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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, December 23, 1941.
12/22/41

Press Service
No. 29-23

The Secretary of the Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 82-day Treasury bills, to be dated December 24, 1941, and to mature March 16, 1942, which were offered on December 19, were opened at the Federal Reserve Banks on December 22.

The details of this issue are as follows:

Total applied for - \$352,938,000

Total accepted - 150,174,000

Range of accepted bids: (Excepting two tenders totaling \$220,000)

High	- 99.966	Equivalent rate approximately	0.149 percent
Low	- 99.927	" " "	0.320 "
Average			
Price	- 99.933	" " "	0.295 "

(74 percent of the amount bid for at the low price was accepted)

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TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, December 23, 1941.

Press Service
No. 29-22

Secretary of the Treasury Morgenthau announced today that definitives of the 2-1/2 percent Treasury Bonds of 1967-72, in coupon form, will be ready for delivery on and after January 19, 1942, against the surrender of full-paid interim certificates issued October 20, and December 15, 1941, in lieu of such bonds. Exchanges will be governed by the provisions of Treasury Department Circular No. 675, dated December 15, 1941, and will be conducted through the Federal Reserve Banks and Branches, and the Treasury Department, Washington.

Special arrangements may be made between incorporated banks and trust companies and the Federal Reserve Banks for the exchange of interim certificates for definitive bonds for their own account and for account of their customers, and individuals who hold interim certificates are advised to consult their own bank with respect to the exchange.

The official circular is attached.

-oOo-

Title 31—Money and Finance: Treasury
Chapter II—Fiscal Service

Subchapter B—BUREAU OF THE PUBLIC DEBT

PART 310—REGULATIONS GOVERNING EXCHANGES OF INTERIM CERTIFICATES OF 2½% TREASURY BONDS OF 1967-72 FOR DEFINITIVE COUPON BONDS

1941
Department Circular No. 573
Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, December 15, 1941.

To Holders of full-paid interim certificates of 2½ percent Treasury Bonds of 1967-72, banks and trust companies incorporated in the United States under Federal or State law, and any others concerned:

Sec. 310.0 Scope of regulations.—The provisions of this circular are hereby prescribed as the regulations to govern the exchange of full-paid interim certificates, issued pursuant to Treasury Department Circulars No. 368, Revised, dated October 15, 1941 (6 FR 5289), No. 670, dated October 9, 1941 (6 FR 5150), and No. 672, dated December 4, 1941 (6 FR 6257), for definitive 2½ percent Treasury Bonds of 1967-72, dated October 20, 1941, in bearer form with coupons covering interest to maturity attached (which may hereinafter be referred to as definitive coupon bonds, definitive bonds, or definitives).*

Sec. 310.1 Official agencies.—The official agencies for the exchange hereunder of interim certificates for definitive coupon bonds are the Federal Reserve Banks and their Branches, and the Treasury Department, Division of Loans and Currency, Washington, D. C.

Sec. 310.2 Exchanges at official agencies.—Exchanges may be effected beginning January 19, 1942. Interim certificates to be exchanged must be presented and surrendered to an official agency, at the risk and expense of the holders, and, unless delivered in person, should be forwarded by registered mail or prepaid express. Each delivery of interim certificates must be accompanied by appropriate written advice transmitting the certificates and giving instructions for the delivery of the definitives issued in exchange (see appropriate form appended to this circular). Exchanges will be made on a like par amount basis, and unless other instructions are given in the advice, definitives of the highest possible denominations will be delivered. No charge for the exchange will be made by the United States, and deliveries of definitives will be made within the United States, its territories and possessions at the expense and risk of the United States. No deliveries elsewhere will be made, nor will delivery of definitives be made other than to the party presenting the interim certificates. **IMPORTANT: SEE THE NEXT FOLLOWING SECTION FOR SPECIAL ARRANGEMENTS FOR PRESENTATION OF INTERIM CERTIFICATES TO FEDERAL RESERVE BANKS BY BANKS AND TRUST COMPANIES.**

Sec. 310.3 Special arrangements for banks and trust companies.—It is expected that incorporated banks and trust companies within the United States, generally will offer their services to their customers in effecting exchanges of interim certificates for definitive bonds without expense to the holders, and, accordingly, any holders of interim certificates who avail themselves of any such offer should, of course, present and surrender their interim certificates through such institutions. Any such bank or trust company may arrange with the Federal Reserve Bank of its district for the transportation of interim certificates to the Federal Reserve Bank by registered mail at the expense and risk of the United States. Full information concerning such arrangements will be furnished by Federal Reserve Banks to incorporated banks and trust companies upon application. The interim certificates forwarded by incorporated banks and trust companies to the Federal Reserve Banks for exchange pursuant to such arrangements must be clearly stamped on the face, in indel-

*The regulations prescribed in this circular apply to full-paid interim certificates the issue of which was incident to the issue of 2½% Treasury Bonds of 1967-72 pursuant to the authority of the Second Liberty Bond Act, as amended.
16-25092-1

ible ink, with a legend reading as follows: "Presented for exchange for definitive coupon bonds by

" All such interim certificates so stamped shall henceforth be deemed nonnegotiable and will be accepted by the Federal Reserve Bank only when presented for exchange by or for account of the bank or trust company named thereon. Such arrangements may not be made with the Treasury Department, nor may they be made by individuals or institutions except as herein provided. Deliveries of definitive bonds issued upon such exchanges will be made to the incorporated bank or trust company presenting the interim certificates for exchange, and will be made at the expense and risk of the United States. Incorporated banks and trust companies, in effecting exchanges pursuant to this paragraph, act as agents of the holder of the interim certificates and not as agents of the United States, and the United States will not be responsible for the receipt or custody of the interim certificates or for the custody or delivery of the definitive bonds by the banks or trust companies. The provisions of this section may be extended to private banks doing a recognized banking business and approved by the Federal Reserve Bank of the district in which located.

Sec. 310.4 *Authority of Federal Reserve Banks*.—Federal Reserve Banks, as fiscal agents of the United States, and their branches are authorized to perform all necessary acts within the purview of this circular, and to carry out such instructions in connection therewith as may, from time to time, be given by the Secretary of the Treasury.

Sec. 310.5 *Reservations*.—The Secretary of the Treasury reserves the right at any time or from time to time to amend, supplement, or withdraw any or all of the provisions of this circular.

D. W. BELL,
Acting Secretary of the Treasury.

(Filed with the Division of the Federal Register, December 23, 1941)

TREASURY DEPARTMENT
BUREAU OF THE PUBLIC DEBT
Form FD-122

FORM OF ADVICE TO ACCOMPANY FULL-PAID INTERIM CERTIFICATES OF 2½% TREASURY BONDS OF 1967-72 PRESENTED FOR EXCHANGE FOR DEFINITIVE COUPON BONDS

(Indicate which)

To ☐ FEDERAL RESERVE BANK OF _____

☐ TREASURY DEPARTMENT, Division of Loans and Currency, Washington, D. C.

Pursuant to the provisions of Treasury Department Circular No. 675, dated December 15, 1941, the undersigned presents and surrenders herewith full-paid interim certificates of the 2½% Treasury Bonds of 1967-72 (as listed below), and requests their exchange for a like face amount of definitive coupon bonds (in the denominations indicated), to be delivered to the undersigned at the address given.

Denomination	Interim certificates herewith			Definitive bonds to be issued	
	Number of pieces	Serial numbers of certificates *	Face amount	Number of pieces	Face amount
\$50			\$		\$
\$100					
\$500					
\$1,000					
\$5,000					
\$10,000					
\$100,000					
Total amounts (must agree)			\$		\$

* If space is not ample for listing, back of form or separate sheet may be used.

Signature _____

Name _____
(Please print or type)

Address _____
(Please print or type)

Dated _____ 1942.

16-35522-1 U. S. GOVERNMENT PRINTING OFFICE

December 23, 1941
11:03 a.m.

Harold
Graves:again.....

HMJr: Yes.

G:and I concluded that I ought to find some other method of reaching Dougherty with this very delicate thing than by telephone.

HMJr: Yes.

G: Dan and I both agreed that we're apt to be listened to.

HMJr: Listened to?

G: Yes.

HMJr: Where?

G: Well, he knows of instances where telephone.....

HMJr: What's that?

G: I say Dan knows of instances where telephone conversations have been overheard.....

HMJr: Oh.

G:and I have with me here now, Mr. Coyne.....

HMJr: Yes.

G:whom perhaps you remember at Chicago.....

HMJr: Yes.

G:who has been working with Mr. Dougherty in Massachusetts and knows him intimately, and I was planning to have Mr. Coyne go to Boston tonight. He was going anyway tomorrow.

HMJr: Good.

G: And explain this thing face to face to Dougherty.....

HMJr: Good.

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G:to save that risk, if that's satisfactory to you.

HMJr: Yes. And how about seeing other people up there?

G: Well, he can do that. I think Lew Dougherty. I'll explain the whole thing fully to Mr. Coyne.

HMJr: How about what's-his-name, Poland?

G: Poland is out of town. I'm going to reach him, too, in the same way.

HMJr: Good. That's all right.

G: It seemed to me to be a very much safer way to do it.

HMJr: That's all right. Well, then - that's good. Now, look, at eleven-thirty I would like to see you, and Kuhn, and Vincent Callahan about future radio programs.

G: Yes. Very good, we'll be in there.

HMJr: See?

G: Yes, sir.

HMJr: Odegard's not in town.

G: No.

HMJr: What?

G: No, he's not here.

HMJr: Well, the three of you at eleven-thirty.

G: Yes, sir; we'll be there.

HMJr: Thanks.

G: Yes, sir. Good-bye.

December 23, 1941
11:27 a.m.

HMJr: Hello.

Operator: Ronald Ransom.

HMJr: Hello.

Ronald Ransom: Hello.

HMJr: Ronald.

R: Yes.

HMJr: Henry Morgenthau.

R: Yes, Henry.

HMJr: Ronald, you remember yesterday - or the day - yesterday I called you up and said we'd like to have you cooperate with us in preparing a Budget message for the President?

R: Yes.

HMJr: And I asked to have Goldenweiser sent over?

R: Yes. He went over and reported to me later in the day that he had attended a conference.

HMJr: Well, let me ask you a question. Does Dr. Hanson work for the Federal Reserve Board?

R: Yes. He's on a part time basis. We had to let him keep on his job at Harvard, but he's here every Wednesday and Thursday. Whether that will be true this week, being Christmas week, I don't know, but I can find out.

HMJr: Well, did you know.....

R: He is not scheduled to be here until January the fifth, but he could come back if you have reason to want him.

HMJr: Did you know that on the eighteenth Hanson called a meeting to consider the policy of

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the coming Budget message?

R: No, I did not.

HMJr: Well, he did.

R: He held it on the eighteenth of this month?

HMJr: Yes, sir.

R: For what day, do you happen to know?

HMJr: Well, it was on the eighteenth.

R: Oh, he had a meeting on the eighteenth?

HMJr: Yeah.

R: Do you know who attended?

HMJr: Well, here. The Vice President sends me the following letter.

R: Yes.

HMJr: "Enclosed is a memorandum sent me by Ezekiel which has some suggestions you might want to turn over to your tax people."

R: Yes.

HMJr: And enclosed is a memo.

R: Yes.

HMJr: "Yesterday" - this was written on December 19th - "Dr. Hanson of the Federal Reserve Staff, called a meeting to consider the tax policy and the coming Budget message in relation to inflation prospects. Economists from the Budget Bureau, OPM and OPA were also present, amongst others."

R: Yes.

HMJr: Then it goes ahead with a whole program.

R: My God.

HMJr: Now that doesn't look like cooperation.....

R: No.

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HMJr:between the Fed and ourselves.

R: I know nothing whatever about it - what you tell me is entirely new - whether it was something that Hanson was just doing on his own or whether it was done with the knowledge of anyone over here, I can't say; but I will certainly find out and let you know.

HMJr: Would you let me know personally; because it's quite upsetting to me. I'm trying so hard to have good feeling and good cooperation between the Fed and ourselves.

R: Yes.

HMJr: And then to have the Vice President send something like this to me, it just makes me sick.

R: Well, I can't understand it at all; and I had word yesterday afternoon from Marriner's secretary that your secretary told her you were quite anxious for Marriner to know that you had asked for the use of some of Goldenweiser's time.

HMJr: That's right.

R: I was calling him on another matter and told him that, and he said he was delighted to know that you wanted to use Goldenweiser and delighted that he was available and to thank you for letting him know. So I can't say - he never mentioned the Hanson thing to me, so I can't believe it was something he knew of.

HMJr: Yes.

R: Hanson is - the work he's doing for us is wholly related to some studies in the long-distance range, economically speaking, of the post-war world.

HMJr: Well, look, this has no more to do with that than the weather outside. There are definite recommendations on - here was Paul all yesterday afternoon and all evening.....

R: Yes.

HMJr:working with Goldenweiser there.....

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R: Yes.

HMJr:trying to get everything in Washington to help us to help the President.

R: Yes.

HMJr: And here was another meeting held last week on the same subject, called by a representative of the Federal Reserve Board, and we're kept in the darkness on it.

R: Let's say by a staff member of the Board. Don't let's say a representative, because I will underwrite in the dark the idea that he wasn't representing us in doing that.

HMJr: Well.....

R: He wasn't representing me.

HMJr: Well, it makes both you and me look a little foolish.

R: I think it does. I'll share that foolish feeling with you; but I'll find out about it and let you know.

HMJr: And I'd like very much to know who was there.

R: I will let you know both at once, just as soon as I can get that information.

HMJr: Just who was there.

R: Yes.

HMJr: Will you do that?

R: All right.

HMJr: But I'm trying awfully hard in these days to keep good feeling all around.

R: Why, that's essential. It's absolutely necessary, and I'll say you've been doing your part one hundred per cent.

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HMJr: Thank you so much.

R: And I'll call you back as soon as I can get this information.

HMJr: Thank you so much.

December 23, 1941
11:40 a.m.

HMJr: Hello.

Operator: Mayor Tobin.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Mayor Tobin: Hello. Mr. Secretary?

HMJr: Henry Morgenthau speaking.

T: Yes.

HMJr: How are you?

T: I couldn't talk to you last night. I was right in a public place, in the Boston Post, on the first floor.

HMJr: Oh.

T: And there were a great many people around.

HMJr: I get you.

T: I don't know whether you know the real story behind that feeling, and the President isn't involved in any way.

HMJr: Oh.

T: It's a question of - I think the Senator thinks that Jim - you know who I mean.....

HMJr: I know.

T:induced, Henry, his candidate in opposition for the Senate, to run.

HMJr: Oh, yes.

T: And that he didn't help - the senior Senator

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feels that he didn't get any help from Jim at all, but in fact was harmed.

HMJr: Well, I've - Walsh has told me that.

T: Yes.

HMJr: But that oughtn't to preclude my being able to get a man.....

T: No. Well, he's going to be in Clinton today.

HMJr: Yes.

T: He - I don't think he's home as yet.

HMJr: Yes.

T: And he always comes in town, so I'll call him this afternoon.....

HMJr: Fine.

T:and find out when he's coming to Boston, because he usually finds an excuse to get in town, if only for a haircut, and I'll try and see him then.

HMJr: Will you do that?

T: I'll definitely do it.

HMJr: Because this is - after all, we are at war.

T: Yes.

HMJr: And I should think they could let bygones be bygones.

T: How long since you've talked to him, Mr. Secretary?

HMJr: I talked to him Friday.

T: Friday.

HMJr: And he said he wanted until Tuesday, but he keeps putting me off and putting me off.

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T: Did he appear to be adamant?

HMJr: No.

T: He didn't.

HMJr: He did not. He was very nice with me.

T: Well, you know, Dave is a nice man.

HMJr: He was very nice with me, but he wouldn't - I mean, very sweet with me and said he appreciated it and everything else, but he wouldn't say yes. He was - I'd say he was gentle with me.

T: Yes.

HMJr: But I couldn't get anything out of him.

T: Well, I'll make it my business between now or on Christmas day - sometime today, tomorrow, or Christmas day - to talk with him.

HMJr: Would you do that?

T: Yew.

HMJr: It would be a nice Christmas present for me.

T: All right, then; I'll do my best.

HMJr: Is there any person up there that has any particular influence with him?

T: Well, Clif Goffrey would have, but he passed away.

HMJr: Yes.

T: Then the other man, Frank Plumerfoot - good Lord - past away two weeks ago.

HMJr: Yes.

T: Judge Connolley of Brighton probably would be the one man he might listen to.

HMJr: Who?

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T: Judge Connolley of Brighton.

HMJr: Wait a minute.

T: Judge Connolley.

HMJr: C-o-n.....

T: C-o-n-n-o-l-l-e-y.

HMJr: Of Brighton.

T: Yes. He was an old - he's a District Court Judge who was appointed by the Senator when he was Governor about twenty-five or twenty-eight years ago.

HMJr: And he might.....

T: Well, he'd listen to him. The one man who was his most intimate and closest friend was Frank , but he passed away two weeks ago.

HMJr: And there are no newspaper.....

T: Well, I tell you.....

HMJr: Go ahead.

T: Mr. Doyle - but he's a Republican.....

HMJr: Yes.

T:of Leominster.....

HMJr: Yes.

T:he's very high in the DuPont organization.....

HMJr: Yes.

T:is a very intimate friend of his.

HMJr: Mr. Doyle.

T: Yes, of Leominster, Massachusetts.

HMJr: Of what, Massachusetts?

T: Leominster.

HMJr: How do you spell that?

T: L-e-o-m-i-n-s-t-e-r.

HMJr: L-e-o-n.....

T: L-e-o-m.....

HMJr: Yes.

T:i-n.....

HMJr: Yes.

T:s-t-e-r. Now, Mr. Doyle is a very wealthy man - a millionaire many times over.

HMJr: Yes.

T: Joe Casey licked him for Congress four years ago.

HMJr: Yeah.

T: But Joe would be able to probably give you some angles on Mr. Doyle.

HMJr: Joe.....

T: But then if you put too many people on the Senator, he might hunch his back up.

HMJr: I see.

T: But Mr. Doyle, if you got him right, could help.

HMJr: Yes, I see.

T: But he is a Republican.

HMJr: I see.

T: But very friendly with DuPont people, because he sold - there's some of his big holdings in that section - to the DuPonts.

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HMJr: I see. Okay. If you get anything, let me know.

T: I'll certainly do that.

HMJr: Ever so much obliged.

T: Fine.

HMJr: Thank you.

Massachusetts men who might have
influence with Senator Walsh in
connection with Mr. Landis' ap-
pointment.

23141.

- Judge Connolly
Brighton
District Court Judge

Mr. Lloyle - Leoninester
~~of Hukont Co.~~ mass.

December 23, 1941
11:55 a.m.

19

RE DEFENSE SAVINGS BONDS

Present: Mr. Graves
Mr. Kuhn
Mr. Callahan
Mrs. Klotz

H.M.JR: I am sorry to have kept you all waiting but I am sure you have had plenty to talk about.

MR. KUHN: We were in our offices.

H.M.JR: Sit down. I want to say something on an entirely different thing. I would like you (Graves) to stay behind afterward. Harold Graves said last night that he thought we were going to start another Treasury Hour.

MR. CALLAHAN: That is right.

H.M.JR: Well, now, if we do it and before we sign up anybody, I want to know about it, but if we are going to go into another Treasury Hour I want the set-up entirely different, see. I want an entirely different kind of people. I have talked about it, but I have waited now until we get on the new hour, you see. I don't know whether you can get a man like "The Man Who Came to Dinner," what is his name?

MR. KUHN: Woolcott.

H.M.JR: Alexander Woolcott, to be master of ceremonies, but at least I would like to make the effort, you see.

MR. KUHN: Permanent master of ceremonies?

H.M.JR: Permanent master of ceremonies, and then I

would like you to start with that, you see, and then if we can get him I want a different type of people to advise us on the music. We have gone along now and we have pretty well exhausted the kind of thing, you see, and if we are going to do this thing, the man that I would like to advise us on this thing is the man from the Juillard School. What is his name?

MRS. KLOTZ: Damrosch? Stravinsky?

H.M.JR: From the Juillard School.

MR. KUHN: What kind of program would this be, Mr. Secretary?

H.M.JR: It is going to be the kind of program I will map out. I mean, I am going to have these two men come down to talk to them and give them my ideas just the way I gave Disney my ideas. I think the thing calls for a different type of program. What is that man's name?

MRS. KLOTZ: I know who you mean.

H.M.JR: Well, he is at the Juillard School and if I can't have the kind of program I want, I don't want it, you see. If you can get me this first man, Woolcott, and this other man to come down and talk with me and let me talk this thing out with them, and if I can't get those kind of people, then I don't want any program at all, see. The other thing has served its purpose and it has been very useful but I want a new chapter and a new deal on our Treasury Hour. I want to raise the tone of it.

MRS. KLOTZ: The plane.

H.M.JR: I want to raise it and if I can't have it the way I want it - I am not going to spend a lot of time, but I sat here with Disney in two sessions and he and I sparked and he got the thing and I understand he liked what I said and I got over my stuff and then I could forget it. Now, he is the man who leads the Chautauqua orchestra.

MR. KUHN: Chautauqua?

H.M.JR: Yes, New York. And he goes back - during the last World War he had the bandmaster's school in Paris.

MR. KUHN: I don't know who that is.

MRS. KLOTZ: It sounds something like Stravinsky, but it isn't.

H.M.JR: Well, we have correspondence with him.

MRS. KLOTZ: Yes.

H.M.JR: He is the man I wrote to.

MR. KUHN: Oh, Stoessel.

H.M.JR: Stoessel, Albert Stoessel. But I would like, if we are going to do this, to sit down with two of those people and if you can't get those, I will make other suggestions. I want to sit opposite them and I want to exchange ideas, but if I can't get the kind of program that I feel that I want, then I don't want any program.

MR. KUHN: Well, we have been talking this morning in terms of a complete new deal. Vince and I have been talking about it.

H.M.JR: But Ferdie, I can't have the resistance that I always get on this thing, you see. I mean, I want to talk opposite these people and I haven't got enough energy or time to try to break down the resistance in the Treasury against what I feel is inside of me. I mean, if I try to give my ideas to somebody else to give them to Disney, I never would get anywhere. Now, Disney and I went to town and he liked it and he is doing things. So I would like to do it this way. It may be a complete flop, but at least I will be responsible.

MR. CALLAHAN: It can't flop with the right people.

H.M.JR: Well, you can't flop with people like this.

I mean, real Americans, and at the top of their professions. You can't flop with people like this. I can't be relying on - I don't want to criticize, but what we have had is fine and Dietz is tired out and so forth and so on. I want something fresh. So the minute you know that we are going to have a program, if you would let me know.

MR. CALLAHAN: All right, sir.

H.M.JR: See, then I would like to sit down with them. Do you see anything wrong with that?

MR. GRAVES: Not a thing wrong with it.

H.M.JR: Do you see anything wrong with that, Ferdie?

MR. KUHN: I don't. I think the whole thing calls for a complete shakeup, particularly of the people who have been producing it in New York.

MRS. KLOTZ: The criticisms that we get - that I have gotten, they don't even want to listen to the thing.

MR. KUHN: Well, the thing has been bad for the last two or three weeks.

MRS. KLOTZ: More than that.

MR. KUHN: The people who have been running it need to be shifted and somebody needs to be put in charge up there so that we are not worried about it.

MR. CALLAHAN: We have been unhappy about it.

H.M.JR: Well, anyway, what is done is done. There is no use - with my new policy, I am not going to take my time to discuss water over the dam. I can't pull it back up. You can't make water run up hill. It is over. But I would like you (Callahan) personally to immediately get on first to Woolcott, and if Woolcott would come, then I would like him to come down here and talk about it. I don't want to wait until we get - Woolcott will be the more difficult of the two to get, you see, and then if we can, I want to get hold of Stoessel too.

MR. CALLAHAN: I am sure you can count on Woolcott, depending upon his health. I am sure you can get him if his health will permit it.

MR. KUHN: You don't know what other calls have been made on him.

MR. CALLAHAN: I don't know of any. I haven't heard of any. We had him on one program and he was very good.

