not have to be touched. Consumption needs being just met by production, imports and captures.

2. From July 1, 1941 to November 1, consumption was 30 percent or 400,000 tons a month in excess of production. During this period, stocks therefore were depleted by 1,600,000 tons. Since 1,400,000 tons of the oil reserves are always immobilized in process and in transit, net available reserves on November 1 amounted to 2,000,000 - 2,500,000 tons (not quite two months consumption).

3. It is believed that the axis can meet the excess consumption by military or further civil saving, by increased alcohol and synthetic oil production, and by exploitation of the Russian Polish oil fields.

4. The two Caucasus oil fields south of Rostov produce 5,000,000 tons a year. If destroyed, the Germans are not likely to obtain more than 600,000 tons of oil in the first six months.

COORDINATOR OF INFORMATION
WASHINGTON, D. C.

November 30, 1941

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

Dear Henry:

Attached is a British estimate on the enemy oil position contained in a report now under preparation by British experts.

Sincerely,

Bill

William J. Donovan

During period September 1st, 1939 to July 1st, 1941, consumption in Axis Europe believed almost exactly equal to intake, including production, imports and loot. Therefore, Axis Europe stocks on July 1st, 1941 believed equal to Greater Germany stocks on September 1st, 1939, or between five million tons and five million, five hundred thousand tons.

Estimated about one million, four hundred thousand tons always immobilized in process and in transit.

Estimated current production totalled eighteen million, two hundred thousand tons and consumption twenty-five million tons, offset during twenty-two months period by capture of six million, eight hundred thousand tons.

Estimated production four months July-October four million, six hundred thousand tons, consumption six million, two hundred thousand tons.

Therefore, estimated stocks November 1st, three million, four hundred thousand to three million, nine hundred thousand tons, of which two million to two million, five hundred thousand tons available.

Excess consumption of four hundred thousand tons monthly might be met by:-

(a) Army saving estimated possible if static front in Russia at three hundred thousand tons, or two hundred thousand tons if in fact front active.

(b) Increased use of alcohol producer produce or other alternatives, increased synthetic production, exploitation of Russian Poland fields, curtailment of local consumption, etc. say two hundred thousand tons.

Caucasus oil fields if not destroyed would of course solve problem. First objective Maikop and Grozny fields estimated current production five million tons annually. If fields destroyed unlikely obtain more than six hundred thousand tons in first six months of occupation. If refineries destroyed use would be deferred until transport available to Europe.

SECRET
Copy 22

The Problem of
GERMAN OCCUPATION OF NORTHWEST AFRICA
OBJECTIVES AND COSTS

December 3, 1941

Coordinator of Information

The dismissal of Weygand and the suspension of the Economic Accord between the United States and North Africa have necessitated slight revisions in the original memorandum of November 12, 1941. The most important changes apply to Part I, B: Economic Objectives (reconsideration of the importance of cobalt, molybdenum, and olive oil) and Part IV: Timing.

The Problem of

GERMAN OCCUPATION OF NORTHWEST AFRICA

OBJECTIVES AND COSTS

Summary and Conclusion

I. Objectives

The positive military advantages to Germany of occupying Northwest Africa are considerable: first, in connection with the Mediterranean campaign; second, with respect to the South Atlantic counter-blockade; third, and less urgently, with respect to long run exploitation of areas bordering on the South Atlantic.

Equally, if not more important, would be the negative advantage of denying access to an important European flank and Mediterranean rear position.

Economically the advantages of occupation are at best slight in the short run, problematical in the long run. It should be noted, however, that even small increments to the present flow of North African cobalt and molybdenum are likely to be significant in terms of the present status of German mineral supply. Increases in the supply of olive oil would have less importance in the short run, since such increases would be offset by a probable decrease of peanut oil shipments from Dakar owing to Allied action in that region. Moreover, occupation would have the important negative advantage to Germany of preserving a considerable leak in the Allied blockade.

Politically, occupation would remove the last remaining important bargaining levers of France and Spain. There would be, for them, no real alternatives to full collaboration. Further, occupation might be the basis for significant strengthening of the morale of Italy.

Negatively, occupation would serve to insulate the politically vulnerable peoples of Southern Europe from Allied influence.

II. Costs

Military advice is to the effect that an action by Germany against Northwest Africa would take the form of a pincer movement through Spain and Tunisia. It is most unlikely that the Germans will move through Spain without Spanish collaboration or acquiescence. The force mobilized by the Germans would be of a size capable of overcoming full French resistance in Northwest Africa, whether or not that resistance is, in fact, expected. On these assumptions it is calculated that occupation would require roughly from nine to fourteen divisions and sufficient planes to achieve air superiority. The transport, landing, and subsequent supply of the required force, against the air and naval resistance available to the British and French in this theater would be a difficult but not insurmountable problem for Germany; this assumes Spanish collaboration or acquiescence and the maintenance of the existing supply facilities from Italian and Greek ports across the central Mediterranean.

The net political and economic costs of a campaign against Northwest Africa will vary considerably, depending upon the decision taken by Vichy with respect to collaboration. Other costs would include the loss of entrepôt supplies through Spain, Portugal, and the Canaries; the probable necessity of economic and territorial compensation to Spain and Spanish Morocco; the burden of occupying French Morocco, Tunis, and Algeria; and the cost of furnishing the goods not supplied by the country.

In addition, Germany must reckon with possible Allied occupation of the Azores and Cape Verde Islands; probable strengthening effect on American morale and unity, caused by German bases at Casablanca and in the Canaries.

III. Final Conclusion

The military and political advantages of occupying Northwest Africa seem to outweigh the probable and even the maximum costs to Germany.