H.M.JR: He was wonderful. He did the Irving Berlin thing. It was one of the top things. Would you start that for me?

MR. CALLAHAN: Sure.

H.M.JR: Well, that is all that I wanted to say. Now, what should I tell the Director of the Budget?

MR. KUHN: I talked to Jake Viner again this morning about it and Jake Viner, having seen the original invitation which called for defense financing, said that unless you wanted to make a rousing talk about the war to cancel it.

H.M.JR: Just - well, I will have to call him up and say something. I will call him up and tell him something.

MR. KUHN: The only alternative we have is what Herbert Gaston was thinking of yesterday, but in view of what is going on this week, I don't see how you can,-

H.M.JR: No, I don't either.

MR. KUHN: ...do you?

H.M.Jr: Thank you very much.

TREASURY DEPARTMENT

24

INTER OFFICE COMMUNICATION

DATE December 23, 1941

TO Mrs. Klotz
FROM Mr. Callahan

M

Would you please tell the Secretary that the program AMERICA PREFERRED, broadcast over the Mutual Broadcasting System, is being changed after the first of the year. The last program on Thursday night will be January 1st. Thereafter the programs will be heard over the Mutual Broadcasting System on Saturday nights from 8:00 to 8:30 PM Washington time, beginning January 10th.

MC

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Nineteen Business Days of December, November and October 1941
(October 1-22, November 1-25, December 1-22)
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	November	December	November
				over November	over October	over November	over October
Series E - Post Offices	\$ 65,200	\$ 31,885	\$ 30,004	\$ 33,315	\$ 1,881	104.5%	6.3%
Series E - Banks	<u>129,756</u>	<u>59,182</u>	<u>56,848</u>	<u>70,574</u>	<u>2,334</u>	<u>119.2</u>	<u>4.1</u>
Series E - Total	194,955	91,066	86,852	103,889	4,214	114.1	4.9
Series F - Banks	18,788	15,237	15,971	3,551	- 734	23.3	- 4.6
Series G - Banks	<u>100,367</u>	<u>86,395</u>	<u>87,663</u>	<u>13,972</u>	<u>- 1,268</u>	<u>16.2</u>	<u>- 1.4</u>
Total	<u>\$314,110</u>	<u>\$192,699</u>	<u>\$190,487</u>	<u>\$121,411</u>	<u>\$ 2,212</u>	<u>63.0%</u>	<u>1.2%</u>

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

December 23, 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.

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
3	1,510	2,734	870	5,289	8,893	4,244	870	5,289	10,403
4	2,411	4,036	726	7,530	12,292	6,447	726	7,530	14,703
5	2,015	4,805	1,152	12,357	18,314	6,820	1,152	12,357	20,329
6	1,001	2,293	656	2,776	5,725	3,294	656	2,776	6,726
8	3,282	4,764	1,011	3,810	9,585	8,046	1,011	3,810	12,866
9	1,828	3,877	601	4,996	9,475	5,706	601	4,996	11,304
10	1,651	3,566	491	2,612	6,668	5,217	491	2,612	8,320
11	1,909	4,763	719	3,423	8,905	6,672	719	3,423	10,814
12	2,773	5,012	658	3,768	9,437	7,785	658	3,768	12,211
13	2,767	5,030	584	2,120	7,734	7,798	584	2,120	10,501
15	7,185	11,679	1,022	4,462	17,162	18,864	1,022	4,462	24,347
16	2,113	3,956	893	1,901	6,750	6,069	893	1,901	8,863
17	4,164	9,750	1,180	6,327	17,257	13,914	1,180	6,327	21,421
18	5,382	11,630	1,337	6,826	19,793	17,012	1,337	6,826	25,175
19	5,995	10,205	1,172	5,214	16,591	16,201	1,172	5,214	22,586
20	4,091	11,890	1,270	5,921	19,081	15,981	1,270	5,921	23,172
22	10,916	23,269	2,490	8,067	33,826	34,185	2,490	8,067	44,742
Total	\$ 65,200	\$129,756	\$ 18,788	\$100,367	\$248,911	\$194,955	\$ 18,788	\$100,367	\$314,110

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

December 23, 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.

U. S. SAVINGS BONDS, SERIES E, TYPE A
STOCK ACCOUNT OF LOANS AND CURRENCY VAULT

Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
On hand c.o.b. December 22.....	14,713	4,262	10,996	7,676	61,203	98,850
Received from Bureau December 23.....	180,000	85,000	35,000	.....	.....	300,000
Total.....	194,713	89,262	45,996	7,676	61,203	398,850
Shipments December 23.....	181,268	85,700	41,425	260	5,243	313,896
On hand c.o.b. December 23.....	13,445	3,562	4,571	7,416	55,960	84,954

Estimated deliveries to be received from Bureau of Engraving and Printing:

Wednesday, December 24.....	220,000	80,000	25,000	.....	.....	325,000
Thursday, December 25.....	225,000	80,000	35,000	.....	.....	340,000
Friday, December 26.....	150,000	50,000	40,000	.....	.....	240,000

NOTE: The bureau advises that the aggregate number of pieces for all denominations to be delivered each day will not be less than the figures shown but that there may be variations as between denominations.

REQUISITION ACCOUNT OF ISSUING AGENTS

Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 22...						
Federal Reserve Banks.....	257,000	299,000	367,000	87,000	61,000	1,071,000
P. O. Department.....	466,000	263,000	240,000	20,000	20,000	1,009,000
Others.....	.....	.....	.....	.....	.....	.....
Total.....	723,000	562,000	607,000	107,000	81,000	2,080,000
Requisitions received Dec. 23						
Federal Reserve Banks.....	203,468	193,600	100,825	35,220	35,228	568,341
P. O. Department.....	.....	.....	.....	.....	.....	.....
Others.....	3,800	1,100	600	40	15	5,555
Total.....	207,268	194,700	101,425	35,260	35,243	573,896
Totals						
Federal Reserve Banks.....	460,468	492,600	467,825	122,220	96,228	1,639,341
P. O. Department.....	466,000	263,000	240,000	20,000	20,000	1,009,000
Others.....	3,800	1,100	600	40	15	5,555
Total.....	930,268	756,700	708,425	142,260	116,243	2,653,896
Shipments Dec. 23						
Federal Reserve Banks.....	97,468	54,600	30,825	220	228	183,341
P. O. Department.....	80,000	30,000	10,000	....	5,000	125,000
Others.....	3,800	1,100	600	40	15	5,555
Total.....	181,268	85,700	41,425	260	5,243	313,896
Due on requisitions c.o.b. Dec. 23						
Federal Reserve Banks.....	363,000	438,000	437,000	122,000	96,000	1,456,000
P. O. Department.....	386,000	233,000	230,000	20,000	15,000	884,000
Others.....	.....	.....	.....	.....	.....	.....
Total.....	749,000	671,000	667,000	142,000	111,000	2,340,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF BOSTON
 Report of December 23, 1941.

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	15,000	5,000	20,000	....	....	40,000
Requisitions received December 23	20,000	20,000	20,000	....	....	60,000
Total	35,000	25,000	40,000	....	....	100,000
Shipments December 23	10,000	5,000	5,000	....	....	20,000
Due on requisitions c.o.b. December 23	25,000	20,000	35,000	....	....	80,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF NEW YORK
 Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	39,000	40,000	95,000	30,000	20,000	224,000
Requisitions received December 23	100,000	100,000	25,000	25,000	25,000	275,000
Total	139,000	140,000	120,000	55,000	45,000	499,000
Shipments December 23	20,000	10,000	10,000	.....	.....	40,000
Due on requisitions c.o.b. December 23	119,000	130,000	110,000	55,000	45,000	459,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF PHILADELPHIA
 Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	48,000	42,000	65,000	36,000	40,000	231,000
Requisitions received December 23	.....	.....	.....	.....	.....	.....
Total	48,000	42,000	65,000	36,000	40,000	231,000
Shipments December 23	5,000	5,000	5,000	.....	.....	15,000
Due on requisitions c.o.b. December 23	43,000	37,000	60,000	36,000	40,000	216,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF CLEVELAND
 Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	42,000	31,000	20,000	10,000	....	103,000
Requisitions received December 23	....	....	....	....	....	.....
Total	42,000	31,000	20,000	10,000	....	103,000
Shipments December 23	15,000	5,000	.....	....	....	20,000
Due on requisitions c.o.b. December 23	27,000	26,000	20,000	10,000	....	83,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF RICHMOND
 Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	4,000	14,000	12,000	---	---	30,000
Requisitions received December 23	468	600	825	220	228	2,341
Total	4,468	14,600	12,825	220	228	32,341
Shipments December 23	4,468	5,600	825	220	228	11,341
Due on requisitions c.o.b. December 23	.....	9,000	12,000	---	---	21,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF ATLANTA

Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	10,000	6,000	3,000	---	---	19,000
Requisitions received December 23	----	----	----	---	---	----
Total	10,000	6,000	3,000	---	---	19,000
Shipments December 23	5,000	----	----	---	---	5,000
Due on requisitions c.o.b. December 23	5,000	6,000	3,000	---	---	14,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF ATLANTA, NEW ORLEANS BRANCH
 Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	8,000	4,000	---	---	---	12,000
Requisitions received December 23	---	---	---	---	---	---
Total	8,000	4,000	---	---	---	12,000
Shipments December 23	2,000	1,000	---	---	---	3,000
Due on requisitions c.o.b. December 23	6,000	3,000	---	---	---	9,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF CHICAGO

Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	5,000	30,000	50,000	-----	-----	85,000
Requisitions received December 23	50,000	50,000	50,000	10,000	10,000	170,000
Total	55,000	80,000	100,000	10,000	10,000	255,000
Shipments December 23	5,000	5,000	5,000	-----	-----	15,000
Due on requisitions c.o.b. December 23	50,000	75,000	95,000	10,000	10,000	240,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF ST. LOUIS
 Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	8,000	20,000	11,000	2,500	-----	41,500
Requisitions received December 23	8,000	8,000	5,000	-----	-----	21,000
Total	16,000	28,000	16,000	2,500	-----	62,500
Shipments December 23	5,000	3,000	-----	-----	-----	8,000
Due on requisitions c.o.b. December 23	11,000	25,000	16,000	2,500	-----	54,500

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS

Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	5,000	10,000	5,000	---	---	20,000
Requisitions received December 23	25,000	15,000	---	---	---	40,000
Total	30,000	25,000	5,000	---	---	60,000
Shipments December 23	5,000	3,000	---	---	---	8,000
Due on requisitions c.o.b. December 23	25,000	22,000	5,000	---	---	52,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF KANSAS CITY
 Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	7,000	10,000	11,000	2,000	----	30,000
Requisitions received December 23	----	----	-----	-----	-----	-----
Total	7,000	10,000	11,000	2,000	----	30,000
Shipments December 23	5,000	5,000	-----	-----	-----	10,000
Due on requisitions c.o.b. December 23	2,000	5,000	11,000	2,000	----	20,000

U. S. SAVINGS BONDS, SERIES E, TYPE A

REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF DALLAS

Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	21,000	22,000	20,000	1,500	1,000	65,500
Requisitions received December 23	-----	-----	-----	---	---	---
Total	21,000	22,000	20,000	1,500	1,000	65,500
Shipments December 23	6,000	2,000	-----	---	-----	8,000
Due on requisitions c.o.b. December 23	15,000	20,000	20,000	1,500	1,000	57,500

U. S. SAVINGS BONDS, SERIES E, TYPE A
 REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO
 Report of December 23, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. December 22	45,000	65,000	55,000	5,000	---	170,000
Requisitions received December 23	----	----	----	----	----	-----
Total	45,000	65,000	55,000	5,000	----	170,000
Shipments December 23	10,000	5,000	5,000	----	----	20,000
Due on requisitions c.o.b. December 23	35,000	60,000	50,000	5,000	----	150,000

December 23, 1941
1:01 p.m.

Ronald
Ransom:

I have more information than I had when you called me last.

HMJr:

Yes.

R:

And I think, perhaps, enough to clear up the subject if you can give me just a few minutes.

HMJr:

Surely.

R:

In the first place, Hanson's connection with us, as I told you, is rather detached in the sense that he's only here ordinarily two days a week and not always that.

HMJr:

Yes.

R:

His assignment is to study, in a quite academic way, the long-range problem of what will be the post-war economic conditions as they may concern our own field of operations.

HMJr:

Yes.

R:

He has made one of two reports to the Board from time to time, which frankly I must admit I haven't had time to read so I can't tell you what's in them.

HMJr:

Yeah.

R:

I got some of his boys in, and finding they didn't know the whole story, I called Hanson in Cambridge and asked him exactly what happened on the eighteenth.

HMJr:

Yes.

R:

He says that since he has been here he has had any number of meetings with various groups around town that he thought might be helpful to him in his own thinking, and that all of them heretofore had been quite informal and he thought this one was.

HMJr:

Yeah.

R:

That the primary purpose of this meeting was to

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discuss some question of inflation in which he was interested, but it developed towards the end of this rather brief meeting into a discussion of some tax aspects of the problem of inflation.

HMJr: Yes.

R: Present at that meeting were Gerhard Colm, of the Budget Bureau.....

HMJr: Yes.

R:Mordecai Ezekiel, of Agriculture.....

HMJr: Yes.

R:Walter Salant, of OPA.....

HMJr: Yeah.

R:Victor Perlo of OPA.....

HMJr: Yeah.

R:of our own group, Hanson. Martin Krost is one of our staff men.....

HMJr: Yeah.

R:Richard Musgrave - M-u-s-g-r-a-v-e.....

HMJr: Yeah.

R:and a boy named Perloff - P-e-r-l-o-f-f.

HMJr: Yes.

R: In the process of that meeting, someone suggested that they seemed to be in general agreement on some question about the sales tax, and one of them - not one of our own boys, but one of the others - suggested that they reduce their - what seemed to be their conclusions - to writing.

HMJr: Yes.

R: That did result in this memorandum, a copy of which I have obtained since talking to you, and which I have read.

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HMJr: Yes.

R: It seems that someone then said, "Well, we think the Vice President would be interested in seeing this." And in that way, Hanson thought - he is quite academic and quite detached from the realities of Washington - he thought that sounded like a pretty good idea, so it was passed on to Henry Wallace.

HMJr: Aside from the fact that the Board of Directors of the Federal Reserve might like to see it.....

R: (Laughs) Well, none of us - they all tell me that no copy was given to any member of our force; and as far as that situation is concerned, I have the same reason for feeling slightly left out, except that I - and I might also say for your information, that Goldenweiser wasn't given a copy, wasn't invited to the meeting, and knew nothing about it except what I have since told him, which was just preceding this call to you.

HMJr: Well, it couldn't happen anywhere else except in Washington.

R: It couldn't possibly. Now, Hanson said that he thinks he made a mistake first in not inviting some Treasury man, secondly in letting their conclusions, which were most informal, be reduced to writing; third, if they were to be reduced to writing, not seeing that they went directly to you if they had any value for you.

HMJr: Yeah.

R: I would say first he made a mistake in having the meeting; secondly, I don't think the memorandum was important enough to burden any member of the Board or you or the Vice President with it. It's a seminar approach to a very real, practical, and largely political question. As you say, it couldn't happen anywhere that I know of except Washington.

HMJr: Well, Ronald, thanks very much. It's sort of - it's kind of hard, you know, these days, to keep everybody buttoned up, on all these things.

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R: Well, it's extremely hard. I'll say this, I have Hanson's promise that when he gets back here he will talk to me about what ought to be his approach to his exploratory explorations, and that he will try to take advantage of what he is pleasant enough to say may be "my greater experience with the complexities of Government".

HMJr: (Laughs) I see.

R: I can assure him of one thing, that if he has ideas on a subject which is the primary concern of some other agency of the Government, it would be well in the first instance to let the Board see it; and then if it has any value in the opinion of the Board, see that it goes direct to the gentleman most interested in it.

HMJr: That's right.

R: So to that extent I can assure you, but I hope that this particular thing won't occur again.

HMJr: Thank you.

R: That satisfy you?

HMJr: Entirely.

R: All right.

HMJr: Thank you.

December 23, 1941
2:25 p.m.

RE PRESIDENT'S BUDGET MESSAGE

Present: Mr. Viner
Mr. Paul
Mr. Haas
Mr. Morris
Mr. White
Mr. Bell

H.M.JR: O.K. I talked to Ronald Ransom and I got the list of people that were at that meeting. I never heard of half of them. Have you heard about this thing? I will wait until they bring it in. They called a meeting on the eighteenth to discuss how to do the taxing and everything else. OPA and OPM and Budget were there. They discussed the various things and they wrote a written report which the Vice-President was kind enough to send to me.

MR. PAUL: Let me give that back to you. I have had it copied.

H.M.JR: So I called up Ronald Ransom and he said, "I never heard of it." Neither did Goldenweiser. They never knew the meeting was called.

MR. PAUL: Do you have a list of who was there?

H.M.JR: Yes, I will have it in a few minutes. You hire these fellows and when you get them over here you won't have so much trouble. It is that German over in Budget, Colm. Hire them and you won't have so much trouble.

MR. PAUL: Has everybody got copies of this?

MR. MORRIS: I have got a copy of what you did last

night. Has it been changed again?

MR. PAUL: I will give it to you in its place.

H.M.JR: Is that the Christmas spirit? All right.

MR. PAUL: Now let me explain --

H.M.JR: You have got from now until three o'clock, when we have an air raid alarm.

MR. VINER: You will have to wet Morris down a little. He is still a little too buoyant.

MR. WHITE: Air raid alarm?

H.M.JR: Three o'clock. Didn't you get your notice?

MR. BELL: He hasn't cleaned out his basket since Monday.

H.M.JR: Haven't you got one of these?

MR. WHITE: I saw what to do in case of an air raid alarm but I didn't know it said we were going to have one.

H.M.JR: I just got an advance notice.

MR. BELL: The Secretary is supposed to tell you.

MR. WHITE: I see.

MR. PAUL: Let me explain that the first page on this is intended to be in only if similar material is not contained in the previous pages of the budget message, which we haven't seen. It is a sort of baloney line of talk which we think ought to be somewhere.

MR. VINER: It ought to be somewhere.

MR. PAUL: The real part begins under the title, "Financing the War," on the second page. Do you want me to read that?

H.M.JR: Well, supposing I read it. Maybe I can soak

it in better.

MR. PAUL: May I suggest, Mr. Secretary, that you stop reading when you come to page 6.

H.M.JR: All right. Listen, gents, that first page is swell and let's leave it in. I would like to have that come from Treasury. That is good. It is no baloney. It is good.

MR. VINER: It is good, but it belongs in the first page.

H.M.JR: Well, let's give it to them.

MR. BELL: It may be a repetition, that is Randolph's point. They may have it in there already.

H.M.JR: They won't do it as well. I agree one hundred percent with four, but I would like to see it worded a little bit differently, that "undue profits during war times must be recaptured." I don't like the word "recaptured." I mean, the principle, yes, but I don't like the word "recaptured."

MR. PAUL: Well, it is just that word?

H.M.JR: It is just the word "recaptured."

MR. BELL: Something like "taxed away"?

MR. PAUL: I didn't like "taxed away."

MR. BELL: It has been changed two or three times, if I remember.

H.M.JR: I think that is swell.

MR. HAAS: These figures on the bonds are in now and it is good news.

H.M.JR: For God's sake, forty-four million in one day!

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MR. BELL: One day. All bonds?

MR. HAAS: Thirty-four in the "E."

MR. WHITE: That includes Knox's.

H.M.JR: Would you?

MR. BELL: The total this month is what?

H.M.JR: Total this month is three hundred fourteen million. Would you? Later on I want my production figures. I will get that afterward.

MR. BELL: Yes, that will come in.

You won't have production figures on the bonds today.

H.M.JR: Well, they know what they are going to do today and tomorrow. Any considerable rise in the level of price would greatly increase the deficit, because the cost is going up; is that it?

MR. PAUL: Yes.

MR. HAAS: Faster than the receipts.

H.M.JR: This is a short and snappy thing giving them all the bad news right in the beginning. This is about one thousand percent better than the first one.

MR. PAUL: Well, it ought to be better. We have worked enough on it.

H.M.JR: Well, it shows it. This stuff is good and snappy. Have we talked about taxes for revenue?

MR. PAUL: Yes.

H.M.JR: Unmitigated, the fellow on the street doesn't know what that means. It is a two dollar - well, it is a dollar seventy-five cent word. On page four I would leave out the word "minimum." "Above the subsistence level." I

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think when you begin to qualify subsistence level that is shaping it kind of fine, isn't it?

MR. WHITE: They can barely keep alive at anything less than that.

H.M.JR: Subsistence level is barely keeping alive, isn't it?

Now, there is a paragraph simply putting a hell of a big mouthful in to it, that loophole paragraph. I would love to give this speech. I hope the President doesn't. I would love to give it, but it would have more power out of his mouth. Again, I don't mind this word "recaptured" so much here as I do where it is just one sentence. This gives a little more explanation but just the one thing, it is a little sketchy. I don't mind it here, but I do where it is just one sentence. That is stated beautifully.

Now, do you want me to go slowly from here on?

MR. PAUL: No, just this next page and then we ought to explain some.

H.M.JR: Shall I read it and then you will explain it?

MR. PAUL: Read through six. Six is all right.

H.M.JR: How will sound taxation facilitate the production of war weapons? How is sound taxation going to facilitate the production of war weapons?

MR. WHITE: Because it takes away money from persons who would spend it on consumers goods and therefore leaves available unused capacity and if it is unused, they more quickly can put it into use.

MR. BELL: It takes away the competition.

H.M.JR: Now wait a minute, there is one thing you fellows have left that leaves me out on the end of a limb. You can say taxes can aid in this by cutting non-essential civilian spending. Aren't you going to say anything at all

about non-defense spending in Government?

MR. PAUL: We haven't said a word about that.

H.M.JR: Well, that would come under Bell. What are you going to have me do, sign half the Byrd report?

MR. BELL: Well, this is a budget message.

MR. VINER: This is the taxation and then we have borrowing, and there must be - a large part of the budget message must deal with spending, but that has not been submitted to you.

H.M.JR: Well, Mr. Bell, please make a note that I want to certainly say something about cutting of non-defense expenditures of Government, even though I haven't been asked to do it. I wasn't asked to do this in the first place. This was just an accident.

MR. WHITE: Well, just a note. Say it is presumed that in the discussion of expenditures there would be some paragraphs or sentences dealing with it.

H.M.JR: Will you please write something for me, Bell? Are you going to remember?

MR. BELL: Yes, I have got it down here, but I can't write anything to go in the budget message. We can just ask Smith.

MR. VINER: You can send him a note that we take it for granted here in the Treasury that somewhere in the budget message there will be --

H.M.JR: Excuse me. I got a memorandum from the President. I am returning the memorandum to the President and saying, "My dear Mr. President: In answer to your memorandum I am sending you herewith my suggestions for your budget message. I am sending copies to the Director of the Budget."

MR. BELL: Then do you want to say something in that

letter about while we do not have the first eight pages we presume that is on spending?

H.M.JR: He is not interested. I would just have one page, suggestions for expenditures.

MR. WHITE: Are you going to specify that or merely that there is somewhere in the expenditures --

H.M.JR: No, I would just put in one page. "In discussing the expenditures I sincerely hope that you will say something about curtailing non-defense expenditures in Government."

MR. WHITE: But you are not going to specify?

H.M.JR: No.

MR. VINER: I would say, "I take it for granted that you will."

H.M.JR: No, he doesn't like that.

MR. WHITE: If you take it for granted that he will, why mention it?

H.M.JR: Just one page the way I said it, will you, Dan?

MR. BELL: Yes.

H.M.JR: And this will go from me to the President with a copy to the Director of the Budget and in the thing I will say I have asked - well, I will write the thing. I am also going to say that I called up the Budget directly and that we expect to have conferences with them on the thing.

MR. WHITE: So he will know you are going forward without any word from him.

MR. PAUL: I talked to Smith this morning. He called back. I told you I tried to get him to run over his budget

message and get an exchange of ideas and he finally called me back and I said we didn't know whether we would have any drafts ready, but that I had a meeting today and as soon as it was over I would call and he said to take it up with Jones and Colm and somebody else, Loeffler. He said those were the men that work on them.