IV. Timing

The timing of a German move into Northwest Africa is dependent largely on the success or failure of the present British offensive in Libya. The need of Tunisian ports, as supply bases for the Axis forces in Libya, might precipitate German military action, if these ports are not yielded voluntarily. A decisive British victory would endanger the potential control of the Germans over all of Northwest Africa. A British failure in the present campaign would make the Northwest African situation less urgent to the Germans; but it is unlikely that they will break off the chain of actions begun with the dismissal of Weygand until at least key strategic points in Northwest Africa have been occupied by German troops.

SECRET

TABLE OF CONTENTS

The Problem of
GERMAN OCCUPATION OF NORTHWEST AFRICA
OBJECTIVES AND COSTS

I. Objectives

A. Military Objectives

Occupation by Germany of Northwest Africa relates to four sections of the present war: the campaign against Britain in the Mediterranean; the campaign against Russia in the east; the counter-blockade against British shipping in the South Atlantic; the campaign for commercial and perhaps military power in the Western hemisphere and in West, Southwest, and South Africa.

1. Occupation of Northwest Africa would further the German campaign in the Mediterranean: (a) by providing a secondary defense position in case of a British victory in Libya; (b) by opening important new supply ports for Axis troops in Libya; (c) by completely closing the Mediterranean as a supply route to the British armies of the Middle East; (d) by neutralizing Gibraltar as a naval base and opening the Western Mediterranean to Axis commercial shipping; (e) by closing an exposed

rear position and eliminating the possibility of an Allied pincer movement in North Africa.

2. The Russian campaign affects German Northwest African strategy in two ways: (a) No voluntary move against Northwest Africa can be made if, during the coming months, the demands of the Russian War make the mobilization of a sufficient German striking force impossible; (b) If the Russian war is expected to continue on a large scale into 1942, it would be to the German advantage to deny the Northwest African coast to the Allies, as a potential base for attack on Southern Europe.

3. Occupation of Northwest Africa would further the counter-blockade in the South Atlantic: (a) by providing submarine bases at Casablanca and elsewhere on the coast; (b) by providing abundant facilities for land-based air attack on shipping; (c) by providing control of the Canaries, as a base within protective range of shore-based aircraft.

4. Occupation of Northwest Africa would be the first and perhaps decisive step in the long run German geopolitical program for attaining commercial and political hegemony in Latin

America, West, Southwest, and South Africa.

B. Economic Objectives

Pursuant to the terms of the Armistice Agreement, the strategic resources of Northwest Africa are now virtually under German control. Subsequent negotiation and maneuver have given Germany more direct control, especially with respect to olive oil, wheat, phosphates, molybdenum, cobalt, manganese, and the negligible native petroleum output. At the present time Northwest Africa is the decisive source of continental supply for olive oil, phosphates, and cobalt--all extremely scarce. Molybdenum and manganese resources are of considerable importance. The flow of Northwest African goods after occupation, as opposed to the present flow, will be determined by the following considerations:

1. The acquisition of any stock of cobalt, molybdenum, and other minerals which might have been denied to Germany by French political resistance.
2. The extent to which Germany will invest manufactured goods to regenerate the commercial, transport, agricultural, and mining facilities of North Africa.
3. The extent to which increased shipping

facilities will be made available to the Northwest African-South European routes.

4. The extent to which technicians and capital will be invested to discover and exploit suspected new mineral resources.
5. The extent to which present leaks (hoarding, non-European exports, black bourse operations, etc.) will be stopped.

Negatively, occupation would forestall the loss of very considerable agricultural and mineral supplies now flowing from Northwest Africa to the European continent. This loss would presumably follow upon a possible Allied occupation.

C. Political Objectives.

Successful occupation by Germany of Northwest Africa would achieve the following political objectives, favorable to the Axis effort:

1. The belief in ultimate Axis victory would be spread further throughout the Moslem world.
2. An end to the quasi-independent French state in Northwest Africa would remove an important residual French hope and bargaining lever; moreover, all of southern Europe would be forced into greater dependence on Germany, and, in the long run, probably into greater collaboration with Germany.

3. The elimination of the possibility of Allied occupation of Northwest Africa would forestall a potentially serious inroad on the morale of the New Order; for Allied occupation would create serious difficulties for Germany within France, Spain, and Portugal; and might cause a complete collapse of the Fascist regime within Italy.
4. The possible gift of Tunisia to Italy would significantly strengthen Italian morale.
5. German occupation of Northwest Africa would seriously affect the disposition of Latin America; through the full incorporation of Spain and Portugal in the New Order; through German occupation of African ports and air bases; through the acceptance of a strategic set-back by the Allies.

CONCLUSIONS: The positive military advantages to Germany of occupying Northwest Africa are very considerable: first, in connection with the Mediterranean campaign; second, with respect to the South Atlantic counter-blockade; third, and less urgently, with respect to long run exploitation of areas bordering on the South Atlantic. Equally, if not more important, would be the negative advantage of denying access to an important European flank and Mediterranean rear position.

Economically the advantages of occupation are at best slight in the short run, problematical in the long run. The maximum increment to occupied Europe of Northwest African supplies cannot be regarded as a significant factor in the German decision. Occupation would, however, have the important negative advantage of preserving a considerable leak in the Allied blockade.

Politically, the occupation would narrow the alternatives to full collaboration which are now available to France, Italy, Spain, and Portugal; in addition, occupation might be the basis for a significant strengthening of the morale of Italy.

II. Costs

The disadvantages of and obstacles to a German occupation of Northwest Africa are grouped as follows: (a) military costs; (b) probable political and economic costs; (c) disadvantages based on Allied reaction.

A. Military Costs

1. Troops and Equipment

Estimates of German force required to occupy Northwest Africa vary with the degree of resistance assumed. The maximum opposing force is the following:

(a) Spain - 500,000 to 550,000 troops (of which 194,000 have been reported in Morocco and 55,000 in the Canaries).