MR. VINER: Ray Loeffler?

MR. PAUL: I don't know him.

H.M.JR: I will tell you who was there and those names sound familiar. I will tell you in a minute.

MR. PAUL: He said those were the three men that did the work for him on that.

H.M.JR: All right. Now, do you come next, Bell?

MR. PAUL: Dan steps in here at this point.

MR. BELL: The next subject is "Borrowing." When we talked to you the other day we thought something ought to go in this message about enforced savings, tying it in to taxation and that is the way we wrote this section. When we got down into the larger group, discussing it, Mr. Gilbert objected to it rather strenuously and I think that Viner and White agreed with him.

H.M.JR: Gilbert is Henderson's man?

MR. BELL: Yes. He took the position that the institution of priorities and rationing would make plenty of money available to finance this - we had that section in here and when I went down to the larger group Mr. Gilbert objected rather strenuously and said it just wasn't necessary to have enforced savings, and he thought it would be rather unfortunate to do it because by the institution of priorities and the scheme that they have over there, rationing and so forth, that there will not be anything on which these corporations and individuals can spend their money; so that there will be plenty of money to finance this war through regular means, and we won't have to go to enforced savings.

MR. PAUL: Except perhaps as you pointed out, enforced savings in the lower brackets from an entirely different standpoint, not the financing standpoint, but from the standpoint of equity in taxation, but not to raise the money.

H.M.JR: Well, for an entirely different reason - I haven't read the thing yet - I would much rather not say anything about enforced savings at this time.

MR. PAUL: Of course, he thinks it would be a mistake, but on the other hand if a lot of people - if you don't explain Gilbert's point, somehow people will be alarmed at the situation.

H.M.JR: Well, let me read this thing. I have got an entirely different reason. I don't want to say anything about enforced savings. I mean, I am not against it. I want to see - hell, forty-four million dollars. Give me a chance on the volunteer thing. Give this thing a chance.

Automobile Workers of America send me a telegram: "The son of one of our workers was killed in Honolulu and our seven hundred thousand workers pledge you fifty million dollars to buy a battleship."

Give these boys a chance. Let them get mad. Let's see what they can do and they will give me fifty million dollars. I want to give these boys a chance.

MR. BELL: Fifty million dollars is a long ways from fifty billion.

H.M.JR: Dan, give it - listen, Dan - Dan, there isn't a person in this room here who would guess that we would sell thirty-four million dollars of E bonds in one day, which is just one third of our total sales for November.

MR. PAUL: But there is another point --

H.M.JR: One day --

MR. PAUL: Mr. Secretary, this budget message will be

sometime early in January, and the real question is whether, if we don't say anything about Gilbert's point, the public will become so alarmed that we will have a serious situation.

MR. WHITE: Well, the Secretary doesn't object to that point. In fact, he is in favor of that.

H.M.JR: I don't understand that. If we can produce --

MR. VINER: The difficulty will not be on the financing side. It will be to achieve our production plan.

H.M.JR: Then why not say so? This doesn't say it.

MR. BELL: We would like to change that first paragraph. We didn't know if you would like the approach to it because we had something different and we didn't know Jake had rewritten this.

H.M.JR: Before I read this, may I please compliment Paul and his assistants? This is a swell document.

MR. PAUL: Well, it was everybody. My contribution fades into a small part.

H.M.JR: But may I just say I am delighted. You are not, Jake?

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MR. VINER: I was denying what he just said.

H.M.JR: But anyway, this first part, as far as I am concerned, I would be ready to send it over now after we fixed up a word or two.

MR. PAUL: We will fix up those words you indicated.

H.M.JR: "What we do not finance by taxes must be borrowed. The sums to be borrowed are great, but if we can produce the goods we can finance payment for them without inflation.

"If this result is to be accomplished, however, borrowing should, to the maximum degree, come from savings out of current incomes and from contraction of private investment in facilities for production of civilian goods. In this war period we should tighten our belts, reduce our expenditures, postpone our demands for goods until later, and make our funds available to the Government. By this means we shall encourage war production and reduce the threat of inflation, while improving our personal finances through thrift.

"To achieve an all-out production program it will be necessary to curtail drastically by allocations and other physical controls, new investment in non-defense plant and equipment and to defer replacements in these lines. The existing curtailment of production of consumer's goods--durables and semi-durables--will have to be extended. These measures will cut non-defense spending by billions of dollars. The effect of this curtailment of spending will be to add greatly to the funds in the hands of individuals and corporations. These funds, lacking other investment outlets, will be available for investment in Government securities."

MR. BELL: That is Gilbert's paragraph.

H.M.JR: I see.

"There is no need for our borrowing to be at a high

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rate. The total amount available for borrowing will be no greater at a high rate than at a low one. It is determined only by our willingness to curtail civilian expenditures."

High rate of what?

MR. HAAS: Jake caught that too.

MR. BELL: High rate of interest.

H.M.JR: "Our longest bond issue, sold in the week prior to the attack on Pearl Harbor, pays 2½ percent. Except for securities especially designed for small savings, like our present Series E savings bonds, we do not intend to pay a higher rate on any security issued during this war."

Danny, you can't get me to send it over. I won't do it.

MR. BELL: Won't do it?

H.M.JR: No, sir.

MR. WHITE: He said you wouldn't, but we said we would try it.

H.M.JR: Well, give Dan the credit. That is what I like about him. He always stands up and says what he thinks.

MR. VINER: I promised not to say a word on this paragraph.

H.M.JR: Are you for the paragraph or against it? You can say yes or no.

MR. BELL: I didn't hear that promise.

MR. HAAS: He told me.

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MR. WHITE: You mean you are on the fence?

MR. VINER: No, I am not on the fence, but I had used up my argument.

H.M.JR: Which way? Are you for or against it?

MR. WHITE: He hasn't made up his mind yet.

MR. VINER: I wouldn't say that now.

H.M.JR: You would not say that now? That is exactly what I say.

MR. VINER: It is a terrible commitment. It is a terrible responsibility.

H.M.JR: That is just what I say. I couldn't say it now. I never tied my hands or made a forecast, and I wasn't going to do it.

MR. BELL: I think you are in a different position than you have ever been.

MR. HAAS: You are in a place where you practically have to.

H.M.JR: Danny, old boy, I am not going to say it.

MR. BELL: You have already made a commitment, I take it, to hold the '67-'72 to par.

MR. VINER: Not in writing.

MR. BELL: Well, - and how about the savings bond holders that you got two and a half or two ninety-one? Whatever you go above there you are going to get them in here.

H.M.JR: Danny, old boy, I love you, but I won't say that.

MR. VINER: I would leave the second from the last

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paragraph in.

MR. WHITE: What would you leave in?

MR. VINER: Second from the last paragraph.

H.M.JR: Would you gentlemen mind listening to me for one moment? I don't think that that thing is polished up enough or that you have had as much time on this as you had on the first. Is that right, Dan?

MR. BELL: Well, we have had a lot of time on it. We haven't had the benefit of the advice of the group, and this has been rewritten.

H.M.JR: If you don't mind.

MR. BELL: We rewrote it too.

H.M.JR: I don't want to say the second and third and last paragraphs. I don't want to say paragraphs two and three on page two.

MR. HAAS: Yes, if you are going to take any out, I would take both of them out.

MR. BELL: It seems to me the second paragraph on the next page is a duplication of the last paragraph. I get the feeling in reading this thing that there is a certain amount of repetition in here that appears in the other part.

MR. HAAS: A little, yes, particularly the second paragraph.

MR. WHITE: I shouldn't think so.

MR. BELL: Yes, there is.

MR. WHITE: There is a definite thought here. It may not be as clearly expressed as it should be, but it is an important thought to express.

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MR. BELL: We have talked about inflation a lot in the previous pages. Now we bring it in again.

MR. VINER: I would like to mention the Defense Savings Bonds somewhere in the message.

H.M.JR: I would too.

MR. WHITE: You what?

MR. HAAS: They were mentioned, Jack.

H.M.JR: You know, Dr. Viner, you and I on this - I asked that they be put in.

There will be an air raid warning. You people have all got to go on the floor below. We will meet here again.

(The meeting was temporarily recessed.)

H.M.JR: While we are waiting for the lost sheep, the people who were there were Gerhardt Colm, Mordecai Ezekiel, Walter Salant, of OPA, Victor Perlo, of OPA, Hansen, Martin Krost, Richard Musgrave.

MR. HAAS: Krost is Federal Reserve Board.

H.M.JR: And Perloff.

MR. PAUL: You see, Dick Gilbert wasn't there, and Goldenweiser wasn't there.

MR. BELL: I don't know any of them.

MR. PAUL: I don't know any of them except Hansen.

H.M.JR: Now, Dan, I think we ought to get hold of something for tomorrow morning for Mr. Roosevelt. When do you think you could do something on the borrowing part again.

(Mr. White entered the conference.)

H.M.JR: Hello, Harry.

MR. WHITE: I had to make sure that the flock was all right.

H.M.JR: All right. Harry, I just read the names of the people who were there at this meeting. Gerhard Colm, Mordecai Ezekiel, Walter Salant.

MR. WHITE: Salant.

MR. BELL: Gilbert's assistant?

MR. WHITE: Yes.

MR. MORRIS: He used to be with Currie, didn't he?

MR. WHITE: That is his brother.

H.M.JR: How do you spell Salant?

MR. WHITE: S-a-l-a-n-t. He used to work in the Treasury.

MR. HAAS: Yes, he used to work for us.

H.M.JR: Victor Perlo.

MR. WHITE: Who?

H.M.JR: Hansen, Martin Krost.

MR. PAUL: Oh, that is K-r-o-s-t.

H.M.JR: Richard Musgrave and Perloff.

Now, when can we meet again on the borrowing power?

MR. BELL: Tomorrow morning the first thing.

H.M.JR: Now, take this letter to the President and you can give it to Mr. Bell and Mr. Paul and they can

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sort of - I haven't got the President's memo to me.

MR. BELL: Mrs. Klotz has got it.

(The Secretary held a telephone conversation with Harold Smith as follows:)

December 23, 1941
3:27 p.m.

HMJr: Harold.

Harold
Smith: Yes.

HMJr: Henry Morgenthau.

S: Yes.

HMJr: Now, Harold, we've spent some more time on this proposed talk - this is Harold Smith, isn't it?

S: Yeah.

HMJr: And, much as I hate to do it, I'm going to ask you to let me off.

S: All right. You've given it careful consideration. I'm sorry; it's going to be a jolt to the program, but I'm going to bow to your wishes in this matter.

HMJr: Well, I've just - we've really tried awfully hard here; and I hate to do it - I know it's not a very sporting thing to do, but these are unusual times.

S: That's right. That's right.

HMJr: And I wish I'd have been smarter when you asked me, but I wasn't smart enough.

S: Well, I wish I'd have been smarter, too; but I still think that it was a good thing at the time, and I'm just sorry we've seemed to have gotten into this little jam over it.

HMJr: Yes.

S: Now, I talked to Emmerich since I talked to you.....

HMJr: Yes.

S:about it, and I think we both appreciate the situation and we felt that if you, after reviewing it again, felt that you should pull out of it, that we ought not, under the circumstances, try to press you on it in any way, and recognize the

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difficulty and see if we can't make some adjustment. Now, I wonder if your people will see that that radio time is called off.

HMJr: I'll tell them.

S: That ought to be done right away.

HMJr: I'll tell them.

S: Yes. Well, I'm awfully - I feel sorry, too.....

HMJr: Well, I was.....

S:for having gotten you into this; but I didn't foresee the difficulty, and I think with our being in the war and so on, why people will understand.

HMJr: Well, I'm awfully sorry - and you appreciate the spirit.

S: That's right. That's right.

HMJr: Well, as long as you understand that, that's all right.

S: Yeah.

HMJr: Thank you.

S: All right. You call off the radio time.

HMJr: I'll tell the boys to do it now.

S: Thank you.

HMJr: Thank you.

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MR. PAUL: I think it was helpful to get that other idea out of his mind.

H.M.JR: Yes. Well, now, when do you people want to see me again?

MR. WHITE: Have you decided to exclude or include this borrowing?

H.M.JR: The borrowing?

MR. BELL: We are just going to include one or two paragraphs and leave out the last two paragraphs and we will probably blend two and three.

H.M.JR: I started to write a letter to the President. I haven't got the memorandum.

"My dear Mr. President:

"On receipt of the enclosed memorandum from you, which I am returning herewith, I immediately got in touch with Harold Smith and he furnished us with a draft of a part of your budget message.

"All of us in the Treasury have put our heads together and have consulted with Mr. Goldenweiser of the Federal Reserve Staff, Mr. Richard Gilbert of Mr. Leon Henderson's staff, and Mr. Lauchlin Currie of your own office. I hope you will like what I am sending you.

"In view of the tremendous importance of this budget message, I would appreciate very much having an opportunity to go over your message with you personally.

"I have asked Harold Smith whether he wouldn't sit down with me personally and go over this draft with me, and I am sure that he and I can get together.

Yours sincerely."

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"My dear Harold:

"I am sending you herewith a copy of my letter to the President and the material that I sent him along with it. I am holding myself in readiness to meet with you.

Yours sincerely."

I think before noon tomorrow it ought to go.

MR. PAUL: Well, I will have the first part smoothed up and ready this afternoon. I will tell you what I will do, then. I will send the final one in to you, Mr. Bell, and you can put it together.

H.M.JR: And I think that Leon ought to see the thing. He is very much interested.

MR. PAUL: Do you want me to--

H.M.JR: I wish you would contact him, yes.

MR. BELL: Leon should certainly see that paragraph that Gilbert drafted because it is his responsibility.

MR. WHITE: If he is to see it then it ought to be indicated that Mr. Leon Henderson has seen this and approved.

MR. BELL: Well, we don't have to say that now, do we?

H.M.JR: Well, would you, Paul, get in touch with me on this thing?

MR. PAUL: Yes.

H.M.JR: And why not say we will meet at ten-fifteen tomorrow on this thing and ask Leon whether he wouldn't

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like to come here but let him have a draft before.

MR. PAUL: Yes. I will take a draft over to him.

H.M.JR: And, Dan, I would ask the fellow from Atlanta to be here at ten-fifteen.

MR. BELL: Ransom?

H.M.JR: Yes, and let him have a draft of it.

MR. PAUL: Do you want Ransom or do you want somebody--

H.M.JR: No, I want Ransom.

MR. BELL: He is Vice Chairman.

MR. PAUL: I know that.

MR. BELL: Who are you thinking of, Goldenweiser?

MR. PAUL: Yes.

MR. BELL: Of course, he has been over. Of course, there is no harm in having him.

MR. PAUL: I think Ransom may not know much about it.

H.M.JR: Tell him to bring Goldenweiser, but I want Ronald Ransom and Goldenweiser, and then Leon Henderson and let him bring Gilbert.

MR. PAUL: Tomorrow morning at ten-fifteen?

H.M.JR: Yes.

You (Bell) take care of the Fed.

MR. BELL: You want Currie?

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H.M.JR: Yes, you take care of the Fed and Lauch Currie and you take care of Gilbert and Henderson.

MR. PAUL: All right.

H.M.JR: Harry, do you think we ought to have anybody else?

MR. WHITE: You are having the Budget?

H.M.JR: No, we will send this over to the Budget and in my letter to the Director of the Budget say, I am holding myself in readiness to meet with him.

MR. WHITE: Just one other suggestion. Milo Perkins' outfit is doing a lot of work. Now, whether you want to take this opportunity - I am sure he would be delighted, and I am sure he would approve.

H.M.JR: Well, in view of the Vice President's letter to me, why not show this tonight to Milo Perkins and then let him come here tomorrow morning.

MR. WHITE: I think it would be a nice gesture.

H.M.JR: Fine.

MR. BELL: I wonder if you shouldn't say in your letter or at least suggest that you stand ready to see Smith at any time but Mr. Paul and some of his men might want to have a preliminary discussion.

MR. PAUL: My plan with Smith as per arrangements made this morning was to see these three people this afternoon, not to show them anything but to run over their draft.

H.M.JR: Well, Randolph, in my conversation - that is all right, but in my conversation with the Director of the Budget, when I called him up, I said, "I want to sit down with you myself when our draft is ready." He said, "Fine." And I want to stick to that, you see.

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MR. PAUL: That is all right, but I thought we ought to register a good deal of cooperation and that is why I was trying to put in--

H.M.JR: In advance. Swell.

MR. BELL: I think it will save you a lot of time because there will be a good deal of dickering here for the first couple of hours.

MR. PAUL: I can pretty well determine where we are apart.

H.M.JR: That is all right. Anything that you can do in advance would be appreciated by me.

MR. BELL: Well, this can go ahead and then Paul can call him up tomorrow.

H.M.JR: I would like after this ten-fifteen meeting tomorrow to have this thing go over to the President so he gets it tomorrow and then a copy to the Director of the Budget and a letter from me saying whenever he is ready, I am, to sit down with him, and that still is possible.

MR. BELL: And that doesn't bind Randolph and his--

H.M.JR: And Harry will see Milo Perkins and let him have a chance tonight to look at it.

MR. WHITE: He will want to show it to the Vice President.

H.M.JR: And ask him in view of my letter to the Vice President - I am sending it up there, and I would like the suggestions from the Vice President. How is that? And you will invite Milo tomorrow?

MR. WHITE: Tomorrow.

H.M.JR: That is good.

You see, I have been around this town so long, the more people you ask the better feeling you make, and you get some good ideas.

MR. WHITE: And also there is nobody to object to it after it is in.

MR. BELL: The less opposition you have at the end.

(Mr. Viner entered the conference.)

H.M.JR: Hello, Jake.

MR. VINER: I just guessed at this.

H.M.JR: Now, listen, did one of the trained nurses have to treat you?

MR. VINER: Yes, a pretty one.

H.M.JR: You haven't missed a thing.

MR. PAUL: You have still got your eyes open.

H.M.JR: Well, the point is, we are going to have a meeting tomorrow morning at ten-fifteen. And, Viner, any time that you have got left between now and your train time, if you could assist Bell. I am very much pleased. This has been the least wear and tear on me that I have had in a long time.

O.K., gentlemen.

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ONLY COPY IN SECRETARY'S OFFICE

2nd Draft

72

Victory in this war will demand expenditures on a scale for which there is no precedent in our history. Victory will call for sacrifice--real and stern sacrifice--on the part of every American, irrespective of occupation or income. If we are to furnish the weapons to the men who are doing the fighting, we shall have to exert every possible ounce of energy, and we shall have to mobilize every possible dollar of our income.

The material resources we need for victory will be supplied, whether guns or dollars. The task is huge, but it is within our powers.

Until this job is done, we will not talk of burdens -- of tax burdens or debt burdens. Instead, we will talk of opportunity--the opportunity to have a real part in the fight to preserve our freedom.

This is the spirit in which the American people will want us to approach the problem of financing the war.

FINANCING THE WAR

Let me state briefly the basic objectives which I think should guide us in the formulation of a fiscal program for the war.

1. The revenue of the Government must be greatly increased to meet war expenditures. The maximum possible portion of the war cost must be met from taxation.
2. Inflation must be curbed.
3. The financial sacrifice must be equitably distributed.
4. Undue profits during wartime must be recaptured.
5. More flexibility should be introduced into our fiscal measures during the emergency.
6. Our fiscal policy must be directed toward the achievement of maximum war production.

TAXES

1. The Need for Additional Taxes

In the past 18 months this Nation, while building up its defenses, laid the foundation for a mighty structure of arms production.

- 2 -

In the fiscal year 1941 defense expenditures amounted to \$6.3 billion. We expect to spend upon our war efforts \$22 billion in the fiscal year 1942 and \$50 billion in the fiscal year 1943.

In the fiscal year 1941 Federal net receipts were \$7.6 billion. These are expected to be \$11.9 billion in the fiscal year 1942 and, if there are no changes in our tax structure, \$16.5 billion in the fiscal year 1943.

Thus it is estimated that the net deficit will be \$16 billion for the current fiscal year, and, if no new taxes are enacted, \$40 billion for the fiscal year 1943.

In these estimates allowance is made for only a moderate rise in prices. Any considerable rise in the level of prices would greatly increase the deficit.

The disparity between estimated revenue and estimated expenditure is far too great for a sound fiscal program. We must have additional taxes.

2. The Menace of Inflation

Additional taxes are needed to combat inflation.

As we approach full utilization of our productive resource any considerable rise in prices is an unmitigated evil. It is a source of grave social injustice. It

- 3 -

undermines morale and impedes war production. The hardships of inflation strike at random without consideration of equity or ability. Once it has acquired momentum, inflation is extremely difficult to control, and it will leave a heritage of post-war difficulties that will haunt us for decades. Every consideration of national welfare calls for its prevention.

The way to prevent inflation is to prevent people from engaging in the futile effort to buy more goods than can be produced. This requires a comprehensive and integrated program of anti-inflationary measures, in which increased taxes and increased savings are essential parts. Another part of such a program might be expansion of the social security system, which at a later date I intend to recommend for other and more basic reasons. Price control, allocations and rationing are other parts of such an integrated program.

All these controls are interrelated. The devices of price control, allocation, and rationing will be more effective if taxes and savings are increased. Similarly, the effectiveness of the fiscal devices in preventing inflation will be greater if price control and physical

- 4 -

controls over the quantity of goods available for sale are used.

3. Equitable Distribution of Taxes

With far heavier taxes the need for equity in the tax system becomes more urgent.

In this war it will be necessary to tax more heavily all sections of the population who are above the minimum subsistence level. All others will have to make sacrifices. But the fact that large additional taxes have to be imposed should not lead us to forsake the principle of taxing according to ability to pay.

I have frequently pointed out that there are numerous loopholes in the present tax structure which ought to be closed. Because some taxpayers use these to avoid taxes, the other taxpayers must pay more than they should. We can no longer tolerate these loopholes.

Our tax laws contain a number of unintentional technical inequities--unfair discriminations between different persons who are substantially alike and should be treated equally. These technical inequities are always objectionable, but now when taxes are being increased, it is urgent that the Government should, to the greatest extent possible, provide relief from them.

- 5 -

4. Prevention of Undue Profits

It is not necessary to allow unreasonable profits in order to secure maximum production with economical business management. Under conditions of a wartime economy, the country cannot tolerate unduly high profits for business concerns. Wherever these occur, they should be recaptured.

5. Flexibility in the Tax System

The rate of war expenditure, the size of the national income, the course of prices, and the extent and effectiveness of allocations and other controls are not subject to accurate estimate far in advance. It is therefore impossible to determine now precisely how much additional taxes should be collected during the next 18 months. This is true even though there can be no dispute that the needs will be great. It is, accordingly, important that the Congress realize the tentative character of all estimates here presented, and that it give consideration to the desirability of introducing into its tax legislation provisions which will make possible quick adjustments in the timing of tax collections or in tax rates during the period when rapid changes in the fiscal and economic situation are likely to occur.

- 6 -

6. Relation of Production and Victory

In wartime when the life of the Nation is at stake the sound fiscal policies are those which will help win the war. Sound war taxation not only must contribute to defraying the cost of weapons, but it should facilitate their production in every possible way.

In a war economy, labor, raw materials, and facilities must be shifted from the production of civilian articles to the production of weapons and war supplies. Taxes can aid in speeding these shifts by cutting non-essential civilian spending. The differing effects of various taxes, not only upon the demand for goods but also upon the production process itself, should be carefully considered when tax legislation is drafted.

BORROWING

What we do not finance by taxes must be borrowed. The sums to be borrowed are great, but if we can produce the goods we can finance payment for them without inflation.

If this result is to be accomplished, however, borrowing should, to the maximum degree, come from savings out of current incomes and from contraction of private investment in facilities for production of civilian goods. In this war period we should tighten our belts, reduce our expenditures, postpone our demands for goods until later, and make our funds available to the Government. By this means we shall encourage war production and reduce the threat of inflation, while improving our personal finances through thrift.