6 cruisers, 18 destroyers, 5 submarines

400 first line planes

(b) Portugal - 50,000 troops

3 cruisers, 10 destroyers, 3 submarines

150 planes

(c) France - 86,000 troops in unoccupied France
80,000 in North Africa

2 battleships, 1 aircraft carrier, 11 cruisers, 25 flotilla leaders, 28 destroyers, 55 submarines (also damaged Richelieu, Dunkerque, partially complete Jean Bart) in European and Northwest African waters.

312 planes in unoccupied France
371 planes in North Africa.

There is, in addition, the British naval, land, and air force based on Gibraltar and Malta.

Under no circumstance foreseeable can it be assumed that the full force of this array will be thrown against a German attack. The Spanish and Portuguese metropolitan forces are, by most observers, expected to be passive. The Spanish colonial force, under the most likely conditions, must be counted a minor net addition to the German strength. Most estimates assume full, but ineffective, resistance by the British force at Gibraltar; full or partial resistance by the French force in Northwest Africa. Even if such resistance does not occur, it seems likely that the Germans will mobilize a force of occupation fully capable of dealing with it.

On this basis it is calculated that the occupation of Northwest Africa will require nine to fourteen divisions with a balanced air force sufficient to achieve air superiority, operating from Italian, Libyan, Spanish, and later, Spanish-Moroccan bases.

This campaign, according to military advice, will take the form of a pincer movement through Spain and Tunisia with the troops and planes about equally divided between the two arms of the pincer.[1] A British estimate on the length of time this operation would take calculates that about nine weeks would suffice. This assumes, however, full French resistance in Northwest Africa.

2. Transport and Supply.

The problem of transport and supply constitutes a difficult but not insurmountable problem to the Germans.

(a) Assuming full French resistance in Tunisia, it is calculated by the British that a month would be required to seize Tunisian ports, land, and concentrate five divisions. Adequate shipping and European ports of embarkation are available for this operation.

(b) Assuming Spanish acquiescence in Europe and Africa, it is calculated by the British that fully six weeks would be required to move five divisions from the Spanish-French frontier to consolidated positions in Spanish Morocco. Motor-road, railway, tanker, and ship transport facilities, though neither first class nor

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[1] In case of Spanish resistance a British estimate states that fourteen German divisions would be required for the Spanish pincer.

abundant, are available for this operation.[2]

CONCLUSION (Military): Assuming Spanish collaboration and full resistance by the French in North Africa, the occupation would require from nine to fourteen divisions, and sufficient planes to achieve air superiority. Assuming Spanish collaboration or acquiescence, and the maintenance of existing supply facilities in the Central Mediterranean, the transport and landing of the required force against the naval and air resistance available to the British and the North African French in this theater, and the subsequent supply of that force would be a difficult but not insurmountable problem for Germany.

B. Probable Political and Economic Costs.

1. France

If German diplomacy were to secure the full collaboration of Vichy and the Northwest African administration, the cost of occupation would consist merely of the diversion of the occupying force. Occupation would be almost immediately undertaken under these circumstances.

(a) Vichy

If Vichy refused to collaborate or submit politically to a German occupation of Northwest Africa, total occupation

[2] It is universally assumed that Gibraltar would be by-passed in the occupation of Northwest Africa and rendered useless as a naval base by artillery and air attack. The reduction of Gibraltar as a stronghold would be a lengthy and costly undertaking, to be launched by the Germans and Spanish at a later date, if at all.

of France would probably follow. This would create the following difficulties for Germany:

(1) An enlarged occupation force and enlarged administrative responsibilities, over an increasingly restless population.

(2) The failure of the New Order in France would be demonstrated to occupied Europe.

(3) French North and West Africa and the French navy might be free to pursue an independent policy.

To forestall this situation the Germans could bargain powerfully with:

(a) a peace offer

(b) the French prisoners now held by Germany

(c) the political aspirations of Vichy collaborationists

(d) an offer of increased supply of food and of manufactured goods necessary for a higher standard of living

(e) further reduction of occupation costs.

Granted the strength of these bargaining powers Petain and the anti-collaborationists might accept the consequences of refusal if they knew that the Allies were prepared to send a decisive force to Northwest Africa; and if they knew that the French navy would either assist the Allies, or at least not collaborate with Germany.

(b) French North Africa

The removal of Weygand has reduced sharply the possibility of a unified, organized resistance to the Germans in North Africa. The only condition under which some of the North African forces might now resist is a decisive Allied victory. In this case many Frenchmen might prefer to fight with the British rather than with the Germans.

(c) The French Navy

It seems unlikely that the present French Naval Command would order collaboration with the British. The major condition under which it would order collaboration with Germany is the certainty of ultimate German victory.

CONCLUSION (French): If the Germans induce the French to collaborate, the political and economic costs will be negligible. If the Germans cannot induce the French to collaborate, the costs would be those listed above under the difficulties of full occupation of metropolitan France.

2. Spain

It may be assumed that Spain and Portugal will submit to, if not collaborate with, a German operation against Northwest Africa.[3] There are, nevertheless, the following irreducible costs to Germany of passage through Spain:

(a) Loss of Spain and Portugal as financial agents and entrepôts in Atlantic trade;

(b) Loss of petroleum products now stated to be flowing to the Canaries for use of German submarines;

(c) Loss of Lisbon as an observation and espionage center;

(d) Necessity to occupy and police minimal territory along the supply line and on the west flank (Portugal);

(e) Indirect loss consequent to shutting off Spain's current imports chiefly

[3] There are reports at present that the Franco regime may even invite German occupation, in order to avoid alleged impending disorders over the Spanish food shortage.

from Latin America and Britain.[4]

If Germany should occupy Spanish Morocco, the loss of current imports would have even more severe economic consequences than in metropolitan Spain.