To achieve an all-out production program it will be necessary to curtail drastically by allocations and other physical controls, new investment in non-defense plant and equipment and to defer replacements in these lines. The existing curtailment of production of consumers' goods--durables and semi-durables--will have to be extended. These measures will cut non-defense spending by billions of dollars. The effect of this curtailment

Borrowing - 2

of spending will be to add greatly to the funds in the hands of individuals and corporations. These funds, lacking other investment outlets, will be available for investment in Government securities.

There is no need for our borrowing to be at a high rate. The total amount available for borrowing will be no greater at a high rate than at a low one. It is determined only by our willingness to curtail civilian expenditures.

Our longest bond issue, sold in the week prior to the attack on Pearl Harbor, pays $2\frac{1}{2}$ percent. Except for securities especially designed for small savings, like our present Series E savings bonds, we do not intend to pay a higher rate on any security issued during this war.

COPY

OFFICE OF THE VICE PRESIDENT
Washington

December 19, 1941

The Honorable

The Secretary of the Treasury

Dear Henry:

Enclosed is a memorandum sent me by
Ezekiel which has in it some suggestions you
might want to turn over to your tax people.

Sincerely yours,

(Sgd) H. A. Wallace

H. A. Wallace

Enclosure

CONF

December 19, 1941

To: The Secretary
From: Mordecai Ezekiel
Subject: Tax Policy and the Budget Message

Yesterday Dr. Hansen of the Federal Reserve Board staff called a meeting to consider tax policy and the coming budget message in relation to inflation prospects. Economists from the Budget Bureau, OPM, and OPA were also present, among others.

A review of the existing situation led to agreement that:

- (1) The price increase had slowed down markedly since September, reflecting increased supplies and a cessation of stocking-up.
- (2) Future increases in defense employment will be partially offset by priority unemployment, leaving only slight net gain in consumer buying power.
- (3) Quantities of food, clothing, and services available for domestic consumers can continue to expand throughout our war effort. At the same time, defense expenditures themselves will provide food, clothing, and shelter for a rising proportion of the population.
- (4) Reduction or elimination of consumers' durables will not divert an equal amount of buying power to food and other perishables (a) because these durables are usually bought on installment credit and with the cessation of their sale the credit will contract, and (b) because durables are bought largely by middle- and upper-income groups which already buy about as much food as they need.

These facts led to a conclusion that consumer buying power is not likely to rise very much faster than the quantity of commodities and services available for sale to consumers for quite a period ahead.

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2-Secretary-December 19, 1941

In view of these facts, it was the general consensus of the group that:

- (1) Inflationary pressures toward a continuing upward price movement were less marked now than had seemed likely several months ago, and the danger of sharp price increases over the next 6 to 9 months was much less than had been feared earlier.
- (2) A general federal sales tax was not needed, and might be very harmful.
- (3) An additional flat increase in income taxes, such as through the 15% salary withholding tax proposed by the Treasury, was not needed now and might not be needed for some time ahead.
- (4) The new budget will show a staggering deficit. It is therefore desirable to provide further revenues. The new taxes, though, should be of a type aimed to raise revenues rather than to further restrict consumption. Taxes for revenue purposes might include further taxes on war profits, inheritances, or progressive income taxes, rather than flat sales or income taxes which reduce low-income expenditures for food and clothing.

Two suggestions for possible tax policy in the budget message were discussed:

- (a) Passage now of authority for a flat income-withholding tax (say up to 15% on net income in excess of present exemptions), together with authority to set up immediately the administrative apparatus and the current reporting system, but with the new taxes not to become effective until they were found needed. Then the President would ask Congress for a concurrent resolution putting the tax into effect at as high a rate (within the maximum authorized) as the current conditions indicated were needed.
- (b) Provision for a tax on net value added in manufacturing and merchandising, minus credit for labor expenditures. By

COPY

3-Secretary-December 19, 1941

taxing the funds retained by businesses after paying material and labor costs, this would approximate a tax on profits, while stating it in a form similar to that of a sales tax.

This appraisal indicates that your policy of increasing farm production as rapidly as possible has been an important factor in checking the inflationary tendency, and points to the desirability of continuing the policy of doing everything necessary to insure a continued expansion of food production.

December 23, 1941
4:00 p.m.

Fiorello
LaGuardia: Hello, Henry.

HMJr: How are you, Fiorello?

L: Pretty good.

HMJr: Fiorello, the reason I'm calling you is to make a request; but before making the request I want to explain to you why I'm doing it. Under the law, Secret Service is under me.....

L: Yeah.

HMJr:and Secret Service is responsible for the life of the President.....

L: Right.

HMJr:which makes me responsible.

L: Right.

HMJr: Now, I've taken a great interest in the precautions in the District of Columbia to protect the President's life.

L: Right.

HMJr: And it was I who asked for a test on the air - whatever you call it.....

L: The sirens?

HMJr:the sirens - on Sunday.

L: Yes.

HMJr: And it was a complete flop.

L: That's right. Here too, and in every other big city.

HMJr: Now.....

L: It's the acoustics.

- 2 -

HMJr: Well, I wondered in view of the fact that it is the President, that from some place in United States the District couldn't be loaned sirens which would make sufficient sound that we could have in case of necessity; and then when they get the money, these things could be given back again.

L: Why, I don't think that any exist. We're experimenting today, Henry, in Aberdeen.....

HMJr: Yes.

L:with aerial bombs, because that we can shoot up 400 feet and the sound comes right down.

HMJr: Yes.

L: If that is a success, I can let you know tomorrow, and we'll have the contents of the bomb analyzed if we can get the material. It would be fine for Washington. I doubt very much whether they will let us use it for the entire country because each bomb takes a pound of powdered aluminum.

HMJr: Yeah, but Fiorello, that'll be weeks or months. Aren't there any sirens in the whole United States?

L: No. None available.

HMJr: No sirens?

L: Not that will do you any good. The orders are pouring in, but I don't think any that are doing any good. Now, we ordered, I think, 20 or 30, and we got 5; and if they're any good, you're darned right, I'll let you have them; but they're not hot at all.

HMJr: Well, I mean - but you don't know anywhere in the United States there are any sirens that are any good?

L: That's right. There are no sirens anywhere in the United States that are any good. You'd need hundreds of them to do the same thing that London has done, and London has no high buildings.

- 3 -

HMJr: Well.....

L: But I think this, that you could get a supply of these bombs and that would be all right for the time being for Washington if the experiment today is successful.

HMJr: Well, that'll take - but that would take weeks, wouldn't it?

L: No, it would take three or four days to buy the stuff and have your bombs for you.

HMJr: Well, would you let me know?

L: I'll let you know tomorrow.

HMJr: Wonderful.

L: I'll let you know tomorrow; and, of course, for Washington, D. C., a few pounds of aluminum powder won't make any difference.

HMJr: No.

L: But for the entire country, it's something that after I get the contents and the quantities, I'll have to take up with Priorities.

HMJr: Yeah.

L: And I'll let you know tomorrow, Henry.

HMJr: Thank you.

L: Thank you.

Fed. Electric Co
8700 So. State St.
Chicago

Bullard Co.
San Francisco

their local agent is
W. L. Smith & Mr Burch
Colorado Bldg
Washington

Nat'l 7467

an Paid Firms—

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

December 23, 1941.

MEMORANDUM FOR MR. MORGENTHAU:

The War Department does not have any air raid sirens in stock. We have recently bought 24 which are being loaded today for shipment to one of the overseas possessions but we do not keep a reserve supply as they are not needed by us. We do not have any trouble getting sirens immediately when wanted.

I am notifying the Washington Air Raid people where they can be obtained.

W.B.S.
W.B.S.

Mr. C. - 612 E

*2nd Ave. Co. State St
8700 So. State St
Chicago
Bullard Co
San Fran
P. O. Smith
Almond
Mark
2022 2467*

December 23, 1941
4:03 p.m.

SMJr: I'd like to know who it is that contacts the man up at Princeton on the Gallup Poll or who's connected with the Gallup Poll. Is it you or Peter Odegard?

Harold Graves: Peter Odegard has been doing it, but we can do it. As a matter of fact, I think some of the others of us - I'm not sure who - have been doing it.

SMJr: Well, I tell you what I wish you'd tell him to do.

G: Yes.

SMJr: If they could make a quick test for me....

G: Yes.

SMJr:with the people....

G: Yes.

SMJr:which name do they prefer - "Defense Savings Bonds" or "War Savings Bonds".

G: Defense Savings Bonds or War Savings Bonds. Very good, sir.

SMJr: The present name is Defense Savings Bonds, isn't it?

G: That's right.

SMJr: Well, I'd like to know which - just let them make a quick test - I'd like an answer within a week.

G: Yes. We can get it, I'm sure.

SMJr: Whether it's "Defense Savings Bonds" or "War Savings Bonds".

G: We can get it, I'm sure.

SMJr: Don't you think that's a good idea?

- 2 -

G: Yes, I do.

HMJr: Would you do it still today?

G: Yes, we can do it, I think, today.

HMJr: And tell them - I'd like to have.....

G: I think Harford Powel has engineered the last poll that we had from Gallup, and I think he can do it again.

HMJr: Well, I'm looking to you; and I would like to have - today is Tuesday.....

G: Yes.

HMJr:and if I could have an answer by the thirty-first.

G: By December thirty-one.

HMJr: Yeah.

G: Yes, sir. You sent me - if that's all of that subject.

HMJr: That's all of that, but I mean some - several people have brought that thing up, and I'd like to know what the people think of it.

G: Yes. Yes. You sent me a letter from Hap Young, President of the Federal Reserve Bank in Chicago.....

HMJr: Yes.

G:and he suggests that we should qualify large corporations as issuing agents.....

HMJr: Yes.

G:for bonds.

HMJr: Yes.

G: That comes in Dan's department, and I have talked with Dan about it.

HMJr: Yes.

G: I take it that you would like that to be done.

HMJr: Very much.

G: Very well; I'll talk again with Dan about it.

HMJr: Well, Dan is sunk just now.

G: Well, I'll cut across lots and talk with his people about it then.

HMJr: Would you? He's just sunk, but clear it with him and.....

G: Yes, sure.

HMJr:he'll come up for air about noon tomorrow.

G: (Laughs) Yeah. All right, I'll do it.

HMJr: He's working on this Budget message, but I would like to do it. I don't see why we shouldn't do it.

G: I don't either.

HMJr: Well, it's like going out on the train - this Pullman conductor said to me how much trouble he had and couldn't we make the paymaster for the Pullman Company at the Washington end our - an agent.

G: Yes. That's the kind of thing that can be done.

HMJr: Well, I think we ought to do it and do it quick and extensively.

G: Yes.

HMJr: You saw the figures.

G: Yes, I did.

HMJr: They're wonderful.

G: Of course, there's a lot of accumulation in there and there's a lot of Christmas buying.

HMJr: I know.

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G: It isn't all war fervor that accounts for that large figure.

HMJr: But it still looks good.

G: It still looks very good.

HMJr: Am I not right that for November we sold only about a hundred million of E Bonds?

G: Just a second.

HMJr: Just look it up - see how good my memory is.

G: I have it right here.

HMJr: For November.

G: For November our E Bond sales were one hundred nine million.

HMJr: Well, that's close enough for an old man.

G: Yes, sir. Our largest month was in July.

HMJr: I know.

G: The figure was one forty-five. We're already way over our largest month.

HMJr: Well, I made the statement that in one day we sold one third as many as we did in the whole of November.

G: That's right.

HMJr: And in - then, let me see - and our sales for the E Bonds were - where is that? Our sales, total E was thirty-four million.....

G: That's right.

HMJr:which is just one third of a hundred and nine.

G: Of course, that isn't exactly correct. That's deposits at the Treasury here. It doesn't

- 5 -

necessarily represent sales on any given day.

HMJr: But that's what comes in here.

G: That's right.

HMJr: But for all practical purposes, my statement was a fact.

G: Absolutely right.

HMJr: I didn't make it to the press, but that's all right, isn't it?

G: That is all right.

HMJr: I still feel happy although you're trying to play it down.

G: (Laughs) Well, I didn't try to play it down; I just wanted you to understand what the composition of that figure was.

HMJr: Well, we're going to do two things. We're going to get the Gallup organization to make a survey.....

G: Yes.

HMJr:and we're going to make just as many of these corporations - what do you call them?

G: Issuing agents.

HMJr: Just as fast as possible.

G: That's right. Very good, sir. I thought I should speak to you about that, because you told me you wanted 24-hour service on it.

HMJr: Well, if I get it right after lunch tomorrow; because I can't - but I would like to clear it.....

G: With Dan.

HMJr: Well, right after lunch tomorrow.

G: Yeah. Very good. I'll get it right away.

- 6 -

HMJr: We'll make it 30-hour service.

G: Yes, sir.

HMJr: Make it 30 hours.

G: Yes, sir.

HMJr: Thank you.

G: You're welcome.

TREASURY DEPARTMENT

96

INTER OFFICE COMMUNICATION

DATE December 23, 1941.

TO Secretary Morgenthau
FROM George Buffington

You asked me Sunday evening if I knew of a man whom I presume you intended using for liaison purposes between this office and Procurement. The best available man I know of is George D. Branston. He has had, I believe, exactly the experience you require. I suspect he voted for Wilkie. So far as I know, he has not had any connection with America First activities and is in full accord with the Administration's foreign policy.

I have had a telephone conversation with him, not knowing how far you wanted me to go. If you care to have me talk with him further, I will be glad to have him come to see me when I am in Chicago.

I know a number of people with the business qualifications you require but I am not certain of their political attitude.

G.B.

December 23, 1941
4:18 p.m.

WJr: Hello.

Mr. E. E. Brown: Hello, Mr. Morgenthau, this is E. E. Brown of the First, Chicago.

WJr: President of the First of Chicago?

B: Yes.

WJr: How are you?

B: I'm well, thank you.

WJr: Mr. Brown, I want to ask a little help from you. I wondered, amongst your acquaintances, if you knew any business man who might come down and help me, particularly with our Procurement work in the Treasury. We buy all the non-military goods under Lend-Lease, plus a lot of the things for the Government. It runs well over - oh, between fifty and a hundred million dollars a month. And what I'm looking for is somebody who's experienced in manufacturing and purchasing - somebody, if it's possible, who might be called a New Dealer in a sense that - well, if I could find somebody who had voted for Mr. Roosevelt, in '40, that would answer all the questions. But the reason I - it isn't that I want to be political, it's just that I want the man to be in the right frame of mind.

B: Yeah.

WJr: So I figured, well, if he voted for Roosevelt in '40, then I don't have to ask any questions. But that is not a sine qua non. I was looking more for somebody - I wouldn't want to pick somebody out of a munitions factory, because he's most likely doing an important job there; but there must be lots of important people whose businesses aren't in munitions and who would be glad to come down and help.

B: Well, what type of goods is it?

- 2 -

HMJr: Well, we buy - for instance, we buy all the steel for England. We buy all the copper. We buy all the automobiles for the whole Government. We're in the market just now for a hundred and fifty thousand wooden desks. We buy everything for the Red Cross other than food. We buy all the medicines for them. We do a pretty good general line of merchandising. We buy everything, practically, except guns and planes.

B: Well, it isn't primarily, however, purchases of soft goods. I was thinking of Frank Foldon who was down awhile with Nelson, as you know.

HMJr: Of Eastman?

B: What?

HMJr: Of Eastman Kodak?

B: No, Foldon - he was the Chief Purchasing Agent of Montgomery Ward.

HMJr: Oh.

B: He's now head of a chain department store here named Goldblatts'.

HMJr: Well, I've heard of him. I didn't know he was with Nelson.

B: When he was down, Don Nelson put him in charge of buying all soft goods and Don was buying the hard woods - hard goods.

HMJr: Well.....

B: He's not a New Dealer, and he didn't get along very well with some of the labor people. He came back here - he was down there at great sacrifice - and was down again at Nelson's request in the last three or four weeks, and I heard he was back again today.

HMJr: Well, you see, if he didn't get along with the labor people, he wouldn't be of any use to me.

- 3 -

B: Uh huh.

HMJr: The reason I'm appealing to you, I didn't know that you came out for Roosevelt in '40.

B: I did.

HMJr: You did? They told me when I was in Chicago that you did, publicly, and I never knew that.

B: Well, I voted for Roosevelt the first time; and the second time I thought the greatest misfortune that could overtake the country would be Mr. Landon's election. The second greatest election would be Mr. Roosevelt's election by such a majority as to feel that he had a mission.....

HMJr: Yes.

B:so I voted for Landon; but if I'd have thought that Landon would have the slightest chance, I'd have voted for Roosevelt.

HMJr: Yeah.

B: In '40 I voted for Roosevelt.

HMJr: That's what they told me, so that's why I'm appealing to you.

B: Well, let me think.....

HMJr: Think about it, but I mean, unless a man can get along with labor, it's no use.

B: Well.....

HMJr: I'm asking you a very difficult thing.

B: It isn't an easy job, because most of our businessmen were opposed to Mr. Roosevelt in '40, and most of them have a pretty difficult time to restrain their feelings towards Lewis and a good many other labor leaders.

HMJr: Well, I know; and as I say, it's.....

B: Also - but I'll try and give you a ring tomorrow.

- 4 -

HMJr: You see, it's not only that. What I had formerly, we have three things here. We've got Procurement, then we have the Bureau of Engraving, which is one of the biggest printing plants in the world.

B: Yeah.

HMJr: Then we've got the Bureau of the Mint, which manufactures the hard money.

B: Yeah.

HMJr: Now, it's all three of those things that I really would like somebody to come down and - because the man who used to do that for me - Harold Graves - is now doing Defense Savings Bonds and he can't do that any more.

B: Yeah.

HMJr: That's my trouble, so I'm trying to recruit new help so that we all won't crack under the strain.

B: Yeah. Well, let me.....

HMJr: What I really want is either - well, I mean, this is what I meant. A young, vigorous fellow who hasn't yet got a national reputation, but has got the ability; or some man who's retired, but still has enough vigor to put his shoulder to the wheel.

B: Well, I think I know people who could do it, but whether they'd have voted for Roosevelt in '40 or not.....

HMJr: Well, I'm just saying that because.....

B:or what their labor attitude would be or whether they'd do it. There's a man.....

HMJr: I know.

B:virtually running Marshall Field and Company today - Hughston McBain - could do it.

HMJr: Hughston.....

B: McBain his last name is.

- 5 -

HMJr: That isn't this business expert from New York, is it?

B: Oh, no.

HMJr: No.

B: This fellow's been all his life in.....

HMJr: Well, now, they've got manufactured.....

B: He's about forty-two. He's run the mills. He's straightened them out, and they've got very large manufacturing units.

HMJr: Well, I know they have mills. I know.....

B: At the present time, he has the title of Executive Vice President, but he's the most important man in Marshall Field's.

HMJr: Well, that's the kind of person that I need.

B: He's about forty-one or forty-two. He's a hard worker and full of vigor and a straight shooter.

HMJr: Well, that's the kind of person.....

B: What his relations with labor would be, and whether he voted for Mr. Roosevelt or not, I don't know. He ran the USO campaign in Chicago.

HMJr: Uh huh. How was he on the - help for England?

B: Oh, he'd be all right with that. He's Scotch, I think, either by birth or his family came from Scotland.

HMJr: So he's all right on that?

B: He's all right on that.

HMJr: Well, don't misunderstand me. I don't say that the man had to vote for Roosevelt.

B: Yeah.

HMJr: But I'm simply saying that if he did.....

B: It would be easier.

- 6 -

HMJr:it would be a damned sight easier.

B: Yeah.

HMJr: That's all.

B: Well, I'll try and give you a ring, Mr. Secretary, tomorrow. I'd like to do a little thinking on this.....

HMJr: Will you do that?

B:and check some of my names.

HMJr: I'd appreciate that.

B: All right.

HMJr: Ever so much obliged.

B: Good-bye. Thank you.

HMJr: Thank you.

DEC 23 1941

My dear Mr. Price:

In reply to your letter of December 20th,
I am designating Mr. Herbert E. Gaston, Assistant
Secretary, as the Treasury Department representa-
tive on the Censorship Operating Board.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Byron Price,
Director of Censorship,
Post Office Department Building,
Washington, D. C.

WST:aja

*Gaston took this original to
meeting.
cc - Mr. Thompson
M. M. C.*

DEC 23 1941

Dear Mr. Gaston:

You are hereby designated as Treasury Department representative on the Censorship Operating Board. This Board is set up under the provisions of the Executive Order of December 19, 1941, establishing the Office of Censorship, of which Mr. Byron Price is Director. It is provided in the Executive Order that the Censorship Operating Board shall, under the supervision of the Director, perform such duties with respect to operations as the Director shall determine.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Herbert E. Gaston,

Assistant Secretary of the Treasury.

WTS:ja

cc. Thompson
nmc

OFFICE OF CENSORSHIP
Room 4406
Post Office Department Building
WASHINGTON

December 20, 1941

The Honorable

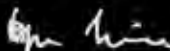
The Secretary of the Treasury.

My dear Mr. Secretary:

The Executive Order establishing the Office of Censorship on December 19, 1941, contains the following provision: "The Director of Censorship shall establish a Censorship Operating Board, which shall consist of representatives of such departments and agencies of the Government as the Director shall specify. Each representative shall be designated by the head of the department or agency which he represents. The Censorship Operating Board shall, under the supervision of the Director, perform such duties with respect to operations as the Director shall determine".

For obvious reasons, the Treasury Department should be represented on the Censorship Operating Board. Since it is desirable to have this Board organized without delay, we would appreciate it deeply, if you would advise me at your earliest convenience of your choice of a representative from your Department.

Very truly yours,



BYRON PRICE
Director of Censorship.

BP:LD

DEC 23 1944

Dear Bill:

This is in response to your letter of December 18, asking if it would be possible to designate Harry Anslinger, Commissioner of Narcotics, as consultant to your office, but with the understanding that his work for you would not encroach upon his duties in the Treasury.

Herbert Gaston had already spoken to me about this, after some conversations with Anslinger.

I have no objection at all to this arrangement and hope that Mr. Anslinger may be able to give you real help.

Sincerely,

(Signed) E. Hergothian, Jr.

Secretary of the Treasury.

Honorable William J. Donovan,
Coordinator of Information,
Washington, D.C.

HEC/mah 12-20-41

By *Memorandum*

Simon 12:45
File to Thompson
WMC

ASSISTANT SECRETARY OF THE TREASURY

December 20, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

I have discussed this with Harry Anslinger and he agrees to it, that is, that he will work in an advisory capacity, giving only such time as he can spare from his Narcotics duties.



COORDINATOR OF INFORMATION
WASHINGTON, D. C.

December 18, 1941

Dear Henry:

Would it be possible and convenient to designate Mr. Harry Anslinger, your Commissioner of Narcotics, as Consultant to this office? His highly specialized knowledge and wide experience would be of very great help to us. The matter, of course, would be arranged so as not to encroach on his duties in the Bureau of Narcotics.

I'd be very grateful if you would take this under serious consideration and let me know what you think of it.

With best personal regards,

Very sincerely yours,

Bill Brown

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

Treasury Department 109 ✓
Division of Monetary Research

Date... December 23 1941

To: Secretary Morgenthau

From: Mr. H. D. White

I presume that the appended notation was intended for Harry Anslinger but was sent to me through an error. I telephoned Mr. Anslinger and learned that he had gone ahead with the matter and I asked him to send me a memo indicating what he had done. The memo is appended.

Unless I hear to the contrary from you, I presume Mr. Anslinger will have the responsibility of following through the matter.

ASSISTANT SECRETARY OF THE TREASURY

December 20, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

The Philippine situation creates the prospect of a serious shortage of manila hemp fiber for cordage use in the Navy. Agriculture is planning to plant three to four hundred thousand acres in Wisconsin, Minnesota and Illinois, these states having been selected on advice of Harry Anslinger. Manila hemp is the same thing as marihuana.

A group in Louisville cornered the available supply of good seed in this country immediately after the Japanese attack. I suggested to Harry that he advise Agriculture to use Navy powers of requisition to get this seed and to treat the crowd rough if they try any funny business. A threat of publicity ought to be enough, but I think we have legal powers to get the stuff.



December 23, 1941.

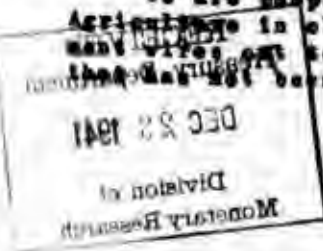
Hon. Herbert H. Gaston,
 Assistant Secretary of the Treasury.
 W. J. Anselinger,
 Commissioner of Narcotics.

Referring to our telephone conversation regarding the requirements of the Navy Department for hemp to be produced in this country from hemp seed, because hostilities in the Pacific have shut off imports of badly needed hemp for the Navy, I have to inform you that I communicated your suggestions to the Department of Agriculture to requisition the seed which is being held at Louisville, Kentucky, by two individuals, J. H. Graves, a banker, and one Perry Glass. These men had "cornered" the market on hemp seed the day after the attack on Pearl Harbor.

As there may be some delay in setting the wheels in motion, I had our agents contact every farmer who grew marihuana for seed purposes and instruct the registrant to hold all seed, which had not been delivered, even though it had been sold, for the Navy Department. This appeal was made on a patriotic basis.

I am informed that Graves has already approached the Kentucky-Illinois Hemp Corporation at Frankfort with a proposition to sell hemp seed at \$18.00 a pound, which is \$3.00 over the current price. I think that we shall be able to take care of both Graves and Glass in due course.

We are cooperating with the Department of Agriculture in obtaining seed from Chile, and have sent wires out to all seed houses to hold hemp seed that has not been sterilized.



W. J. Anselinger

DEC 23 1941

MEMORANDUM FOR THE PRESIDENT

The High Commissioner to the Philippines has cabled me that it is imperative that he receive immediately adequate authority and funds to deal with enemy property in the Philippines. A copy of such cable is attached.

Sayre states that the property of interned enemy aliens must be guarded and military personnel cannot be spared. In some cases the Government must move in and operate enemy properties whose continued production is essential for defense purposes. Much enemy property must be seized or requisitioned for military, naval and civilian emergency uses. Records must be kept. Military, naval and civilian administration measures dealing with enemy property require coordinating. Funds for meeting these activities must be provided.

As you know, the High Commissioner has been handling freezing control for me in the Philippines for the past twenty months and I have always delegated broad powers to him so that he could exercise his own judgment in dealing with Philippine matters. Since July of this year I have provided him with a staff of experts to help him deal with the Japanese situation under freezing control. He has been doing a good job.

Under Title III of the First War Powers Act, 1941, which you approved December 18, 1941, you are granted complete powers over foreign property and can deal with enemy property on any basis consistent with our war effort. I strongly recommend that the High Commissioner be notified at once that he may meet the

- 2 -

present emergency by exercising any or all of the powers conferred upon you by such legislation. At the same time I will notify him that he can draw on our freezing control appropriation for any funds he needs to carry out this program.

Attached to this memorandum is a draft of a proposed cable from me to the High Commissioner covering this matter. If you approve I will have the cable despatched at once.

I do not think this matter can be delayed pending the issuance of an Executive order relating to enemy property in this country.

(Signed) H. Morgenthau, Jr.

I approve the foregoing action.

THE WHITE HOUSE,

December , 1941.

Sub. B.B. - JWP. EHFJa

This has been cleared over the phone with Biddle, Bunker, McCloy & Asherson.
per EHFJa - 12-23-41.

AFL:BB/ma - 12/22/41

C O P Y

Manila, December 19 - 7 22 P.

Foley, Treasury Department

Washington, D. C.

Your telegram December eleventh re enemy property inadequate to meet problems here arising from fact this is theatre active military operations and in view present possible blockage many hundreds of enemy aliens and others have been interned and separated from their properties. No military personnel can be spared to guard such properties. Much enemy property must be requisitioned for military, naval and civilian emergency uses. Military, naval and civilian emergency administration needs must be coordinated on such problems and records kept of all such requisitioning. Authority necessary to engage personnel and incur other expenditures for custody and supervisory work. Please specify from what fund salaries and necessary expenses are to be paid. Desirable to continue operation some enemy-owned industries such as textiles, dairy and poultry farms and the like in cooperation with Commonwealth Government, its agencies and others. Highly desirable that specific authority be given to enter into any sort of agreement with Commonwealth Government or others for custodial and supervisory work including arrangements for continuing operations under our supervision. Power of sale without publication of enemy property should extend beyond perishables and include any enemy property where such sale is deemed necessary because of surge of war or for other military or administrative reasons. Special authorization should be given for continued operation extensive Japanese hemp plantations in Davao for defense purposes. In final analysis all arrangements must be subordinated to military necessities and therefore subject to the military directive of the Commanding General. Any or all of these properties may at any time be actually in a zone of real combat, and therefore subject to capture and recapture. Foregoing suggestions relate to immediate emergency needs here. I should appreciate your advising me what plans are in contemplation with regard to permanent administration of enemy property and particularly with respect to Philippines. Please furnish copies of this radio to Interior, State, War and other interested departments.

(No signature was on this cable)

Proposed Text of Cable to Sayre from
Secretary of the Treasury.

COPY

Re your telegram of December 19, 1941 on enemy property:

On December 18, 1941 the President approved the First War Powers Act, 1941 (Public No. 354, 77th Congress). Sections 301 and 302 of Title III of such Act read as follows:

Here take in text of Sections 301 and 302
of attached Act

You will note that these sections amend section 5(b) of the Trading with the enemy Act of October 6, 1917, as amended, pursuant to which freezing control has been administered.

With the approval of the President, and for the purpose of dealing with the Philippine situation, all of the powers and authority conferred upon the President under the above-quoted provisions of law are hereby delegated to you in so far as the Philippines are concerned.

In addition, I am allocating \$100,000 from the appropriation entitled "2020120, Salaries and Expenses, Foreign Exchange Control, 1942" to cover your initial expenses in carrying out this program. Please forward to me at once an estimate of the amount of funds (by month) that you feel you will need during the next three months.

- 2 -

It will of course be necessary for you, in cooperation with the military and Commonwealth Government authorities, to formulate a program for dealing with this emergency situation. We will be glad to cooperate with you and offer advice and suggestions on any points you may care to raise but we do not want you to feel that you must wait for instructions from Washington. You will be advised from time to time as plans are developed for dealing with enemy property.

The powers conferred by the statute are very broad. Congress expects that complete records will be established and maintained with respect to property seized or otherwise received in your custody. Please be guided accordingly.

You are authorized to take any steps you deem appropriate to make public the authority herein conferred on you.

BB:nrd - 12/22/41

[PUBLIC LAW 354—77TH CONGRESS]

[CHAPTER 593—1ST SESSION]

[H. R. 8233]

AN ACT

To expedite the prosecution of the war effort.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—COORDINATION OF EXECUTIVE BUREAUS IN THE INTEREST OF THE MORE EFFICIENT CONCENTRATION OF THE GOVERNMENT

SECTION 1. That for the national security and defense, for the successful prosecution of the war, for the support and maintenance of the Army and Navy, for the better utilization of resources and industries, and for the more effective exercise and more efficient administration by the President of his powers as Commander in Chief of the Army and Navy, the President is hereby authorized to make such redistribution of functions among executive agencies as he may deem necessary, including any functions, duties, and powers hitherto by law conferred upon any executive department, commission, bureau, agency, governmental corporation, office, or officer, in such manner as in his judgment shall seem best fitted to carry out the purposes of this title, and to this end is authorized to make such regulations and to issue such orders as he may deem necessary, which regulations and orders shall be in writing and shall be published in accordance with the Federal Register Act of 1935: *Provided*, That the termination of this title shall not affect any act done or any right or obligation accruing or accrued pursuant to this title and during the time that this title is in force: *Provided further*, That the authority by this title granted shall be exercised only in matters relating to the conduct of the present war: *Provided further*, That no redistribution of functions shall provide for the transfer, consolidation, or abolition of the whole or any part of the General Accounting Office or of all or any part of its functions.

SEC. 2. That in carrying out the purposes of this title the President is authorized to utilize, coordinate, or consolidate any executive or administrative commissions, bureaus, agencies, governmental corporations, offices, or officers now existing by law, to transfer any duties or powers from one existing department, commission, bureau, agency, governmental corporation, office, or officer to another, to transfer the personnel thereof or any part of it either by detail or assignment, together with the whole or any part of the records and public property belonging thereto.

SEC. 3. That for the purpose of carrying out the provisions of this title, any moneys heretofore and hereafter appropriated for the use

of any executive department, commission, bureau, agency, governmental corporation, office, or officer shall be expended only for the purposes for which it was appropriated under the direction of such other agency as may be directed by the President hereunder to perform and execute said functions, except to the extent hereafter authorized by the Congress in appropriation Acts or otherwise.

Sec. 4. That should the President, in redistributing the functions among the executive agencies as provided in this title, conclude that any bureau should be abolished and it or their duties and functions conferred upon some other department or bureau or eliminated entirely, he shall report his conclusions to Congress with such recommendations as he may deem proper.

Sec. 5. That all laws or parts of laws conflicting with the provisions of this title are to the extent of such conflict suspended while this title is in force.

Upon the termination of this title all executive or administrative agencies, governmental corporations, departments, commissions, bureaus, offices, or officers shall exercise the same functions, duties, and powers as heretofore or as hereafter by law may be provided, any authorization of the President under this title to the contrary notwithstanding.

TITLE II—CONTRACTS

Sec. 201. The President may authorize any department or agency of the Government exercising functions in connection with the prosecution of the war effort, in accordance with regulations prescribed by the President for the protection of the interests of the Government, to enter into contracts and into amendments or modifications of contracts heretofore or hereafter made and to make advance, progress and other payments thereon, without regard to the provisions of law relating to the making, performance, amendment, or modification of contracts whenever he deems such action would facilitate the prosecution of the war: *Provided*, That nothing herein shall be construed to authorize the use of the cost-plus-a-percentage-of-cost system of contracting; *Provided further*, That nothing herein shall be construed to authorize any contracts in violation of existing law relating to limitation of profits; *Provided further*, That all acts under the authority of this section shall be made a matter of public record under regulations prescribed by the President and when deemed by him not to be incompatible with the public interest.

TITLE III—TRADING WITH THE ENEMY

Sec. 301. The first sentence of subdivision (b) of section 5 of the Trading With the Enemy Act of October 6, 1917 (40 Stat. 411), as amended, is hereby amended to read as follows:

"(1) During the time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise, and under such rules and regulations as he may prescribe, by means of instructions, licenses, or otherwise—

"(A) investigate, regulate, or prohibit, any transactions in foreign exchange, transfers of credit or payments between, by, through, or to any banking institution, and the importing, exporting, hoarding, melting, or earmarking of gold or silver coin or bullion, currency or securities, and

"(B) investigate, regulate, direct and compel, nullify, void, prevent or prohibit, any acquisition holding, withholding, use, transfer, withdrawal, transportation, importation or exportation of, or dealing in, or exercising any right, power, or privilege with respect to, or transactions involving, any property in which any foreign country or a national thereof has any interest,

by any person, or with respect to any property, subject to the jurisdiction of the United States; and any property or interest of any foreign country or national thereof shall vest, when, as, and upon the terms, directed by the President, in such agency or person as may be designated from time to time by the President, and upon such terms and conditions as the President may prescribe such interest or property shall be held, used, administered, liquidated, sold, or otherwise dealt with in the interest of and for the benefit of the United States, and such designated agency or person may perform any and all acts incident to the accomplishment or furtherance of these purposes; and the President shall, in the manner hereinabove provided, require any person to keep a full record of, and to furnish under oath, in the form of reports or otherwise, complete information relative to any act or transaction referred to in this subdivision either before, during, or after the completion thereof, or relative to any interest in foreign property, or relative to any property in which any foreign country or any national thereof has or has had any interest, or as may be otherwise necessary to enforce the provisions of this subdivision, and in any case in which a report could be required, the President may, in the manner hereinabove provided, require the production, or if necessary to the national security or defense, the seizure, of any books of account, records, contracts, letters, memoranda, or other papers, in the custody or control of such person; and the President may, in the manner hereinabove provided, take other and further measures not inconsistent herewith for the enforcement of this subdivision.

"(2) Any payment, conveyance, transfer, assignment, or delivery of property or interest therein, made to or for the account of the United States, or as otherwise directed, pursuant to this subdivision or any rule, regulation, instruction, or direction issued hereunder shall to the extent thereof be a full acquittance and discharge for all purposes of the obligation of the person making the same; and no person shall be held liable in any court for or in respect to anything done or omitted in good faith in connection with the administration of, or in pursuance of and in reliance on, this subdivision, or any rule, regulation, instruction, or direction issued hereunder.

"(3) As used in this subdivision the term 'United States' means the United States and any place subject to the jurisdiction thereof, including the Philippine Islands, and the several courts of first instance of the Commonwealth of the Philippine Islands shall have jurisdiction in all cases, civil or criminal, arising under this subdivision in the Philippine Islands and concurrent jurisdiction with the district courts of the United States of all cases, civil or criminal, arising upon

the high seas: *Provided, however,* That the foregoing shall not be construed as a limitation upon the power of the President, which is hereby conferred, to prescribe from time to time, definitions, not inconsistent with the purposes of this subdivision, for any or all of the terms used in this subdivision."

SEC. 302. All acts, actions, regulations, rules, orders, and proclamations heretofore taken, promulgated, made, or issued by, or pursuant to the direction of, the President or the Secretary of the Treasury under the Trading With the Enemy Act of October 6, 1917 (40 Stat. 411), as amended, which would have been authorized if the provisions of this Act and the amendments made by it had been in effect, are hereby approved, ratified, and confirmed.

SEC. 303. Whenever, during the present war, the President shall deem that the public safety demands it, he may cause to be censored under such rules and regulations as he may from time to time establish, communications by mail, cable, radio, or other means of transmission passing between the United States and any foreign country he may from time to time specify, or which may be carried by any vessel or other means of transportation touching at any port, place, or Territory of the United States and bound to or from any foreign country. Any person who willfully evades or attempts to evade the submission of any such communication to such censorship or willfully uses or attempts to use any code or other device for the purpose of concealing from such censorship the intended meaning of such communication shall, upon conviction, be fined not more than \$10,000, or, if a natural person, imprisoned for not more than ten years, or both; and the officer, director, or agent of any corporation who knowingly participates in such violation shall be punished by a like fine, imprisonment, or both, and any property, funds, securities, papers, or other articles or documents, or any vessel, together with her tackle, apparel, furniture, and equipment, concerned in such violation shall be forfeited to the United States.

TITLE IV—TIME LIMIT AND SHORT TITLE

SEC. 401. Titles I and II of this Act shall remain in force during the continuance of the present war and for six months after the termination of the war, or until such earlier time as the Congress by concurrent resolution or the President may designate.

SEC. 402. This Act may be cited as the "First War Powers Act, 1941".

Approved, December 18, 1941.

THE SECRETARY OF THE TREASURY
WASHINGTON

DEC 23 1941

MEMORANDUM FOR THE PRESIDENT

The High Commissioner to the Philippines has cabled me that it is imperative that he receive immediately adequate authority and funds to deal with enemy property in the Philippines. A copy of such cable is attached.

Sayre states that the property of interned enemy aliens must be guarded and military personnel cannot be spared. In some cases the Government must move in and operate enemy properties whose continued production is essential for defense purposes. Much enemy property must be seized or requisitioned for military, naval and civilian emergency uses. Records must be kept. Military, naval and civilian administration measures dealing with enemy property require coordinating. Funds for meeting these activities must be provided.

As you know, the High Commissioner has been handling freezing control for me in the Philippines for the past twenty months and I have always delegated broad powers to him so that he could exercise his own judgment in dealing with Philippine matters. Since July of this year I have provided him with a staff of experts to help him deal with the Japanese situation under freezing control. He has been doing a good job.

Under Title III of the First War Powers Act, 1917, which you approved December 18, 1941, you are granted complete powers over foreign property and can deal with enemy property on any basis consistent with the war effort. I strongly recommend that the High Commissioner be notified at once that he may meet the

- 2 -

present emergency by exercising any or all of the powers conferred upon you by such legislation. At the same time I will notify him that he can draw on our freezing control appropriation for any funds he needs to carry out this program.

Attached to this memorandum is a draft of a proposed cable from me to the High Commissioner covering this matter. If you approve I will have the cable despatched at once.

I do not think this matter can be delayed pending the issuance of an Executive order relating to enemy property in this country.

W. M. Guthrie

I approve the foregoing action.

Franklin D. Roosevelt

THE WHITE HOUSE,

December 23, 1941.

COPY

Manila, December 19 - 7 22 P.

Foley, Treasury Department

Washington, D.C.

Your telegram December eleventh re enemy property inadequate to meet problems here arising from fact this is theatre active military operations and in view present possible blockage many hundreds of enemy aliens and others have been interned and separated from their properties. No military personnel can be spared to guard such properties. Much enemy property must be requisitioned for military, naval and civilian emergency uses. Military, naval and civilian emergency administration needs must be coordinated on such problems and records kept of all such requisitioning. Authority necessary to engage personnel and incur other expenditures for custody and supervisory work. Please specify from what fund salaries and necessary expenses are to be paid. Desirable to continue operation some enemy-owned industries such as textiles, dairy and poultry farms and the like in cooperation with Commonwealth Government, its agencies and others. Highly desirable that specific authority be given to enter into any sort of agreement with Commonwealth Government or others for custodial and supervisory work including arrangements for continuing operations under our supervision. Power of sale without publication of enemy property should extend beyond perishables and include any enemy property where such sale is deemed necessary because of surge of war or for other military or administrative reasons. Special authorization should be given for continued operation extensive Japanese hemp plantations in Davao for defense purposes. In final analysis all arrangements must be subordinated to military necessities and therefore subject to the military directive of the Commanding General. Any or all of these properties may at any time be actually in a zone of real combat, and therefore subject to capture and recapture. Foregoing suggestions relate to immediate emergency needs here. We should appreciate your advising me what plans are in contemplation with regard to permanent administration of enemy property and particularly with respect to Philippines. Please furnish copies of this radio to Interior, State, War and other interested departments.

(No signature was on this cable)

Proposed Text of Cable to Sayre from
Secretary of the Treasury.

Re your telegram of December 19, 1941 on enemy property:

On December 18, 1941 the President approved the First War Powers Act, 1941 (Public No. 354, 77th Congress). Sections 301 and 302 of Title III of such Act read as follows:

Here take in text of Sections 301 and 302 of
attached Act

You will note that these sections amend section 5(b) of the Trading with the enemy Act of October 6, 1917, as amended, pursuant to which freezing control has been administered.

With the approval of the President, and for the purpose of dealing with the Philippine situation, all of the powers and authority conferred upon the President under the above-quoted provisions of law are hereby delegated to you in so far as the Philippines are concerned.

In addition, I am allocating \$100,000 from the appropriation entitled "2020120, Salaries and Expenses, Foreign Exchange Control, 1942" to cover your initial expenses in carrying out this program. Please forward to me at once an estimate of the amount of funds (by month) that you feel you will need during the next three months.

- 2 -

It will of course be necessary for you, in cooperation with the military and Commonwealth Government authorities, to formulate a program for dealing with this emergency situation. We will be glad to cooperate with you and offer advice and suggestions on any points you may care to raise but we do not want you to feel that you must wait for instructions from Washington. You will be advised from time to time as plans are developed for dealing with enemy property.

The powers conferred by the statute are very broad. Congress expects that complete records will be established and maintained with respect to property seized or otherwise received in your custody. Please be guided accordingly.

You are authorized to take any steps you deem appropriate to make public the authority herein conferred on you.

TITLE III—TRADING WITH THE ENEMY

The first sentence of subdivision (b) of section 5 of the Trading With the Enemy Act of October 6, 1917 (40 Stat. 411), as amended is hereby amended to read as follows:

"(b) During the time of war or during any other period of national emergency declared by the President, the President may, through any agency or person as he may designate, or otherwise, and under such rules and regulations as he may prescribe, by means of instructions, licenses,

(1) investigate, regulate, or prohibit, any transactions in the exchange, transfers of credit or payments between, by, or to any banking institution, and the importing, exporting, sending, melting, or earmarking of gold or silver coin or currency or securities, and

(2) investigate, regulate, direct and compel, nullify, void, prevent or prohibit, any acquisition holding, withholding, use, sale, disposition, withdrawal, transportation, importation or exportation of property or interest in, or exercising any right, power, or privilege with respect to, or transactions involving, any property in which any foreign country or a national thereof has any interest,

(3) to cause, or with respect to any property, subject to the jurisdiction of the United States and any property or interest of any foreign country or national thereof shall vest, when, as, and upon the terms directed by the President, in such agency or person as he may designate from time to time by the President, and upon such conditions as the President may prescribe such interest in such property shall be held, used, administered, liquidated, sold, or disposed of in the interest of and for the benefit of the United States; and such designated agency or person may perform any and all acts necessary to the accomplishment or furtherance of these purposes; and the President shall, in the manner hereinabove provided, cause any person to keep a full record of, and to furnish under oath to the him of reports or otherwise, complete information relative to such property or transaction referred to in this subdivision either before, during, or after the completion thereof, or relative to any interest therein or property, or relative to any property in which any foreign country or national thereof has or has had any interest, or as may be otherwise necessary to enforce the provisions of this subdivision, and in any case in which a report could be required, the President may, in the manner hereinabove provided, require the production, or if necessary to the national security or defense, the seizure, of any books, records, funds, contracts, letters, memoranda, or other papers, in the possession or control of such person; and the President may, in the manner hereinabove provided, take other and further measures not inconsistent herewith for the enforcement of this subdivision.

Any payment, conveyance, transfer, assignment, or delivery of property or interest therein, made to or for the account of the United States, or as otherwise directed, pursuant to this subdivision or any rule, regulation, instruction, or direction issued hereunder in pursuance thereof, shall be a full acquittance and discharge for all purposes of the obligation of the person making the same; and no person shall be held liable in any court for or in respect to any act done or omitted in good faith in connection with the administration of, or in pursuance of and in reliance on, this subdivision, or any rule, regulation, instruction, or direction issued hereunder.

As used in this subdivision the term 'United States' means the United States and any place subject to the jurisdiction thereof, and the Philippine Islands, and the several courts of first instance of the Commonwealth of the Philippine Islands shall have jurisdiction in all cases, civil or criminal, arising under this subdivision in the Philippine Islands and concurrent jurisdiction with the district courts of the United States of all cases, civil or criminal, arising upon and under this subdivision. That the foregoing shall not be construed as a limitation upon the power of the President, which is hereby conferred, to prescribe from time to time, definitions, not inconsistent with the purposes of this subdivision, for any or all of the purposes of this subdivision."

"All acts, actions, regulations, rules, orders, and proclamations taken, promulgated, made, or issued by, or pursuant to the direction of, the President or the Secretary of the Treasury under the Trading With the Enemy Act of October 6, 1917 (40 Stat. 411), which would have been authorized if the provisions of the Act and the amendments made by it had been in effect, are approved, ratified, and confirmed.

Whenever, during the present war, the President shall find that the public safety demands it, he may cause to be enforced such rules and regulations as he may from time to time establish for communications by mail, cable, radio, or other means of transportation passing between the United States and any foreign country or territory from time to time, specifically, or which may be carried by any other means of transportation belonging at any part, place, or territory of the United States and bound to or from any foreign country. Any person who willfully evades or attempts to evade the enforcement of any such communication to such censorship or willfully attempts to use any code or other device for the purpose of evading from such censorship the intended meaning of such communication shall, upon conviction, be fined not more than \$10,000, or imprisoned not more than ten years, or both; and the officer, director, or agent of any corporation who knowingly participates in such violation shall be punished by a like fine, imprisonment, or both, and any property, funds, securities, papers, or other effects of any such person, together with her books, apparel,

RADIOGRAM SENT DECEMBER 24, 1941.

del

SALES, MANILA.
December 24 - No. 725.