CONCLUSIONS (Spanish): All available evidence points to Spanish collaboration or acquiescence in a German move against Northwest Africa. There are, nevertheless, the considerable costs to Germany listed above. And although these are considerable, they cannot be regarded as costs sufficient to deter a German drive.

3. French Morocco.

Assuming German victory in French Northwest Africa certain minor costs would follow:

(a) the management of a widely dispersed population;

(b) the necessity for importing all manufactured supplies and petroleum products for the occupying force;

(c) the necessity of keeping in repair North African economy, partially revived lately by imports from America.

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[4]To shut off these imports would worsen an already desperate situation in Spain. In order to preserve the form of Falangist New Order the Germans would probably offer some combination of food and notably oil supplies as well as promises of territory. The alternative would probably be the disintegration of the present Spanish regime, with damaging repercussions in Europe and South America.

CONCLUSIONS (Political and Economic): The net political and economic costs consequent to a campaign against Northwest Africa are those dependent upon Vichy's decision; the loss of entrepôt supplies through Spain, Portugal, and the Canaries; the probable necessity of economic and territorial compensation to Spain and Spanish Morocco; the burden of occupying French Morocco, Tunis, and Algeria; and the cost of furnishing the goods not supplied by the country.

C. Disadvantages Based upon Allied Reaction

1. Possible Allied occupation of the Azores and Cape Verde Islands.
2. Probable strengthening effect on American morale, unity, and action caused by German bases at Casablanca and in the Canaries.

III. Final Conclusion.

The military and political advantages of occupying Northwest Africa far outweigh the probable and even the maximum costs.

IV. Timing.

The timing of a German move into Northwest Africa is dependent largely on the success or failure of the present British offensive in Libya. The need of Tunisian ports, as supply bases for the Axis forces in Libya, might precipitate German military action, if these ports are not yielded voluntarily. A decisive British victory would endanger the potential control of the Germans over all of Northwest Africa. A British failure in the present campaign would make the Northwest African situation less urgent to the Germans; but it is unlikely that they will break off the chain of actions begun with the dismissal of Weygand until at least key strategic points, in Northwest Africa, have been occupied by German troops.

A. The following strategic factors argue that German Action against Northwest Africa may come in the near future.

1. The inadequacies of the Libyan ports to supply the Axis forces sufficiently for a lengthy campaign. This inadequacy, caused to a large degree by recent Allied air and sea actions, might necessitate the occupation of Tunisian ports, with or without French permission.

2. A decisive British victory would endanger the actual and potential control of the Germans over all of Northwest Africa, and consequently force the Germans to undertake a campaign which they had hoped to postpone at the present time.

3. The possibility of a winter lull in the campaign in Russia would permit the liberation of the necessary German forces.

4. The increased productivity of war industries in the United States and the increased naval activity in the North Atlantic have the effect of lightening the patrol duties of the British

navy, increasing the volume of American deliveries to Britain, and possibly releasing British tonnage. This may increase German fear of the Allies anticipating the German occupation of Northwest Africa.

B. The following strategic factors argue that German action against Northwest Africa may be delayed.

1. German commitments in Russia, the Middle East, and Libya:

According to military advice present developments in these theatres indicate that the Germans will probably be reluctant to open a new military front. At the same time it should be noted that the permission to establish German consulates in key cities of Northwest Africa, and the ousting of Weygand might be interpreted as the beginning of a diplomatic offensive which may result in Germany's freedom to use Bizerta, Oran, and Casablanca as air and submarine bases.

2. Political crises in France and Spain might be precipitated by a German occupation of Northwest Africa. Vichy's psychological and economic collaboration with Germany is based on the hope of a partnership in the new European Order. The chances of realizing these hopes would be damaged

by the probable German promise of French colonial territory to both Italy and Spain. Such a division of the French Empire might seriously curtail France's present industrial contribution to the Nazi war machine. A German occupation of Spain might hurt Spanish pride and the promised German rewards would probably fall short of Spanish ambitions.

3. A failure of the British campaign in Libya would remove all Allied threats to Northwest Africa in the immediate future and might postpone full German military occupation.

APPENDIX

West Africa

Full collaboration of the French with the Germans would extend German occupation automatically from North to West Africa and necessitate no further discussion. Serious difficulties for the Germans, however, would be created by the resistance of the West African command to full collaboration.

Assuming this resistance the conquest of Dakar might be attempted if the Germans should have the French fleet at their disposal. Barring this possibility, however, it seems most likely that the extension of German control to West Africa would not follow immediately upon the conquest of French North Africa. The factors indicating the postponement of a German West African campaign are more substantial than those which argue for immediate action.

A. Factors arguing for the postponement of a German West African campaign.

1. The operation against Dakar would be extremely difficult.

Dakar at the present time is considered impregnable by sea to anything less than a major naval and military expedition. Its defenses consist of more than 50,000 troops and 100 planes (of late frequently reenforced by shiploads of men and modern equipment), powerful coastal batteries, the guns of the stationary Richelieu and an efficient naval force of two cruisers, four flotilla leaders, one destroyer and twelve submarines. Only the cooperation of the Vichy fleet with the Germans might disorganize these defenses sufficiently to make a comparatively easy conquest possible. Barring this possibility, the Germans would be forced to take the land-air route from Marrakesh to Dakar, a distance of about 1740 miles. Most of this route consists of a track through the Western Sahara, rough, hot, and short of water. Before troops and materials could pass over it in any quantity, supply dumps would have to be established and considerable road improvement carried out. The same considerations apply to the establishment of air bases.

2. German control of the Moroccan ports and the Canaries would suffice for the time being seriously to jeopardize British-bound shipping on the north-south lane.

At the present time British convoys assemble at or near Freetown and proceed north through the eastern reaches of the Atlantic. To interrupt this traffic the Germans would have available in Morocco the excellent harbors of Casablanca (accommodation for a naval force of three battleships, a squadron of cruisers, and two flotillas of destroyers; 10,000 feet of quayage for 23-feet-draught vessels, modern equipment) and Tangier (not so well developed, but better protected from southwest winds and swells) as well as the eight minor harbors of Agadir, Mogador, Safi, Fedala, Rabat, Wadi Sebout, Larache, and Arcila, of which Agadir has the greatest possibilities, if developed further, as a potential submarine base. These ports, however, lie somewhat to the northeast of the optimum zone of submarine operations. Consequently, the Germans would probably occupy the two good ports of the Canary Islands, Las Palmas and Santa Cruz, about 630 miles southwest of Casablanca. Using these bases, the new German submarines with an operating range of 8000 to 10,000 miles, supplemented by observation planes and surface raiders, could quite easily make the present British supply route untenable. An expensive diversion of shipping to the West and from there to the North Atlantic route would be the minimum cost inflicted upon the British.

3. Dakar's use as a submarine and air base would depend upon the ability of the Germans to supply it. This supply would be extremely difficult without the cooperation of the French fleet or the execution of a vast road building program.
4. An Allied occupation of Dakar, on the other hand, would constitute no danger of Allied operations against the German position in North Africa.
5. In case the Germans should need Dakar for an extension of the battle of the Atlantic, their possession of Northwest Africa would give them a geographical advantage over any other power.

B. Factors arguing for the imminence of a German West African campaign.

1. West African peanut oil is important to the continental economy. A German occupation of Dakar would provide a better protected sea route from Dakar to Casablanca and also prevent the possible loss of this source of supply to the Allies.
2. The Germans desire additional well protected air, submarine, and raider bases, not only to interfere with the British use of Bathurst and Freetown as convoy and naval bases but also to serve as a constant threat to Latin America.

3. The Germans might choose to move at once in order to avoid a costlier future campaign in case Allied forces should reenforce the French West African garrison.
4. The Germans desire to deny the Allies the chance to acquire another good naval and convoy base on the bulge of Africa.

These latter factors, serious as they are, do not seem great enough to force the Germans to undertake an immediate attack on Dakar. The Germans can well afford to leave the problem unsolved until they are ready to extend the area of their hegemony over Africa and South America.

SECRET

Supporting Studies

1. North African Chronology since the Fall of France.
2. German "Eurafrican" Objectives as Developed in Geopolitical Theory.
3. The Problem of Vichy.
4. The German Political and Economic Problems in Iberia.
5. Germany's Economic Stake in French North and West Africa.
6. The Military Problems of a German Conquest of Northwest Africa.

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December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Embassy,
London.

For Casaday from Secretary of the Treasury.

In answer to Embassy's 5138, please communicate to the proper authorities the following paragraphs:

'The figure of 22 percent in the second sentence of the fourth paragraph of the State Department's 4670 is at variance with the figure of 25 percent given by the United States Chamber of Commerce, due to material differences in the figures used for both United States tax collections and United States national income.

The United States tax figures are based upon (1) a release by the Director of the Bureau of the Budget, October 5, 1941 and (2) "State Tax Collections: 1940" published by the Bureau of the Census, page 29. Copies of these are being sent by air pouch. In these sources Federal tax collections for fiscal year 1942 (including social security taxes but excluding miscellaneous receipts) are estimated at $12,659 million; State and local taxes for 1940, the latest year available, are estimated at $9,175 million, making total tax collections of $21,834 million. This figure is 22 percent of national income estimated at $100 billion.

The Chamber of Commerce of the United States used $22.5 billion for United States tax collections and $90 billion for the national income estimate, thus arriving at its figure of 25 percent.

Total Federal tax collections for the calendar year 1942 are expected to be $16 billion before transfers to social security reserves.'"

HMC:mak:12.3.41

TELEGRAM SENT

AEH PLAIN

December 3, 1941

AMEMBASSY,

LONDON, (ENGLAND).

5648, Third

FOR CASADAY FROM SECRETARY OF THE TREASURY.

QUOTE In answer to Embassy's 5158, please communicate to the proper authorities the following paragraphs:

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Total Federal tax collections for the calendar year 1942 are expected to be $16 billion before transfers to social security reserves. END QUOTE

HULL
(FL)

FD:FL:ME

C
O
P
Y

DEPARTMENT OF STATE
WASHINGTON

December 3, 1941

In reply refer to
FD

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 5817, dated December 2, 1941, from the American Embassy, London, England, transmitting a message for Secretary Morgenthau from Ambassador Winant.

Telegram No. 5817 refers to the Department's telegram No. 5402, dated November 24, 1941, which was transmitted to the Secretary of the Treasury in this Department's letter of November 26, 1941, also telegram No. 5169, dated November 13, 1941, which was transmitted to the Secretary of the Treasury in this Department's letter of November 14, 1941.

Enclosure:

From Embassy, London,
No. 5817, dated December 2, 1941.

Copy:bj:12-4-41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London, England.

DATE: December 2, 1941, 10 p.m.

NO. : 5817.

THE FOLLOWING IS FROM AMBASSADOR WINANT FOR SECRETARY MORGENTHAU.

Your message concerning contact with the Select Committee on national expenditure, which was forwarded on the 24th of November from Washington, has been discussed with me by Mr. Lauren W. Casaday. In my opinion a direct approach to the Committee in order to get the information you desire would be a political mistake. However, the information in question and the other material you requested can be procured and are being prepared for you.

Published reports of the Committee have already been forwarded to Washington under cover of various reports and despatches. However, you will receive a complete set by the earliest pouch.