Following from Treasury:

Re your telegram of December 19, 1941 on enemy property;

On December 18, 1941 the President approved the First War Powers Act, 1941 (Public No. 354, 77th Congress). Sections 301 and 302 of Title III of such Act read as follows:

TITLE III -- TRADING WITH THE ENEMY

Section 301. The first sentence of subdivision (b) of section 5 of the Trading With the Enemy Act of October 6, 1917 (40 Stat. 411), as amended, is hereby amended to read as follows:

"(1) During the time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise, and under such rules and regulations as he may prescribe, by means of instructions, licences, or otherwise--

"(A) investigate, regulate, or prohibit, any transactions in foreign exchange, transfers of credit or payments between, by, through, or to any banking institution, and the importing, exporting, hoarding, melting, or earmarking of gold or silver coin or bullion, currency or securities, and

"(B) investigate, regulate, direct and compel, nullify, void, prevent or prohibit, any acquisition holding, withholding, use, transfer, withdrawal, transportation, importation or exportation of, or dealing in, or exercising any right, power, or privilege with respect to, or transactions involving, any property in which any foreign country or a national thereof has any interest, by any person, or with respect to any property, subject to the jurisdiction of the United States; and any property or interest of any foreign country or national thereof shall vest, when, as, and upon the terms, directed by the President, in such agency or person as may be designated from time to time by the President, and upon such terms and conditions as the President may prescribe such interest or property shall be held, used, administered, liquidated, sold, or otherwise dealt with in the interest of and for the benefit of the United States, and such designated agency or person may perform any and all acts incident to the accomplishment or furtherance of these purposes; and the President shall, in the manner hereinabove provided, require any person to keep a full record of, and to furnish under oath, in the form of reports or otherwise, complete information relative to any act or transaction referred to in this subdivision either before, during, or after the completion thereof, or relative to any interest in foreign property, or relative to any property in which any foreign country or any national thereof has or has had any interest, or as may be otherwise necessary to enforce the provisions of this subdivision, and in any case in which a report could be required, the President may, in the manner hereinabove provided, require the production, or if necessary to the national security or defense, the seizure,

- 2 -

of any books of account, records, contracts, letters, memoranda, or other papers, in the custody or control of such person; and the President may, in the manner hereinabove provided, take other and further measures not inconsistent herewith for the enforcement of this subdivision.

"(A) Any payment, conveyance, transfer, assignment, or delivery of property or interest therein, made to or for the account of the United States, or as otherwise directed; pursuant to this subdivision or any rule, regulation, instruction, or direction issued hereunder shall to the extent thereof be a full acquittance and discharge for all purposes of the obligation of the person making the same; and no person shall be held liable in any court for or in respect to anything done or omitted in good faith in connection with the administration of, or in pursuance of and in reliance on, this subdivision, or any rule, regulation, instruction, or direction issued hereunder.

"(3) As used in this subdivision the term 'United States' means the United States and any place subject to the jurisdiction thereof, including the Philippine Islands, and the several courts of first instance of the Commonwealth of the Philippine Islands shall have jurisdiction in all cases, civil or criminal, arising under this subdivision in the Philippine Islands and concurrent jurisdiction with the district courts of the United States of all cases, civil or criminal, arising upon the high seas: Provided, however, That the foregoing shall not be construed as a limitation upon the power of the President, which is hereby conferred, to prescribe from time to time, definitions, not inconsistent with the purposes of this subdivision, for any or all of the terms used in this subdivision."

Section 302. All acts, actions, regulations, rules, orders, and proclamations heretofore taken, promulgated, made, or issued by, or pursuant to the direction of, the President or the Secretary of the Treasury under the Trading With the Enemy Act of October 6, 1917 (40 Stat. 411), as amended, which would have been authorized if the provisions of this Act and the amendments made by it had been in effect, are hereby approved, ratified, and confirmed.

You will note that these sections amend section 5(b) of the Trading With the Enemy Act of October 6, 1917, as amended, pursuant to which freezing control has been administered.

With the approval of the President, and for the purpose of dealing with the Philippine situation, all of the powers and authority conferred upon the President under the above-quoted provisions of law are hereby delegated to you in so far as the Philippines are concerned.

In addition, I am allocating \$100,000.00 from the appropriation entitled "2020120, Salaries and Expenses, Foreign Exchange Control, 1942" to cover your initial expenses in carrying out this program. Please forward to me at once an estimate of the amount of funds (by month) that you feel you will need during the next three months.

It will of course be necessary for you, in cooperation with the military and Commonwealth Government authorities, to formulate a program for dealing with this emergency situation. We will be glad to cooperate with you and

- 3 -

offer advice and suggestions on any points you may care to raise but we do not want you to feel that you must wait for instructions from Washington. You will be advised from time to time as plans are developed for dealing with enemy property.

The powers conferred by the statute are very broad. Congress expects that complete records will be established and maintained with respect to property seized or otherwise received in your custody. Please be guided accordingly.

You are authorized to take any steps you deem appropriate to make public the authority herein conferred on you.

H. Morgenthau, Jr.,
Secretary of the Treasury.

SWOPE.

TO: .

127

Miss Chauncey

Mr. Foley carried
to Secretary but
did not initial -

12-23-41. Orig. ^{which was} ~~and~~ only
copy of Schedule referred to
was transmitted with attached
letter to Vice President.

MR. FOLEY

TREASURY DEPARTMENT

128

INTER OFFICE COMMUNICATION

DATE

December 23, 1941.

Secretary Morgenthau

FROM
Mr. Foley

There is attached hereto the first part of a schedule of materials held for foreign nationals in the United States. This information has been derived from reports we have received on Form TFR-300, and the attached schedule represents approximately one-third of the total list we are compiling, and which will be completed shortly.

Some of the material referred to in such schedule is, of course, non-strategic and in other instances the material is already being devoted to war purposes. However, the schedule should provide valuable leads to appreciable stores of strategic materials which can be devoted to more pressing war needs.

You may wish to turn the attached and subsequent lists over to the Vice President as Chairman of the Supplies Priorities Allocation Board with the suggestion that the appropriate officials of SPAB get in touch with this Department in order that arrangements may be made for this material to be directed into defense uses. A letter of transmittal is attached.

Some of the significant items in the attached schedule have been checked in red pencil.

DEC 23 1941

Dear Mr. Vice President:

As Chairman of the Supplies Priorities Allocation Board I thought you might want to have the attached schedule of materials held for foreign nationals in the United States.

This information has been taken from the census reports of all foreign-owned property which have been filed with the Treasury Department. The attached material represents only about one-third of the total as we have not as yet completed our examination of all the reports.

Should your people be interested in any of the materials I suggest that they contact Mr. John Mehle, of the Foreign Funds Control Division, who will furnish any additional information that is needed in order to make them available for defense uses.

Sincerely yours,

The Vice President

(Signed) H. Morgenthau, Jr.

United States Senate.

Enclosure.

HMF:33/mp 12/23/41

Orig. & enc. sent from D.C. office at 5:30 pm. - 12-23-41.

DEC 23 1941

My dear Mr. President:

I am enclosing report on our exports to some selected countries during the week ending December 13, 1941.

Faithfully,
(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The President,
The White House.

Enclosure

*Delivered by Secret Service
12:50*

nmc

HDW:meh
12/19/41

Ret. to Secy's Office

December 19, 1941

Exports to Russia, China, Burma, Hong Kong, Japan, France and other blocked countries, as reported to the Treasury Department during the week ending December 13, 1941

1. Exports to Russia

Exports to Russia as reported to the Treasury during the week ending December 13, 1941 amounted to more than \$12,000,000, the largest total for any single week since July 28. The principal items were landplanes, military tanks and motor trucks. (See Appendix C.)

2. Exports to China, Burma and Hong Kong

Exports to Free China were valued at approximately 12,340,000 as compared with 1791,000 during the previous week. Cartridges, passenger cars, scout cars and automobile parts for replacement were the main items. (See Appendix D.) Exports to Occupied China amounted to nearly \$700,000, the largest figure for any single week during the past 7 months. (See Appendix E.)

Exports to Burma totalled only \$18,000. (See Appendix F.)

No exports to Hong Kong were reported during the week under review.

3. Exports to Japan

No exports to Japan were reported during the week under review.

4. Exports to France

No exports to France were reported during the week ending December 13, 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 EXEMPTED COUNTRIES
AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED
DURING THE PERIOD INDICATED 1/**

July 28 to December 13, 1941.

(In thousands of dollars)

	<u>July 28 to Nov. 22</u>	<u>Week ended December 6</u>	<u>Week ended December 13</u>	<u>Total Domestic Exports</u>
U. S. S. R.	\$54,497	83,609	\$12,040	870,146
Occupied China	10,523	61	678	11,262
Free China	25,201	791	2,337	28,329
Japan	1,870 2/	3/	-	1,870
Burma 2/	6,716	64	18	6,798
France 1/	6	-	-	6
Occupied France	2	-	-	2
Free France	.4	-	-	.4
Spain	2,216	-	1	2,217
Switzerland	4,619	237	161	5,017
Sweden	10,192	188	17	10,397
French Indochina	353	24	17	394

Treasury Department, Division of Monetary Research

December 17, 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 28 to August 23, inclusive, and shipped prior to freezing orders. Domestic exports from August 23 through week ending November 29, amounted to \$6,053.
- 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

AM:mar 12/17/41

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 - December 6, 1941

(Thousands of Dollars) 1/

			Exports to China		Exports to Burma 3/	Exports to Hong Kong	Exports to Japan	Exports to U.S.S.R.
			Total	To Japanese controlled ports	To Chinese controlled ports			
July 28 - Aug. 2			937	542	395			
Aug. 4 - Aug. 9			2,794	2,794	-		1,657	4,553
Aug. 11 - Aug. 16			1,278	969	309		159	553
Aug. 18 - Aug. 23			1,352	1,350	2		42	986
Aug. 25 - Aug. 30			736	735	1		6	2,735
Sept. 2 - Sept. 6			897	693	204		-	1,023
Sept. 6 - Sept. 13			3,038	2/ 757	2,281 2/		-	4,860
Sept. 15 - Sept. 20			3,978	2/ 156	3,822 2/		-	5,217
Sept. 22 - Sept. 27			462	352	110		-	732
Sept. 29 - Oct. 4			1,305	80	1,225	449	-	2,333
Oct. 6 - Oct. 11			5,864	552	5,312	684	-	333
Oct. 13 - Oct. 18			272	267	5	1,157	297	6,845
Oct. 20 - Oct. 25			668	399	269	35	-	1,924
Oct. 27 - Nov. 1			5,210	438	4,772	403	-	5,623
Nov. 3 - Nov. 8			1,836	164	1,672	58	-	4,484
Nov. 10 - Nov. 15			3,009	158	2,851	342	5	4,532
Nov. 17 - Nov. 22			1,701	473	1,228	86	-	2,677
Nov. 24 - Nov. 29			3,399	120	3,279	1,021	-	3,251
Dec. 1 - Dec. 6			852	61	791	1,364	1,325	2,536
Dec. 8 - Dec. 13			1,025	688	2,317	64	-	3,659
						18	-	12,040
Total			42,573	11,748	30,825	5,683	11,629	70,494

STRICTLY CONFIDENTIAL

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.

APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the week ending December 13, 1941

(Thousands of Dollars)

TOTAL EXPORTS

\$ 12,040

Principal Items:

Landplanes, powered	4,829
Military tanks and parts	1,843
Motor trucks (1 to 1½ tons)	1,122
Motor trucks (1½ to 2½ tons)	790
Aviation gasoline	621
Boots and shoes	268
Explosive shells and projectiles	270
Sole leather	243
Other aircraft engine parts and accessories	232
Hard winter wheat	192
Coated wire of iron or steel	186
Aluminum plates, sheets, bars, strips and rods	163
Barbed wire	136
Motor trucks (under 1 ton)	134
Metallic cartridges	132
Anti-knock compounds	104
Engine lathes	95

Treasury Department, Division of Monetary Research December 18, 1941

STRICTLY CONFIDENTIAL

APPENDIX D

Principal Exports from U.S. to Free China
as reported to the Treasury Department
during the week ending December 13, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO FREE CHINA

\$ 2,337

Principal Items:

Cartridges	606
Passenger cars	278
Scout cars	254
Automobile parts for replacement	211
Cotton sheeting	152
Cotton blankets	139
Motorcycles	136
Steel bullet jacket cups	92

Treasury Department, Division of Monetary Research December 18, 1941

STRICTLY CONFIDENTIAL

APPENDIX E

Principal Exports from U.S. to Occupied
China as reported to the Treasury Department
during the week ending December 13, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO OCCUPIED CHINA

\$ 655

Principal Items:

Vitamines and vitasterols, n.e.s.	127
Leather and tanned skins	88
Barbital	85
Other medicinal and pharmaceutical preparations	73
Fruits and preparations	53
Wheat flour	22
Other industrial chemicals	20
Dried whole and skimmed milk	20
Bicarbonate of soda	17
Toilet preparations	17
Bottle and container closures	16
Other coal-tar products	15

Treasury Department, Division of Monetary Research December 18, 1941

STRICTLY CONFIDENTIAL

APPENDIX F

Principal Exports from U. S. to Burma
as reported to the Treasury Department
during the week ending December 13, 1941

(Thousands of Dollars)

TOTAL EXPORTS

\$ 18

Principal Items:

Wire nails	7
Galvanized wire	2
Household and personal effects	2
Auto replacement parts	2
Pharmaceutical preparations	1
Tires and tubes	1

Treasury Department, Division of Monetary Research December 19, 1941

STRICTLY CONFIDENTIAL

COORDINATOR OF INFORMATION
WASHINGTON, D. C.

December 23, 1941

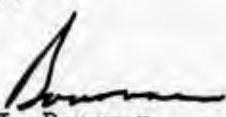
The Honorable

The Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

Thank you very much for sending
me the report on our exports to some
selected countries during the first week
of this month.

Sincerely,


William J. Donovan

FEDERATION OF BRITISH INDUSTRIES



21, TOTHILL STREET,
LONDON, S.W.1.

23rd December, 1941.

PERSONAL.

Henry Morgenthau, Esq., Jnr.
Secretary of the Treasury,
Washington,
U.S.A.

Dear Mr. Morgenthau

I have just received your kind note of the 18th November. I am glad indeed to know that Ian Hay's "The Battle of Flanders" reached you safely, and that you looked forward to reading it.

I did not want to bother you unduly so I did not write to you after your letter of the 3rd September reached me. May I tell you now that I treasure it as quite the most beautiful letter which I have either received, or read, in all my life. It touched me very deeply and I thank you for it from my heart.

I had been in the habit of sending odd publications to Arthur Purvis from time to time. Having heard so much of you from him, and after

Receiving your letter the thought came to me
that perhaps you might care for them: - so
I sent one or two and shall send other really
interesting ones as and when they appear.

One day I do hope it may be my good
fortune to meet you.

*Yours sincerely
Louis Macanville*

WILLARD HOTEL,

Washington, D.C.,

December 23, 1941.

Dear Mr. Secretary,

I referred to the United Kingdom Treasury the question you put in your letter of the 5th of December, and am instructed to say that they regret that they do not feel able to agree that the figures submitted to you weekly of our available gold and dollars should be given to the Federal Reserve System.

Yours sincerely,

F Phillips

My Honourable

Henry Morgenthau, Jr.

Secretary of the Treasury,

Washington, D. C.

DEPARTMENT OF STATE
WASHINGTON

December 23, 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. 319, dated December 22, 1941, to the American Embassy, Chungking, China, concerning transmission to the Chairman of the Stabilization Board of China tested cable addressed by the Federal Reserve Bank of New York to the Stabilization Board of China.

Enclosure:

To Embassy, Chungking,
No. 319, December 22, 1941.

Copy:vw:1-2-42

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Chungking, China.
DATE: December 22, 1941, 5 p.m.
NO.: 319.

Reference is made to the Embassy's telegram No. 495, dated the 10th of December, 4th paragraph; Pursuant to request of the Federal Reserve Bank of New York as fiscal agent of the U.S., please transmit to the Chairman of the Stabilization Board of China the following tested cable addressed to the Board, Chungking, China;

"Number 33

First Paragraph. The 20th of December 1941 is the date of this message. 207 is the new permanent number which became effective the 20th of December. Please transmit by cable through American Embassy, Chungking, China, confirmation of your understanding.

Second Paragraph. Please refer to your telegram No. 2 from Hong Kong, and our telegram No. 1 to Chungking, and let us know via cable the place of the Board's operations both for messages which we may send and instructions which may be given to us. Also advise by cable the new address for mailing. (Test 289)"

HULL
(FL)

December 23, 1941.

Telephone Conversation Between Mr. Knoke of
the Federal Reserve Board and Mr. White
December 23, 1941 - 5:15 p.m.

Mr. Knoke: "You probably know that the Central Bank of China has requested that we suggest a man as an advisor -- what they call an expert in the general field of policy as well as matters of currency and foreign exchange. I am reading from a letter the Chinese Ambassador wrote to Eccles in reply to our request that he find out what was involved.

"I received a telegram from Dr. Kung as follows: We desire the services of an expert in the fields of central banking policy as well as matters of foreign exchange. The length of service will be for one year in Chungking -- will travel -- salary \$1500 U. S. dollars plus traveling expenses, plus residence expense."

Mr. Knoke went on to say that he did not think that sending a man out to Chungking was "very realistic in prevailing circumstances. I am very doubtful whether we could prevail upon anybody at the present moment to go to Chungking for a year. It seems to me that the war has definitely changed the situation."

Mr. White agreed that the situation might be such now that the Chinese may have changed their minds, but suggested that he would make inquiries of the Chinese Government and let Mr. Knoke know. Mr. Knoke thought that it would be desirable for Mr. White to contact the Chinese again to see if they still wanted a man.

Mr. Knoke: "It seems to us unless the Treasury feels strongly on that point, we would strongly suggest that this matter be held in abeyance. That would be my own reaction. My personal opinion is that it would be very difficult."

Mr. Knoke said he wanted to raise the second point. He said that Mr. Gautier was in to see him on December 22 and he went on to say: "He turns to us because we have been their correspondent for 20 years.

"It is not within our scope, nor is it our intention to comment upon or make suggestions as to administration policy, nor would we have considered recommending anything that runs counter to the New Deal program. I

- 2 -

Division of Monetary
Research

talked the matter over with Mr. Sproul. From the technical viewpoint we would like to say this — I would like to repeat what we said before to Mr. Cochran some months ago. 'We find it difficult to see how Germany or the Axis powers would be helped if these transactions were approved, since the gold remains under control here. The gold as well as the funds remains under control.'

Mr. White said that the Treasury was always glad to have Mr. Knoke's views and that he would be glad to submit his views at the next meeting of the Foreign Funds Committee. Mr. White told Mr. Knoke that the Swiss had been told that the question was going to be raised again for consideration at the next meeting.

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Treasury Department
Division of Monetary Research

Date Dec. 23, 1941¹⁹

To: Secretary Morgenthau

I think you will be interested in glancing at the outline of Niemeyer's suggestions for China.

We are preparing here a memorandum on each one of the suggestions and will be prepared to take them up with you when the recommendations are presented to us directly for comment or action.

Item (e) is of particular interest to the Treasury.

H.D.W.

MR. WHITE
Branch 2058 - Room 214¹/₂

TREASURY DEPARTMENT

147

INTER OFFICE COMMUNICATION

DATE December 23, 1941

TO Mr. White
FROM Mr. Friedman

Subject: Telegram from American Ambassador, Chungking, reporting suggestions from Sir Otto Niemeyer regarding Chinese financial situation.

1. Memorandum prepared by Sir Otto Niemeyer recommended urgent consideration be given by China to problems caused by blocking of approaches to China from abroad. China should consider
 - (a) taking an inventory of essential war materials in China; making arrangements to ration these materials and, if necessary, to prohibit their private use and examining into practical means of supplying deficiencies;
 - (b) centralizing absolute control of transport priorities from Burma;
 - (c) organizing and encouraging production of domestic handwork of articles of daily use;
 - (d) controlling by a joint banking committee the granting of credits by private banks and the rates of interest paid by such banks on deposits and advances;
 - (e) taking immediate steps to assure as much foreign support as it is practical to use for the issue for subscription by the Chinese public of an internal loan;
 - (f) taking immediate steps for distribution in large cities of some of rice collected as taxation at prices somewhat lower than those at present officially established.
2. According to the British Ambassador, Sir Otto has found it impossible to interest the Minister of Finance, who is now ill, in facing these and related problems.
3. The British Ambassador suggested that the situation might be presented to the Generalissimo by himself and by Ambassador Gauss. Ambassador Gauss counter suggested that Sir Otto make his suggestions directly to the Generalissimo. British Ambassador appeared to be disposed to accept his suggestion.

C
O
P
Y

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DEPARTMENT OF STATE

WASHINGTON

December 22, 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. 515, dated December 21, 1941, from the American Embassy, Chungking, China, reporting suggestions from the head of the British Economic Mission to China regarding the Chinese financial situation.

Enclosure:

From Embassy, Chungking,
No. 515, December 21, 1941.

Copy:lc:12/23/41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China.

DATE: December 21, 1941, 9 a.m.

NO.: 515.

This morning I was handed by the British Ambassador a copy of a memorandum prepared by Sir Otto Niemeyer, Chief of the British Economic Mission to China. The memorandum recommended that in view of the serious situation with which China is faced because of the outbreak of war in the Pacific, immediate urgent consideration should be given by China to the problems caused by the blocking of approaches to China from abroad which will probably result in China receiving little if any imports from abroad for six months or more. This will affect the budget of China but will much more widely effect the general economy of China. The memorandum recommended that China consider: 1. Taking an inventory of essential war materials in China, such as arsenal supplies, essential metals and chemicals, ordinary gasoline, high octane gasoline, bank notes, and paper for making bank notes, making arrangements to ration these materials and, if necessary, to prohibit their private use, and examining into practical means of supplying deficiencies; 2. Centralizing absolute control of transport priorities from Burma; 3. Organizing and encouraging production by domestic handwork of articles of daily use; 4. Controlling by a joint banking committee the granting of credits by private banks and the

-2-

rates of interest paid by such banks on deposits and advances;
5. Taking immediate steps to assure as much foreign support as it is practical to use for the issue for subscription by the Chinese public of an internal loan which will reduce inflation pro tanto; and, (6) in view of what is reported to be satisfactory progress of collecting rice as taxation in kind, taking immediate steps for distribution in large cities of some of this rice at prices somewhat lower than those at present officially established, and to give wide publicity to this fact.

According to the British Ambassador, Sir Otto has found it impossible to interest the Minister of Finance (who frequently of late has been ill and is now ill) in facing these and related problems.

The Ambassador suggested that the situation might be represented to General Chiang by himself and me. I made the counter suggestion that Sir Otto, as a financial expert and economist of high reputation on an economic mission here by invitation from Chiang to the British Government, under the circumstances should make his recommendations directly to Chiang in outline in simple terms and should stress the need for considering and acting on them. This, I suggested, would be a more effective approach than for the two Ambassadors, acting without instructions from their Governments, to make representations on problems which are principally Chinese

-3-

internal problems. The British Ambassador appeared to be disposed to accept my suggestions as to the lines on which he should advise.

Niemeyer outlined the present situation in China to Vincent on lines which I am reporting by separate message.

GAUSS

Copy:lc:12/23/41

DEC 23 1941

Gentlemen:

Attention: E. J. Cameron

Reference is made to your letter of December 18, 1941, relative to the arrangement for the purpose of supplying the Republic of China with United States dollar exchange.

You are hereby authorized and requested, as fiscal agent of the United States, to send the following cable to the Central Bank of China:

"With reference to your cable number 20 requesting a further extension of the arrangement between us for purpose of supplying Republic of China with dollar exchange the Secretary of the Treasury has authorized us as fiscal agent of the United States to modify further paragraph 6 of our letter of July 14, 1937, as modified, by deleting 'December 31, 1941' wherever such words and figures appear in such paragraph as modified and inserting in lieu thereof 'June 30, 1942'. Please confirm your agreement to such modification of the arrangement."

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Federal Reserve Bank of New York,
33 Liberty Street,
New York, New York.