In response to the Department's telegram No. 5169, dated November 13, 1941, regarding the excess profits tax the Embassy is also taking steps to elicit further opinions.

There is no one among my co-workers here with whom I enjoy working more than Mr. Casaday. I hope the reports submitted by Casaday have been satisfactory.

I appreciate your kind letter of the 18th of November and the copy of the address you gave at Worcester.

WINANT

Copy:bj:12-4-41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Embassy,
Chungking.

From Treasury for your information. Following message is being cabled to Fox:

'National City and Chase Banks have raised with Treasury Department the question as to the custody of Chinese currency notes and as to the risks assumed by the Shanghai offices of these banks in connection with such custody. We have advised the banks that these are matters which must be worked out with the Stabilization Board. We are airmailing copies of this correspondence but pass on for your early consideration the suggestion of the banks that the Chinese currency notes be destroyed. You may wish to take up with the appropriate Chinese authorities the matter of destruction of the currency notes.' "

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Embassy,
Chungking.

For Fox from Treasury.

Reference your 424 of October 20 your report on the effect on the Shanghai market of United States banknotes smuggled into China from the continental United States is appreciated. You are advised that this problem will continue to receive the consideration of the Treasury Department."

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Embassy,
Chungking.

From Treasury.

Reference your 432 of November 6. This request for information to be submitted to the Chinese commission for the control of foreign exchange was made prior to the commencement of the new program embodied in the general licenses issued by the Treasury Department on November 12. In view of the new program it is believed that the Stabilization Board of China will acquire information concerning transactions in which China is interested.

Please advise Fox of this cable."

HMC:dm:12/3/41

177

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Consul,
Shanghai.

From Treasury for your information. Following message is being cabled to Fox:

'We have licensed Chase National Bank New York to pay Nederlandsche Indische Escompto Maatschappij Batavia account Chase Bank Shanghai $1,500,000 in cover of Chase Bank Shanghai credits issued prior to November 12, 1941 covering shipments from Java to China and to pay American Express Company Bombay $20,000 for account Chase Bank Shanghai in cover of Chase Bank Shanghai credits issued prior to November 12, 1941 covering shipments from India to Shanghai. Chase National Bank has been advised informally that you are being advised of the foregoing and further that our license merely permits the financial transaction and in no way affects the responsibilities of the Chase Bank Shanghai as an appointed bank to the Stabilization Board of China.' "

HMB

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Consul,
Shanghai.

Reference your 1698 of November 15 you are advised that the term 'fully effected' in paragraph (1)(4)(iii) of General License No. 58 means payment in United States dollars. Such payments must have been fully effected prior to November 12, 1941, and on November 12, 1941, the consignor of the shipment must have had no further sums or other things of value owing to him in connection with such shipments.

Similar restrictions apply to shipments from Shanghai to the continental United States via Manila and consular invoices should not be certified by you covering such shipments unless the terms and conditions of General License No. 58 are fully complied with.

Above message is also being cabled directly to Fox."

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Consul,
Shanghai.

From Treasury for your information. Following message is being cabled to Fox.

'National City and Chase Banks have raised with Treasury Department the question as to the custody of Chinese currency notes and as to the risks assumed by the Shanghai offices of these banks in connection with such custody. We have advised the banks that these are matters which must be worked out with the Stabilization Board. We are airmailing copies of this correspondence but pass on for your early consideration the suggestion of the banks that the Chinese currency notes be destroyed. You may wish to take up with the appropriate Chinese authorities the matter of destruction of the currency notes.' "

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Consul,
Shanghai.

From Treasury.

Reference your 1713, November 18. You are advised that in those cases where an importer has United States dollars on deposit with an appointed bank the approval of the Stabilization Board of China is required before an appointed bank may notify a domestic bank that the transaction satisfies the terms and conditions of General License No. 58.

You will hear from us further on your other inquiry.

Foregoing is also being cabled to Fox."

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Consul,
Hong Kong.

For Fox from Treasury.

Reference is made to your 475 of November 6, 5 p.m., in which the request of the Stabilization Board of China was expressed that Banque Belge pour l'Etranger not be designated as an appointed bank. The Belgian Ambassador to the United States has now protested on behalf of Banque Belge pour l'Etranger the omission of that bank as an appointed bank. Consideration is being given to the desirability of advising the Belgian Ambassador that, since the Banque Belge pour l'Etranger was not included in the list of banks recommended for designation as appointed banks by the Stabilization Board of China, it was not included in the list of appointed banks and to further suggest to the Belgian Ambassador that Banque Belge pour l'Etranger should present its request for designation as an appointed bank to the Stabilization Board of China for consideration by that Board. Your comments on this procedure will be appreciated."

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Consul,
Hong Kong.

For Fox from Treasury.

We have licensed Chase National Bank New York to pay Nederlandsche Indische Escompto Maatschappij Batavia account Chase Bank Shanghai $1,500,000 in cover of Chase Bank Shanghai credits issued prior to November 12, 1941 covering shipments from Java to China and to pay American Express Company Bombay $60,000 for account Chase Bank Shanghai in cover of Chase Bank Shanghai credits issued prior to November 12, 1941 covering shipments from India to Shanghai. Chase National Bank has been advised informally that you are being advised of the foregoing and further that our license merely permits the financial transaction and in no way affects the responsibilities of the Chase Bank Shanghai as an appointed bank to the Stabilization Board of China.

Foregoing is also being cabled to American Consul, Shanghai."

EBO:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Consul,
Hong Kong.

For Fox from Treasury for your information. Following message is being cabled to American Consul, Shanghai:

'Reference your 1692 of November 15 you are advised that the term "fully effected" in paragraph (1)(d)(iii) of General License No. 58 means payment in United States dollars. Such payments must have been fully effected prior to November 12, 1941, and on November 12, 1941, the consignor of the shipment must have had no further sums or other things of value owing to him in connection with such shipments.

Similar restrictions apply to shipments from Shanghai to the continental United States via Manila and consular invoices should not be certified by you covering such shipments unless the terms and conditions of General License No. 58 are fully complied with.' "

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram:

"American Consul,
Hong Kong.

For Fox from Treasury.

National City and Chase Banks have raised with Treasury Department the question as to the custody of Chinese currency notes and as to the risks assumed by the Shanghai offices of these banks in connection with such custody. We have advised the banks that these are matters which must be worked out with the Stabilization Board. We are airmailing copies of this correspondence but pass on for your early consideration the suggestion of the banks that the Chinese currency notes be destroyed. You may wish to take up with the appropriate Chinese authorities the matter of destruction of the currency notes.

Foregoing is also being cabled to American Consul, Shanghai, and to American Embassy, Chungking."

HMC:dm:12/3/41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you kindly send the following cablegram

"American Consul,
Hong Kong.

For Fox from Treasury for your information. Following message is being cabled to American Consul, Shanghai:

'Reference your 1713, November 16. You are advised that in those cases where an importer has United States dollars on deposit with an appointed bank the approval of the Stabilization Board of China is required before an appointed bank may notify a domestic bank that the transaction satisfies the terms and conditions of General License No. 58.

You will hear from us further on your other inquiry.' "

HMC:dm:12/3/41

EJ PLAIN

Hong Kong via N. R.

Dated December 3, 1941

Rec'd 12:58 p.m.

Secretary of State,

Washington.

526, December 3.

Reference Hong Kong's telegrams 476, 477 and 478 of November 7 quoting messages for Treasury from Fox and Cochran and confirmed by despatch 1046 November 7 and enclosures reporting action by Hong Kong Government to control unduly large operations in Chinese currency in this colony. Local authorities now report that their action has been effective in greatly reducing so-called black market operations. Meanwhile the trading license has been suspended of the Hong Kong gold and silver exchange which apparently was doing big business in Chinese currency notes and Government instructed it to settle outstanding transactions at Hong Kong dollars one hundred fifty five to Chinese national dollars one thousand.

Chinese Vice Minister of Finance visited here

recently

-2-#526, December 3, from Hong Kong via N. R.

recently as result of which Chinese Ministry of Finance as Stabilization Board of China establishing a joint office in Hong Kong to deal in cooperation with the British authorities with the problem of Chinese currency deposits now frozen in the colony. Sent to the Department, repeated to Chungking, Peiping and Shanghai.

SOUTHARD

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 894.515/96

December 3, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch No. 97, dated November 21, 1941, from the American Legation, San Jose, Costa Rica, concerning shipments of gold from Japan to Costa Rica.

Enclosure:

From Legation, San Jose,
Despatch No. 97, dated
November 21, 1941.

San Jose, Costa Rica,

November 21, 1941.

No. 0097

Subject: Shipments of Gold from
Japan to Costa Rica.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to the Department's circular telegram of November 14, 1941 directing this office to report any recent and all future shipments of gold to Costa Rica from Japan and to report in this connection that a representative of this office has been advised by Mr. T. Harrington, Auditor of the Banco de Costa Rica, and also by the Banco Nacional de Costa Rica, the official bank of the country, that no shipments of gold from Japan have been received here at any recent time.

Should any such shipments be received in the future, which appears unlikely, they will be at once reported as directed.

Respectfully yours,

Leslie E. Reed,
American Consul General.

851.51
HGM/fp
Original and three copies to the Department.

Copy:bj:12-3-41

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CANADIAN LEGATION
WASHINGTON

December 3, 1941

Dear Mr. Dietrich,

I am enclosing in duplicate a list of Japanese firms doing business with firms in Latin America.

I also enclose copies of correspondence dealing with an exchange of Japanese cotton against scrap iron from Ecuador.

Yours sincerely,

/s/ R. M. Macdonnell,

R. M. Macdonnell,
Secretary.

Frank Dietrich, Esq.,
Room 279,
Treasury Department,
Washington, D. C.

Copy:vw:12-10-41

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LIST OF JAPANESE FIRMS TRADING WITH FIRMS IN LATIN AMERICA

FIRMS LISTED	TRADING WITH:
COSMOS TRADING CO., Osaka. Statutory, British W.T.L. No. 6 on the Canadian List of Specified Persons Rev. No. 6	KLIMESCH, GUILLERMO, Statutory, British W.T.L. No. 6. Canadian List of Specified Persons 17 and with Z. SOLARI Y HNOS, LIMA, PERU
HONDA TRADING CO., OSAKA. Statutory, British W.T.L. No. 6 Canadian List of Specified Persons 17.	Francisco Fonseca, Lima, Peru.
HATTORI SHOTEN, YOKOHAMA. Statutory, British W.T.L. No. 6	Fernandez Pita Federico, Buenos Aires, Argentine.
CIALDA CIA. ANON., GUAYAQUIL, ECUADOR. Statutory, British W.T.L. No. 6, Canadian List of Specified Persons 17. U.S.A. Proclaimed List.	Ramon Espin Cordova, Guayaquil, Ecuador. Cordova is trading with Yagi & Co., Osaka, Japan
MATSUNAGA BOEKI K.K. KOBE. Statutory, British W.T.L. No. 6, Canadian List of Specified Persons 16	Moises, Lajhan, Panama.
KOMERMANN & HERMANN, HAVANA, CUBA Black List, British W.T.L. No. 6 U.S.A. Proclaimed List.	T. Fujiye & Co., Japan Fujiye is trading with Cassorla & Goluboff, Santiago (Chile?) and with Miguel Gorab Z. Santiago, (Chile?)
GUTIERREZ, J. C. may be associated with the GUTIERREZ, SANCHEZ, LIMA, PERU, who is on the Black List, British W.T.L. No. 6	Gutierrez, J. C. is mentioned in letter referring to Luis Guillermo Ostalaza, S.A. Lima, Peru and Beniya Co. (Japan?)
Tanuke Shoten, Osaka. British M.E.W. "G" List No. 3	A. M. Sauwma Paramaribo, Dutch Guiana; Jeruselmi Hnos, Montevideo, Uruguay; Marcos Nahoum, Montevideo, Uruguay; Moises D. Sacca E. Hijos, Buenos Aires, Argentina.
MITSUI BUSSAN K.K. JAPAN British M.E.W. "G" List No. 3	Melamed & Capuano, Montevideo, Uruguay