FDHMA 12/19/41

File to Luntich
YMC

HENRY L. STIMSON
SECRETARY OF WAR

FRANK KNOX
SECRETARY OF THE NAVY

WILLIAM S. KNUDSEN
DIRECTOR GENERAL

154
SIDNEY HILLMAN
ASSOCIATE DIRECTOR GENERAL

OFFICE OF PRODUCTION MANAGEMENT
OFFICE OF THE DIRECTOR GENERAL
WASHINGTON, D. C.

December 23, 1941

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury

My dear Mr. Secretary:

Thanks very much for your letter of
December 22 and I have transmitted the informa-
tion to my representative in New York. I am
hopeful that arrangements will be completed
this week.

Sincerely,


William S. Knudsen

My personal thanks for action
W

DEC 23 1941

My dear Count Coudenhove-Kalergi:

I was very much interested in your letter of December 5, 1941, relating to the de facto recognition by the United States of Austria as not annexed to Germany but merely German-occupied territory. It is especially heartening, at this time, to find that so distinguished a group of Austrians wish to disassociate themselves from Germany, her ambitions and her misdeeds.

You are aware, of course, that the substantial question involved falls exclusively within the jurisdiction of the State Department. I am confident that your proposal will receive careful consideration from that Department.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Count R.N. Coudenhove-Kalergi,
President of the Pan-European Union,
New York University,
New York, New York.

DD:rmw
12/18/41

WMC
File in Thompson

1201 PALISADE AVENUE
NEW YORK CITY

December 5, 1941

His Honor
Mr. Henry Morgenthau,
Secretary of Treasury,
Treasury Department,
Washington D.C.

My dear Secretary,

I enclose you the copy of a petition to your Government concerning the matter I discussed with you recently. I forwarded the original of it to the President and a copy to the Secretary of State.

As I do not know if this petition ever reaches the desk of the President, I should be extremely obliged to you if you could inform him of this initiative for the repeal of the American de facto-recognition of the Anschluss in 1938.

Such a repeal would have no practical difficulties, after you never have recognized the Anschluss de jure, and after your consuls have recently been withdrawn from the Austrian territory.

If the U.S.A. would act in this sense, Austria would be placed on the same international level as the territory of Danzig, that also has no Government in Exile and still is not being considered as a part of Germany, but only as an occupied territory.

Such a clarification of the status of Austria as occupied and not annexed territory would be a first step toward a future organization of Europe, breaking for ever with the conception of Pan-Germany and repairing all crimes committed by Hitler's invasions.

The further importance of this petition lies in the fact, that it unites for the first time the names of almost all leading representatives of Austria in the U.S.A.: politicians, scholars and artists belonging to very different parties, from the brother of Anschluss Otto to a member of the executive board of the Social-Democratic party in exile.

This document can therefore be considered as the first practical expression of unity within Austrian opinion since the Anschluss, and of the unanimous desire of all Austrian patriots.

I should be extremely obliged to you if it could draw the

President's attention on this matter and give us your moral support
for the liberation.

Very sincerely

yours,

Rudolf N. Coudenhove-Kalergi

R.N. Coudenhove-Kalergi

TREASURY DEPARTMENT

1941 DEC 9 AM 9 07

OFFICE
SECRETARY OF TREASURY

RECEIVED
DEPARTMENT OF AGRICULTURE

Monetary

To the Government of the United States of America:

for all Austrians who are anxious to recover the lost independence of their unhappy country, we thank you for having generously accepted the principle of the Atlantic Charter, wishing

"to see sovereign rights and self government restored to those who have been forcibly deprived of them."

Austria, after her heroic resistance of more than five years, has been forcibly deprived, not only of her sovereign rights and self government, but even of her name. This annexation has been preceded by military invasion, accompanied by a wave of terrorism and followed by a forged plebiscite.

We appeal to you to take a first step toward the reparation of this international crime, by the

repeal of any recognition of Austrian Annexation,
thus transforming the international status of Austria from that of a German province into that of an occupied country.

RN Coudenhove-Kalergi

Count R.N. Coudenhove-Kalergi, Ph.D.
President of the Paneuropean Union
New York University, N. Y.

December 4, 1941

Notaries:

Archduke Felix of Austria M.P.

Hard Beer-Hofmann M.P.

to Benes M.P.

go Burghannier M.P.

J. Freundlich M.P.

as Ernest Fried M.P.

obert Heine M.P.

ietrich von Hildebrand M.P.

rich Heine M.P.

to Kallir M.P.

r. Franz Klein M.P.

Signatories:

Archduke Felix is the third son of Emperor Charles and Empress Zita of Austria-Hungary.

Dr. Richard Beer-Hofmann, poet and dramatic author.

Dr. Otto Benes, former custodian of the Albertina Museum, is now custodian of the Fogg Art Museum at Harvard University, Cambridge, Mass.

Hugo Burghannier was the director and conductor of the famous Philharmonic Concerts in Vienna.

Dr. Jacques Freundlich is a member of the executive board of the Austrian Social-Democratic party in exile; he was a member of the Austrian Supreme Court and President of the Austrian Labor Bank.

Dr. Hans Ernest Fried is Research Associate of the New School for Social Research and lecturer at Columbia University, New York.

Baron Robert von Heine-Geldern, former Professor of the Vienna University, now at the American Museum of Natural History, New York City.

Dr. Dietrich von Hildebrand, former Professor at the Vienna University, now Professor at Fordham University, New York.

Dr. Erich Heine, former Professor at the Cologne University, now Professor at the New School for Social Research, New York.

Dr. Otto Kallir, Chairman of the "Austrian League".

Dr. Franz Klein is editor of the "Voice of Austria" New York

- S. Lichtblau M.P.
Ernest Harvey Lichtblau, former Professor at the High School for Architecture in Vienna, now Professor at the American School of Design, New York.
- O. Otto Loewi, M.P.
Dr. Otto Loewi, former Professor at the University of Graz, was rewarded with the Nobel-Prize and is now Professor at New York University, New York.
- H. Hermann Mark M.P.
Dr. Hermann Mark, former Professor at the Vienna University, is now Professor at the Polytechnical Institute of Brooklyn, N.Y.
- Dr. Eugen Kischhofen-Wertheimer M.P.
Dr. Eugen Kischhofen-Wertheimer, former Secretary of the League of Nations, is now Professor at the American University, Washington D.C.
- Ida Roland M.P.
Ida Roland (Countess Coudenhove-Kalergi) was tragedian at the National (Burg) Theatre in Vienna.
- F. M. Oesterreicher M.P.
Reverend Father Johannes M. Oesterreicher, former Professor at the University of Vienna, is now Professor at Fordham University, N.Y.
- William S. Schlamm M.P.
Dr. William S. Schlamm, former editor of the "Weltbühne", is the author of "This Second War of Independence".
- Hedwig Schleiffer M.P.
Dr. Hedwig Schleiffer, is librarian at the Harvard University Library, Cambridge, Mass.
- Richard Schmeller M.P.
Dr. Richard Schmeller, former Minister and head of the Economic Department of the Foreign Office in Vienna, is now chairman of the "Austrian Council" New York.
- Walter von Schmoeznigg M.P.
Walter von Schmoeznigg, former Austrian Consul in Rio de Janeiro.
- Ernst Walter M.P.
Ernst Walter, former conductor at the National Opera in Vienna, is now conducting at the Metropolitan Opera, New York.
- Franz Werfel M.P.
Dr. Franz Werfel, poet and novelist.

Members:

J. Gruenebaum M.P.
Herg Bittner M.P.
H. Fischer M.P.
Raoul Auerhainer M.P.
Hr Kaufmann M.P.
Stephan Fossong M.P.
Arthur Lenhoff M.P.
Hiljo de Hofmannsthal M.P.
Thomas A. Michaels, Ph.D. M.P.
Max Brand M.P.
Richard Stöhr M.P.
Karl Weigl M.P.
René Kraus M.P.

Signatories:

Dr. Gustave von Gruenebaum, former Professor at the Oriental Department of the Vienna University, now Professor at the American Institute for Iranian Art and Archaeology, New York.

Dr. Georg Bittner, former editor of the "8 Uhr Blatt" in Vienna.

Dr. Paul Fischer, Instructor at the University of Maine, Orono, Maine.

Dr. Raoul Auerhainer, author and playwright, is chairman of the Austrian Group of the PEN-Club.

Dr. Felix Kaufmann, is Professor at the New School for Social Research, New York.

Dr. Stephan Fossong, political author, is teaching at the Institute for Advanced Studies, Princeton, N.J.

Professor Arthur Lenhoff, former Professor at the Vienna University, now Professor at the University Buffalo, N.Y.

Dr. Emil von Hofmannsthal, Vice-President of the Austrian Branch of the International Law Association.

Father Thomas A. Michaels, O.S.B., former Professor at the Salzburg University, now at Saint Michaels College, Vermont.

Dr. Max Brand, Composer and lecturer.

Dr. Richard Stöhr, Professor at the Vienna Conservatory, is now at St. Michaels College, Vermont.

Dr. Karl Weigl, former Professor at the New Vienna Conservatory of Music, is now at the Julius Hartt Musical Foundation, Conn.

René Kraus, former editor of the "Neuen Wiener Journal", is author of the books "Winston Churchill" and "Men around Churchill".

Treasury Department

TELEGRAPH OFFICE

1013 WA 23 DL

NR NEWYORK NY DEC 3 1941 122P

RECEIVED BY HENRY MORGENTHAU

1941 DEC 23 PM 2 39

WASHDC

PLEASE GIVE CHURCHILL A COPY OF MY LAST MEMORANDUM AS I TRY TO SEE
HIM TO EXPLAIN DETAILS. SINCEREST CHRISTMAS WISHES AND THANKS

RICHARD CROUDENHOVE KALERGI

234PM

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Algiers, Algeria

DATE: December 23, 1941, 6 p.m.

NO.: 669

This telegram contains a message from Mr. Murphy.

Reports have been received from an official source which is believed to be reliable that a shipment of three tons of gold from Algiers to Marseille will be sent by plane on the 24th of December and that another eight tons are to be shipped in the same way on the 26th of December according to schedule.

This telegram was also sent to Tangier, Morocco.

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 640.51 Foreign Credits/4709

December 28, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of telegram no. 313 of December 17, 1941 from Caracas, quoting a decree in translation which appeared in the December 16 issue of the official gazette, concerning provisions taken by Venezuela to control funds, credit and rights belonging to or in which the governments or nationals of states at war with an American nation may have an interest for the purpose of avoiding damages resulting therefrom.

Enclosure:

From Caracas,
December 17, 1941.

Copy: 63:13-26-41

Caracas

Dated December 17, 1941

Rec'd. 10:37 p.m.

Secretary of State,

Washington.

RUSA.

305, Seventeenth.

Official gazette December 16 contains following decree (translation) "Isaias Medina A President of the United States of Venezuela in order best to carry out the purposes sought by the prohibitions and restrictions established in the decree of December 11, 1941, and for the purpose of avoiding damages resulting from operations concerned with funds credit and rights belonging to, or in which the governments or nationals of states at war with an American nation may have an interest, undertaken in the name persons enterprises or intermediary companies, or whose purposes or result be to conceal or remove them in any manner from the effects of the said decree; in the use of attribute 23 of Article 100 of the National Constitution in conformity with Article 36 and in applying numeral one of Article 15 of the said constitution and in accordance with the advice of the Ministers in Council: decrees:

Article 1. The restriction of the exercise of individual guarantees provided for in numerals two, eight and nine of Article

-2-

32 of the National Constitution established in Article one of the decree of December 11, 1941, is hereby extended in the terms and for the effects of the present decree.

Article 2. The Federal Executive shall subject to measures of intervention inspection and control the course of operations of all persons firms enterprises and businesses of whatever nationality, provided in its judgement, the activities of these persons enterprises or entities might be operated injuriously in respect to national or continental security or economy or might occasion an evasion of the purposes of the decree of December 11, 1941.

Article 3. The following shall be specified by virtue of orders of the Federal Executive: a (the person enterprises or entities subject to the application of the measures provided for in the present decree;) the necessary measures for inspecting the course and operations of those persons enterprises or entities so that their activities may not be exercised in detriment of continental or national security or economy; (determination of the time when application of the measures should cease by reason of the absence of necessity to continue them;) the authorities or official organizations to which the carrying out the said measures shall be delegated.

Article 4. Among the measures stated may also be included the prohibition to withdraw funds, move or transfer banking or savings accounts, to withdraw articles on deposit or securities submitted as collateral or for custody. These measures may be applied to the persons firms enterprises or entities of any nationality who the Federal Executive may consider included in the provisions of the present decree.

-3-

Article 5. The Ministers of Interior Relations of Foreign Relations and of Hacienda are specially charged with the execution of the present decree."

The decree is signed by the President of the Republic and countersigned by the Ministers of the Executive.

CORRIGAN

KLP

Copy:bj:12-26-41

DEPARTMENT OF STATE

COPY

WASHINGTON

In reply refer to
FF 840.51 Frozen Credits/4791

December 23, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith paraphrases of certain telegrams with reference to the Department's circular telegram of December 15, 1941 to all diplomatic and consular establishments in the American republics. The paraphrases are as follows:

<u>Number</u>	<u>From</u>	<u>Date</u>
303	Managua	12/18/41
421	San Jose	12/16/41
431	San Jose	12/17/41
125	San Salvador	12/17/41
---	Sao Paulo	12/18/41

The Secretary of State also transmits herewith a copy of a telegram with reference to the Department's circular telegram of December 15, 1941, which is as follows:

<u>Number</u>	<u>From</u>	<u>Date</u>
128	Tegucigalpa	12/17/41

Enclosures:

As stated.

COPY:lap-12/24/41

COPY

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Managua

TO: Secretary of State, Washington

DATED: December 18, 1941, noon

NUMBER: 303

Circular telegram of December 15, 10 p.m. is referred to.

As the Nicaraguan Government has adopted certain effective and extensive measures meeting the objective summarized and which in fact extend further than certain points in the Department's circular, the attention of the Nicaraguan Government to that circular telegram is not recommended. Further instructions requested before taking any action.

COPY:lap-12/24/41

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, San José¹
TO: Secretary of State, Washington
DATED: December 16, 1941, 8 p.m.
NUMBER: 421

Reference the Department's circular telegram of December 15.

A note revealing the steps which the United States has taken against activities of Italians, Germans and Japanese in the United States was delivered to the Foreign Office today.

In view of the danger that the enemy may learn of our special suggestions, it was felt unwise to approach the Minister for Foreign Affairs either by written communication or verbally regarding the measures we would wish them to adopt. It is proposed to confer with the President and the Minister of Public Security upon this question.

copy:kma:12/24/41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, San Jose
TO: Secretary of State, Washington
DATED: December 17, 1941, 2 p.m.
NUMBER: 431

Circular telegram of December 15 from Department.

The Military Attache and myself were received this morning by the President and the Minister of Public Security to consider the five measures which the United States has expressed a desire to see adopted.

Measures numbers two to five inclusive, they said, have already been adopted and measure number one was being placed in force immediately so that all transactions in business, finance or trade between Italy, Germany or Japan would be prevented.

Copy:ec
12-24-41

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, San Salvador
TO: Secretary of State, Washington
DATED: December 17, 1941, 3 p.m.
NUMBER: 125

Department's circular telegram of December 15. The Government of El Salvador has adopted all measures recommended except those measures pertaining to businesses of enemy nationals which are still under consideration.

Copy:ec
12-24-41

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174

MJL

Tegucigalpa

Undated

Rec'd December 17, 1941

9:47 p.m.

Secretary of State,

Washington.

128

Honduran Congress has today approved two decrees freezing all assets of Germans, Japanese and Italians. Government agents will supervise continued operations of such nationals. Comment and copies of decrees by air mail.

ERWIN

WNC

Copy:lc:12/24/41

December 23, 1941

Mr. Liversy

Mr. Dietrich

Will you please send the attached message by cable to the American Minister
to Switzerland at Berne, Switzerland.

FD:lp-12/23/41

Typed 4:05 p.m.
December 23, 1941

To: U.S. MINISTER TO SWITZERLAND, BERNE, SWITZERLAND
From: SECRETARY OF THE TREASURY

"will you please thank Mr. Royall Tyler for the letters and memoranda which he has sent to me. They have been useful and enlightening and I want him to know that I have appreciated receiving them and hope he will continue to send them."

Aut. H B W

HIM/efe
12/23/41

PARAPHRASE OF TELEGRAM SENT

TO: American Legation, Bern, Switzerland.

DATE: December 23, 1941, 7 p.m.

NO.: 380

The following is from the Secretary of the Treasury for the Minister.

Please thank Mr. Royall Tyler for sending us the letters and memoranda. I want him to know that I have appreciated getting them. I hope that he will keep on sending them because they have been enlightening as well as useful.

HULL
(FL)

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE December 23, 1941

TO Secretary Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£37,000
Purchased from commercial concerns	£8,000

Open market sterling was quoted at 4.03-3/4. The only reported transaction consisted of £2,000 sold to a commercial concern.

The Canadian dollar, after reaching a current low of 13-7/8, closed at 14-3/4, unchanged from last night.

The Argentine free peso moved off another 10 points to close at .2350.

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

Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5310
Venezuelan peso (free)	.2700
Cuban peso	Par

The Federal Reserve Bank of New York sold 250,000 Argentine pesos in New York at the rate of .2350, by order and for account of the Bank of Sweden. This makes a total of 1,250,000 Argentine pesos which the Federal has sold for the Swedish bank since December 15.

There were no purchases or sales of gold effected by us with foreign countries today.

In order to increase the Stabilization Fund's gold balance, we purchased \$20,000 in gold from the General Fund, through the New York Assay Office.

No new gold engagements were reported.

In London, spot and forward silver were unchanged at 25-1/2d and 25-9/16d, respectively. The U. S. equivalents were 42.67¢ and 42.76¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Gandy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

BRITISH EMBASSY
WASHINGTON, D.C.

December 23rd, 1941.

personal and Secret.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

(For the Ambassador)

R. I. Campbell

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

BRITISH (COST SECRET)

(U.S. SECRET)

WTEL No. 45

Information received up to 7 a.m., 22nd December, 1941.

(I) NAVAL

An Auxiliary Aircraft Carrier escorting a homeward Gibraltar convoy was sunk by U-boat yesterday 500 miles West of CAPE FINISTERRE, some ships of the convoy have also been torpedoed. Aircraft from the Auxiliary Aircraft Carrier yesterday morning sighted a U-boat with a hole in her side transferring men to another U-boat. The aircraft shot 3 men. One of H.M. submarines torpedoed a large tanker entering SUDA BAY on the 11th and another of H.M. submarines in an attack on 2 North bound merchant ships in the Gulf of TARANTO on the 13th obtained 3 hits on one and 1 on the other.

HONG KONG. 20th. Motor Torpedo Boats sank 4 enemy landing craft between KOWLOON and the Island, our losses were two Motor Torpedo Boats sunk and 1 damaged. An Oiler, two boom defence vessels and an auxiliary patrol vessel were scuttled as they were unable to steam. On the 21st, a medium sized Greek cargo vessel was damaged by mine off the East Coast and beached and a Norwegian vessel of about 5,000 tons was torpedoed.

(II) MILITARY

LIBYA. The pursuit of the enemy continues, but our columns have been hindered by sand storms and heavy rain in the coastal area our patrols have reached CYRENE and APOLLONIA. In the centre our columns are attacking 5 miles West of EL KARBUBA, where much abandoned material was found. Further South, by the morning of the 21st we had reached MSUS and are working forward to regain contact with the enemy. There are indications that the enemy is making a stand to cover the evacuation of equipment from BENGAZI.

MALAYA. The withdrawal of our forces decided upon owing to loss of aerodromes, from the Northern part of KELANTAN has been completed. Bulk of stores and equipment has been withdrawn. On the 21st, enemy pressure on ORIX road increased, one Battalion cut off during the night 19th to 20th fought its way out with about 30 casualties, Japanese suffered heavily.

(III) AIR OPERATIONS

20th to 21st. A Hudson attacked the oil depot ST. MAZARE and started fires. Bad weather prevented bombing operations. About 20 enemy aircraft were suspected sea mining off the East Coast.

- 2 -

LIBYA. 19th. Fighters inflicted heavy casualties on transport and lorry borne troops South of JEDABYA.

19th to 20th. The enemy heavily raided TOBRUK, no damage was reported.

20th. Blenheims bombed BARCE aerodrome, and others with fighter escort, were intercepted by German fighters near BARCE and forced to jettison their bombs. Three German fighters were destroyed and one probably destroyed, four Blenheims and five Tomahawks are missing.

MALTA. 21st. Bombers escorted by fighters attacked the Island causing slight damage to barracks and 5 fatal casualties. One enemy fighter was destroyed, one probably destroyed and one damaged. Two Hurricanes were lost.

MALAYA. 21st. KUALA LUMPUR aerodrome was attacked by 13 Japanese dive bombers with fighter escort. Our fighters destroyed one bomber and another was probably destroyed by anti-aircraft fire. Our losses - one fighter, pilot safe. Reported that Japanese bombers when attacked by fighters or anti-aircraft fire immediately broke formation in disorder.

BRITISH EMBASSY
WASHINGTON, D.C.

23rd December, 1941.

PERSONAL AND SECRET

Dear Mr. Secretary,

I enclose herein for your personal and secret information copies of the latest reports received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

R. I. Campbell
For the Ambassador.

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

BRITISH MOST SECRET

(U.S. SECRET)

SECRET NO. 13

Information received up to 7 a.m., 20th December, 1941.

(I) NAVAL

Aircraft catapulted from a ship escorting a homeward convoy destroyed 2 Focke Wulf aircraft and damaged a third East of the AZORES yesterday. One of H.M. submarines attacked two large Northbound merchant ships escorted by 2 destroyers in the Gulf of TARANTO on the 13th and obtained one hit with torpedo. A small British merchant vessel in homeward convoy was torpedoed early on the 19th 400 miles West of CAPE ST. VINCENT and is reported sinking. A 9,500 ton tanker in coastal convoy and carrying petrol was set on fire and abandoned off Northwest WALES yesterday evening.

(II) MILITARY

LIBYA. The pursuit of the enemy continues. By the evening of the 18th 4th Indian Division had captured DERNA aerodrome but the enemy were still in possession of the town and its defences which were reported strong. Our armoured forces were about 12 miles southwest of MEXILI with a detachment 15 miles further west. MEXILI was still occupied by the enemy. During the morning of the 19th our troops occupied both DERNA and MEXILI and the pursuit of the retreating enemy westwards along the roads DERNA-BAROE and MEXILI-SL ABIAR was continued. So far the enemy retreat has been rapid and comparatively little opposition has been met. The number of prisoners has therefore not been great although much M.T. has been captured. There are signs of considerable enemy disorganisation. In the frontier area South African forces continue the investment of enemy positions at BARDIA and near HALFAJA. The defences of BARDIA are reported to be exceedingly strong, our artillery is causing considerable damage.

MALAYA. A further withdrawal of our forces in the northwest was carried out without interference and they are now on a line 15 miles north of IPOH and are reorganising. The bombing attack on the railway mentioned yesterday caused no damage. The civil and military evacuation of PENANG was successful. Three ships have reached PORT SWETTENHAM and SINGAPORE. Coast defence guns, petrol stores, the power house and aerodrome were destroyed. Total air raid casualties in PENANG are estimated at 600 killed.

RUSSIA. The Russians claim to have occupied RUREA, the German withdrawal is continuing on the whole front from KALININ to TULA.

Regraded Unclassified

- 2 -

(III) AIR OPERATIONS

19th. A Hurricane shot down 2 German bombers into the sea.

19th/20th. Bombing operations cancelled.

LIBYA. 18th. Our bomber and fighter aircraft kept up a heavy attack on about 2,000 M.T. withdrawing westwards from MEXILI. Many vehicles were destroyed. Marylands hit at least four JU 52's dispersed on BENINA aerodrome, 18th/19th. 42 Wellingtons operated against BENIHAZI, some mines were laid and hits were scored on the moles and on M.T. near the town. A/A fire at BENIHAZI had greatly decreased. 3 Wellingtons laid mines inside TRIPOLI Harbour while 3 others bombed the town.