FIRMS LISTED	TRADING WITH:
ASAI TAKEGORA SHOTEN, NOGOYA, JAPAN British M.E.W. "G" List No. 3	L. A. Espinoza, S. A. Arequipa, Peru.
JULIO SANTOS & CO., CIUDAD TRUJILLO, DOMINICAN REPUBLIC British M.E.W. "G" List No. 3	Tamaru & Co. Japan.

THE YOKOHAMA SPECIE BANK, LIMITED
NEW YORK AGENCY
120 Broadway
NEW YORK.

In Reply
Address Attention
Import Department.

Cable Address
SHOKIN-NEW YORK.

October 20, 1941

The Yokohama Specie Bank, Limited,
Osaka,
Japan.

Re: Your B/B 159 - $2,070. - on Ramon Espin Cordova, Guayaquil, by Yagi & Co.

Gentlemen:

Please refer to your cable of September 17th regarding the above draft and our reply of September 18th wherein we advised you that the bill of lading had been received by us and that we were applying for a license to forward it to you.

We wish to advise you that 106 tons of scrap iron were duly shipped on the S.S. "Kiyokawa Maru", which sailed from Guayaquil, Ecuador, to Japan on July 23rd.

We also enclose a certificate issued by Mr. Tadao Sato, Guayaquil, Ecuador, correspondent of the Commercial Osaka Museum, stating that the weight of the shipment is 109 metric tons. However, Messrs. Cialda Compania informed the collecting bank that the exact weight of the shipment should be fixed at the arrival of the steamer in Japan. The total weight of the shipments considering the former effected on the S.S. "Kiyokawa Maru" should be 135 metric tons and the drawers must pay U.S. $13. - for each additional ton. In the event that the shipments total more than 135 metric tons please arrange to reimburse Cialda & Compania at the rate of $13. - per ton.

Expenses of $12.45 were incurred by the Banco de Descuento. In our license for permission to return the original bill of exchange, together with the bills of lading for the shipment of scrap iron, we have included authority to debit you for this expense. As soon as the outcome of our license application is known, we will inform you accordingly.

Very truly yours,

THE YOKOHAMA SPECIE BANK, Limited.

permission to return to our Osaka Branch the original bill of exchange on their B/B No. 159 for $2,070. - drawn by Yagi & Company, Ltd. on Ramon Espin Cordova, Guayaquil, Ecuador, together with a complete set of bills of lading indicating a shipment of 106,000 kilos scrap iron, which was shipped from Guayaquil, Ecuador, to Osaka, Japan, on the S.S. "Kiyokawa Maru" of the "K" Line, dated the 23rd of July, Guayaquil.

The draft in question, which covered an original shipment of 25 bales of cotton piece goods shipped from Osaka to Guayaquil on March 26th, 1941, was originally drawn on Mr. Cordova but he refused to pay for the same. On December 13, 1940 our Osaka Branch instructed us by cable to deliver 8 and 17 bales to Cialda Compania, Guayaquil, against bills of lading covering not less than 50 metric tons and 100 metric tons of scrap iron, respectively. We in turn instructed our correspondents, the Banco de Descuento, Guayaquil, accordingly. On February 4th, 1941, the Banco de Descuento informed us that they had released to Cialda 8 bales of merchandise against bills of lading covering a shipment of 50 tons of scrap iron shipped on the S.S. "Goyo Maru", which sailed on February 1st for Osaka.

The bills of lading for this shipment, when received by us, were forwarded to Japan. On July 2nd our Osaka Branch advised us by cable that their instructions of Dec. 13 were amended so that the remaining 17 bales of merchandise were to be delivered against "Kiyokawa Maru" bill of lading covering 106 metric tons of scrap iron. Upon receipt of our branch's instructions we in turn advised our correspondents accordingly. The bills of lading for the shipment of scrap iron have now been received by us.

We also desire permission to instruct the Chase National Bank to debit our blocked account for the sum of $12.45 covering expenses of the Banco de Descuento and to place this sum to the credit of the account of the Banco de Descuento maintained at Chase National Bank.

Copy:vw:12-10-41

December 3, 1941

Mr. Livesey

Mr. Cochran

Will you please send the following message:

"American Legation,
Guayaquil, Ecuador.

From Treasury.

With reference to unnumbered application of Compania de Cervezas Nacionales, Las Penas, Guayaquil, Ecuador, dated November 6, 1941, which has been assigned the number Guayaquil 1 and which is the subject of despatch no. 2234 from Quito, dated November 7, 1941, approval is authorized provided applicant gives proper assurances to you that they will not enter into further transactions with Chadwick, Herrera & Co., Ltda., of Santiago, Chile, or other Proclaimed List nationals, without license."

(Init.) H. M. C.

HMC:em:12.3.41

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 894.515/97

December 3, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of despatch no. 206, dated November 25, 1941, from the American Legation, Managua, D. N., Nicaragua, concerning gold shipments from Japan.

Enclosure:

From Legation, Managua,
no. 206, November 25, 1941.