CENTRAL MEDITERRANEAN. 18th/19th. Naval aircraft scored hits with torpedoes on two merchant vessels of about 3,000 tons in a south bound convoy north of HOMS.

SARAWAK. 19th. Dutch Glen Martins attacked enemy vessels off the northeast coast claiming one hit and one near miss on a Japanese cruiser and a hit and two near misses on another large ship. They also claim one enemy aircraft shot down. One Glen Martin was lost.

(IV) ENEMY ACTIVITY

MALTA. 18th/19th. 7 aircraft bombed LUQA aerodrome. One Wellington on the ground was destroyed and others were damaged.

SARAWAK. 19th. Enemy aircraft continuously attacked PONTIANAK in WEST BORNEO causing considerable damage to the town. KUCHING aerodrome was bombed by 15 enemy aircraft. Aircraft casualties in operations over and from the British Isles - German, two destroyed.

BRITISH MOST SECRET

(U.S. SECRET)

SECRET (Unnumbered)

Information received up to 7 a.m., 21st December, 1941.

(I) NAVAL

20th Noon. Air reconnaissance showed PRINCE EUGEN in dry dock at BREST.

(II) MILITARY

LIBYA. 20th. At 10.30 a.m. general situation was that the continued pressure of our forward columns was keeping the enemy on the run. The majority of the remaining German Forces appear to be in the SOLUK area, while the remnants of the Italian Divisions are still North East of BENGHAZI and much disorganized. Our mobile columns which have reached EL KARRUBA are directed one on REGDMA and BENGHAZI and the other on MSUS and SCHLEIDIA. Reports so far received indicate that twelve enemy tanks were destroyed on the 19th, eight new Italian tanks were abandoned at MEKILI. Reconnaissance of TRIPOLI (L) on 19th showed that two supply ships of about six thousand and five thousand tons had arrived. A third ship of similar size was approaching the port under escort. It has now been reported that our Patrols with parachute troops dropped early in the operations, succeeded in destroying 22 enemy aircraft together with bomb and petrol stores on a landing ground thirty miles West of SIRTE.

MALAYA. On the morning of the 21st enemy reached the (?) river at MAHANG. There was no contact West of this place. Our troops are holding the line of the KURAU River and Southern end of CHENDERGH LAKE. In an action near LENDONG GRIK road on the 19th, 60 enemy dead were counted, our casualties were small. Nothing to report from KELANTAN, KUANTAN and JOHORE areas. A small detachment of British troops from MIRI arrived at SINGAPORE on 21st.

HONG KONG. The latest report at 6.00 p.m. local time 19th stated that the enemy had over run the North West corner of the Island.

RUSSIA. The Russians are maintaining heavy pressure on the MOSCOW front. Particularly in the area North West of TULA. The Germans are continuing their attack on SEVASTOPOL.

(III) AIR OPERATIONS

20th. One Hudson bombed a cargo vessel of 3,000 tons off the Norwegian coast, the ship appeared to be hit.

- 2 -

LIBYA. 19th. Light bombers and fighters attacked enemy M.T. columns retreating Westwards from the MEKILI and DERNA areas. Attacks on a large column East of EL KARRUBA were very effective. Heavy damage was done to M.T. on the BARCE-TOCRA and BENCHAZI-CHEMINES roads. Two aerodromes were bombed. During the operations 3 German fighters were shot down, our losses were two Marylands and one Beaufighter.

MALTA. Blenheims bombed SURA railway station and hit a goods shed and destroyed rolling stock. 40 aircraft were found destroyed on the aerodrome at DERNA.

(IV) ENEMY ACTIVITY

20th to 21st. 48 aircraft were operating, 30 of which were probably sea mining in the THAMES Estuary.

MALTA. 19th. 13 enemy fighters and bombers approached the Island and on the 20th 40 enemy aircraft carried out two attacks, only slight damage was caused. One German bomber was destroyed, two Italian fighters probably destroyed and three German bombers damaged, three Hurricanes are missing. Bombs dropped on 19th/20th had little effect.

SARAWAK. 19th. The raid on KUCHING aerodrome was from a high level and caused only slight damage, the town was bombed and machine gunned, 22 civilians were killed and a petrol store destroyed.

(V) C.A.F.

It is considered that the Germans will make every effort to withdraw their force in CYRENAICA, of over 200 aircraft, to bases in TRIPOLITANIA. This may, however, be impossible owing to the present inadequate ground facilities and part of the force may have to withdraw to the AEGEAN area or to SICILY.

(VI) JAPANESE AIR FORCE

There are at present about 400 aircraft in Southern INDO-CHINA and Southern SIAM. The average scale of effort against MALAYA during the first four days of the Japanese attack was about one hundred and twenty aircraft per day.

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, December 23, 1941

INFORMATION BULLETIN
No. 2
MID 461

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed.

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GERMAN ARMORED
ASSAULT ARTILLERY

SOURCE

This bulletin is based upon the report of an American official observer in Berlin. The translated article, which deals with the employment of a battery of armored assault artillery of the "Greater Germany" Infantry Regiment on the French-Luxemburg border, originally appeared in Die Woche, a German weekly magazine.

Intended propagandistic effects should not be overlooked.

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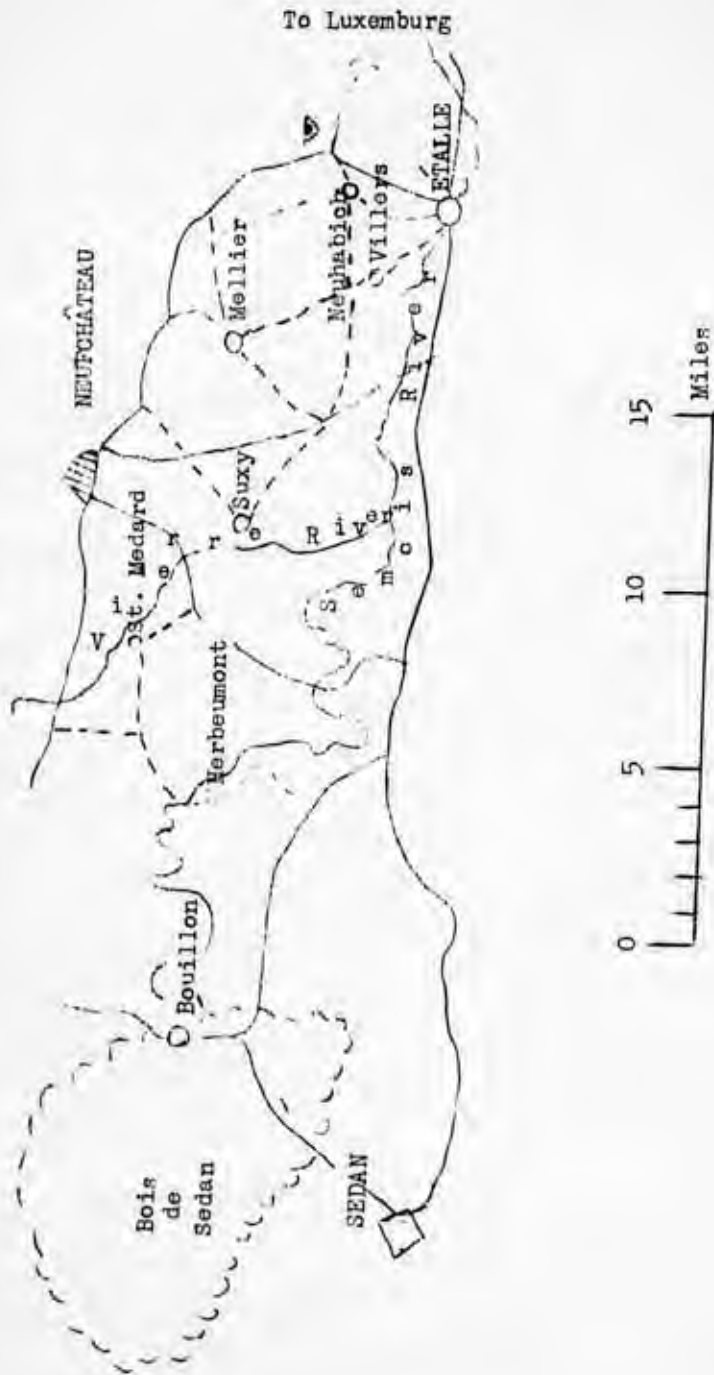


Figure 1. Area around Étalle and Neufchâteau.

GERMAN ARMORED
ASSAULT ARTILLERY

1. TRANSLATION

"A motorized platoon, with 2 antitank guns attached, constituted the leading element of our advance guard as we marched west from Vance, which is 20 miles west of Luxemburg, to Etalle (figure 1). As the vehicles approached Etalle on May 10, they encountered hostile armored scout cars, and during the ensuing engagement a report was received at regimental headquarters that Villers was occupied by French cavalry. The 2d Battalion was accordingly ordered to attack Villers immediately. For 3 hours they advanced toward the village, meeting increasing resistance, and were finally stopped at the eastern edge by strong hostile fire.

"Meanwhile the 1st Battalion, with the armored assault artillery battery attached, had arrived at Neuhabich, where the battalion commander ordered a rifle company to make contact with the 2d Battalion. Advancing slowly south from Neuhabich, the rifle company finally reached Villers, where it also met heavy resistance. The company commander, after considering the situation, sent the following oral message to the rear: 'Assault battery to the front!'

"The 3d Platoon of the armored assault artillery battery dashed forward to engage in its first fight. The platoon commander, in his command vehicle, was followed by Assault Guns No. 5 and No. 6. The platoon encountered no resistance until it arrived at the center of town, where it received heavy machine-gun fire. Two rounds from each of the assault guns silenced the machine guns.

"Assault Gun No. 6 went into action, firing at the near-by buildings. One shell exploded in a courtyard among some French cavalry horses. The animals which were uninjured galloped away, frightened by the explosion.

"Assault Gun No. 5 swung into position in the churchyard to silence hostile machine guns which were firing from two windows in a large building close by. The platoon commander ordered the gun commander to fire on this target, and two rounds from the assault gun served to silence them.

"Finally, the enemy evacuated the main street and the center of the town, but machine-gun resistance was renewed at the western edge of the village. Momentarily, it was thought that the assault guns should be sent ahead again. But the riflemen and the partially armored antitank-weapons on self-propelled mounts were able to reduce this resistance unassisted.

"The 2d Battalion remained in Villers during the night. Field kitchens were moved up, the men were fed, and medical personnel cared for the wounded. The 3d Platoon of the assault battery obtained some

rest just in rear of the front line, the men sleeping in their vehicles. The next morning, at 5 a.m., the advance guard and the 3d Platoon of the assault battery moved out toward Mellier.

"The armored assault guns soon reached a destroyed bridge across a tributary of the Semois River. The pioneers, although hard at work, had not yet completed their task here; but the guns managed to ford the river. The regimental commander, in order to get up to the front, took a seat in an assault battery munitions vehicle.

"After fording the stream, the assault guns came to a barricade of tree trunks which obstructed the road leading up a slope in one of the southern spurs of the Ardennes Forest. The driver of Assault Gun No. 5, however, stepped on his accelerator, dashed against the obstacle, and opened the way. So far, no enemy had been encountered.

"The infantry was in the lead as the advance guard moved through Mellier into a beechwood forest beyond that town. Resistance was encountered at 10:30 a.m. at a clearing in the woods. The 1st Battalion, upon emerging into the clearing, was fired upon from the direction of Suix. The leading company deployed promptly and, supported by an antitank platoon, began to advance, finally being checked at the stream just west of the town. The regimental and battalion commanders, accompanied by certain members of their staffs, observed the action from high ground east of Suix. Intense activity prevailed at the command posts. Heavy weapons were ordered up; tasks were assigned, and positions designated.

"As the heavy infantry weapons and armored assault guns were heard approaching from the rear, the battalion commander, in a quick decision, signalled his advancing reserve company to turn off and attack in the new direction.

"Five minutes after the heavy weapons arrived, they opened fire. In the meantime, the armored assault artillery battery continued to the front to assist the leading rifle companies. The riflemen slowly worked their way ahead, pressing hard against the enemy, driving him off of the high ground to the right front. Finally, one of the assault guns moved up on to this commanding terrain and quickly fired 11 rounds at a range of 800 yards into a battery of enemy horse artillery going into action. The assault gun itself, however, was then taken under fire by a French antitank battery.

"In the meantime, the German artillery opened fire and the battalion began to advance across the Vierre River. As usual, all the bridges had been destroyed and all the trucks had to be left behind, although the water was no obstacle for the infantry and the armored assault artillery.

"After crossing the river, the advance was checked again by resistance coming principally from a fortified house which stood along the route of advance. Assault Gun No. 5 went into action against

this house. The first round hit the lower left window; the second entered the attic window; the third went over the house but exploded among some retreating Frenchmen.

"By 5:30 p.m. all resistance in this vicinity had been overcome. The French reconnaissance battalion, which had attempted to stop the regiment, was completely destroyed.

"The advance continued, but the next 10 miles could be covered only by foot, for the trucks could not be moved across the river. The day's objective, however, was reached at 9 p.m.

"The performance of the armored assault artillery battery, in its initial engagements at Villers and Suzy, completely won the confidence of the infantrymen. In addition to giving support to the foot soldier in battle, this self-propelled artillery was also utilized in carrying light machine guns and mortars and in towing ammunition carts.

"On the next morning, May 12, the regiment moved through St. Medard and Herbeumont.

"On the following day, May 13, the regiment left Belgian soil, marching through Bouillon into the Bois de Sedan, and on the next morning it forced a crossing over the Meuse at Sedan, thereby clearing the road to the north for the oncoming panzer division."

3. COMMENTS OF OFFICIAL OBSERVER

a. The personnel of the "Greater Germany" Infantry Regiment is especially selected. Initially, the bulk of men of this organization came from the Berlin guard regiment. The regiment is motorized and belongs to an S.S. division.

b. The author indicates that in this particular engagement this assault artillery fulfilled the mission for which it was intended. Conversations with German military personnel and the context of other articles published in German military periodicals confirm the conclusion that this assault artillery gave important and timely assistance to the leading infantry elements on many occasions during the operations on the Western Front in the spring of 1940.

c. Since this weapon is completely armored, it conforms to the commonly accepted definition of a tank. According to published accounts, this weapon, during combat, moved forward from cover to cover, keeping generally abreast of the regimental reserve. When the advance of the leading foot elements was checked by resistance beyond the capabilities of the infantry weapons immediately at hand, the armored assault artillery was ordered forward along with other heavy infantry weapons and sometimes the regimental infantry reserve. When going into action, armored assault artillery vehicles sought suitable covered positions in the front line, from which they delivered direct fire upon observed targets. It is not believed that they ever preceded and cleared the way for the foot elements. Consequently, these

weapons, as employed, are not comparable to accompanying tanks.

d. It is probable that if the defending French forces had been liberally equipped with antitank mines and antitank weapons, they could have neutralized the efforts of the German armored assault artillery.

e. The action east of Suzy is in accordance with the German principle that attacking infantry seeks primarily to seize commanding terrain, not only for observation and the employment of infantry weapons, but also for the advantageous use of artillery.

f. It is noted that in the attack east of Suzy, the commander of the 1st Battalion saved time by merely signalling to the commander of his reserve company to turn off his route of advance and attack in a new direction. Details of the action contemplated for this company could be furnished later by the battalion commander or his representative.

RESTRICTED

G-2/2657-220; No. 578 MID., W.D. 11:00 A.M., December 23, 1941

SITUATION REPORTI. Pacific Theater.

Philippines: Heavy fighting yesterday north and south of Zamboanga. Enemy air very active, with several places bombed. U. S. troops holding well. The fighting continues at Davao, Mindanao, but the situation remains obscure. Hawaii: No enemy operations are reported in Hawaiian waters. Hong Kong: British resistance continues. Malaya: Active patrolling, but no heavy fighting. Borneo: No further reports have been received. West Coast: Submarine attacks on U. S. shipping continue, but damage slight.

II. Eastern Theater.

Ground: Stubborn fighting with no changes indicated is reported by both the German High Command and the Soviet Bureau of Information. No situation map for the German-Russian Front will be issued today.

Air: The German communique this morning claimed that German airmen damaged a Soviet warship off the Crimean base of Sevastopol.

III. Western Theater.

Air: According to the Press, the British bombers last night attacked the submarine base at Wilhelmshaven, all bombers returning without damage.

IV. Middle Eastern Theater.

Ground: Axis retreat from northern Cyrenaica towards Bengasi continues. Bulk of Axis forces now near and south of Bengasi in coastal area. British forces are intervening between Bengasi Axis forces and Tripoli bases.

Air: R.A.F. continues bombing of harbors and Axis troops. Parachute troops and ground patrols cooperated to destroy airplanes, field storage, and bombs on an airfield near Sirte. The German communique announces that Nazi air raids on the British base of Malta continue with "telling effects".

RESTRICTED

December 24, 1941
9:30 a.m.

GROUP MEETING

Present: Mr. Bell
Mr. Morris
Mr. Graves
Mr. Kuhn
Mr. Thompson
Mr. Gaston
Mr. Foley
Mr. Haas
Mr. White
Mr. Paul
Mr. Blough
Mrs. Klotz

H.M.JR: We are kind of exclusive this morning. You know, if they have any more coordinating committees and they want any more Treasury people to go on coordinating committees, I will never see any of you. (Laughter)

Lowell Mellett. "Within a few days there will be a meeting of representative Government agencies who are using films in any way and which plan to make use of motion pictures during the war." Well, who is that?

MR. GRAVES: Using films?

H.M.JR: Using motion picture films during the war.

MR. KUHN: Is this Lowell Mellett's organization that wants to see them?

H.M.JR: Well, the President has appointed him.

MR. KUHN: Oh. Because posters are also going to be

in here. They want to clear all Government posters from now on.

H.M.JR: Well, between Harold Graves and Ferdinand Kuhn --

MR. GRAVES: That is right.

MR. KUHN: I will be glad to attend to it.

MR. GRAVES: I would be glad if he would. (Laughter)

MR. KUHN: That is what I thought.

H.M.JR: I am glad that Harold Graves is glad.

MRS. KLOTZ: Is that making them, Mr. Morgenthau?

MR. GASTON: Yes, producing Government films. It is a general supervision over all Government films being produced.

H.M.JR: Well, I am glad that Harold Graves is glad that Ferdinand Kuhn is glad to do it; and Norman, fix up a letter along those lines. What else have we got of importance?

MRS. KLOTZ: That is all I have this morning.

H.M.JR: That was a good air raid practice.

MR. THOMPSON: I hope the drill today will be as good. The Bureau is holding one at two o'clock. Had you planned to go down?

H.M.JR: I had not.

MR. THOMPSON: They have got it all arranged. I have put a Mrs. Wentworth, one of our uniformed guard ladies - she is a cultured lady, a college graduate, and - I have put her at the front door.

H.M.JR: What is that song, "I am a High Class Lady"? What is that song?

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MR. GASTON: "My gal is a high class lady. She is dark, but not too shady. Dressed like a peacock, just as gay; she is not colored, she was born that way.

"My gal is a high class lady. She is dark, but not too shady. Feathered like a peacock, just as gay; she is not colored, she was born that way.

"No coon can come between us, and on the line no one can outshine, that high born gal of mine."

H.M.JR: That is what I was groping for. (Laughter)
We will put Herbert Gaston in charge of Treasury Hour.

MR. THOMPSON: This lady is physically equal to the job, too. (Laughter)

H.M.JR: This is getting worser and worser.

MRS. KLOTZ: He has got a nice mind.

H.M.JR: Well, we all heartily approve. Please don't all rush out of the office at the same time to look her over.

MR. THOMPSON: She has nice - she is all right on the job.

H.M.JR: I hope that the one lady that Sumner Welles is taking on this trip with the nine men has the same qualifications. (Facetiously)

MR. WHITE: Speaking of air raids, Mr. Secretary, if I remember correctly, if there is an air raid actually, it is liable to last a half hour or an hour or more. Is there any feasibility in having each person bring a chair out with them? I mean, to stand around like that is --

MR. BELL: You can sit on the floor.

MR. WHITE: Very debilitating.

H.M.JR: Will you take it up with my Chief Air Raid Warden,

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Norman Thompson?

MR. THOMPSON: We plan to have benches along the walls for that purpose.

H.M.JR: If you want to see what a hard hitting division you are, you can supply each person with a cushion.

MR. WHITE: That is an idea. Many people carry --
(Laughter)

MR. MORRIS: What about tin helmets for falling plaster?

H.M.JR: Try again.

MR. WHITE: Harold and I should worry.

MR. GRAVES: Especially me.

MR. THOMPSON: The guard who was at the door yesterday when you made your visit is a very fine man. He is not well educated.

H.M.JR: No. Four years of grammar school. Now, I ask you. I went down with Mrs. Klotz yesterday to watch the people coming in at the door and I asked what this man's education was, and this is the man who receives all the people. This comes under you, Gaston, Secret Service.

MR. GASTON: This door or the front door?

H.M.JR: The 15th Street door. I mean, this is the man, and I said what - he had four years of grammar school.

MR. THOMPSON: We have a fine receptionist.

H.M.JR: I know, but that is the man - when you walk into the Treasury that is the fellow that receives you. Not too good, what?

MR. GASTON: Is there anything particular about him?

H.M.JR: Well, he is rough. I got the impression without

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knowing - I didn't think that he was a high class, cultivated lady. (Laughter) I mean, the man is rough. That is your first impression of the Treasury, not too good. Well anyway, he - I mean, he is a perfectly good guard but not as number one receptionist.

MR. WHITE: It should be the prettiest girl in the Treasury.

H.M.JR: We don't want to attract people in these times.

MR. WHITE: I see.

MR. THOMPSON: I am getting a report for you on the cost of shatterproof glass, but it looks as though it would be prohibitive. The tentative figure I have, it would be about six hundred thousand dollars just for the Treasury Building and the Bureau of Printing and Engraving Buildings alone, and also there is no available supply of glass for the purpose. They say it would take two years to make the installation. Chief Deasy thinks that the answer is to put cloth over the windows.

H.M.JR: All right. Anything else?

MR. THOMPSON: That is all.

H.M.JR: Dan?

MR. BELL: We bought about six million eight yesterday of two and a half late in the afternoon and we are going to take half of them, I assume. Would you like to put some market securities in the Old Age Trust Fund? They are now putting special issues there of two and three eighths under the law. You also have permission to go out in the market if you want to. As a matter of fact, it is really the other way. You should buy on the market unless you make a decision it is not to the best advantage.

H.M.JR: Well, I would like a recommendation from you and Haas--

MR. BELL: Well, I have got to do this one this morning. Now, maybe I could get--

H.M.JR: I see.

MR. BELL: We probably have some accumulated cash in that fund because we don't invest except every quarter.

H.M.JR: Well, if you gentlemen look it over, if it is all right, I would like you to look into it.

MR. BELL: I think we probably ought to do the same thing on this fifty million dollars that we reserved in the last issue of investment. The only thing I have invested there has been two or three hundred thousand dollars of dividend funds.

H.M.JR: Do you have to do that today?

MR. BELL: No, we have thirty days on that.

H.M.JR: I would like to go over that personally, with a recommendation from the three of you.

MR. BELL: You might want to discuss that also with the Board. We haven't had a meeting since last --

H.M.JR: What, Dan?

MR. BELL: There is a Board of Trustees on that, on the old age.

H.M.JR: Well, clear it first, will you?

MR. BELL: O.K. You sent Harold Graves a memorandum that you wanted twenty-four hour service on authorizing corporations to act as agents.

H.M.JR: Well, I told him that you wouldn't come up for water until about noon today.

MR. BELL: Well, I would like to give it a little further consideration.

H.M.JR: Oh, Dan --

MR. BELL: I have got to consult somebody besides

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Chicago because Chicago goes off half cocked once in a while.

H.M.JR: They are good. Young is good. Why don't you let these institutions --

MR. BELL: I have been in favor of letting some of them come in all the time but I would like to write the regulations maybe a little differently after I have considered it.

H.M.JR: Well, how long are you going to take?

MR. BELL: Well, I will do it today.

H.M.JR: Well, I will be reasonable. Can you give it to me by Friday morning?

MR. BELL: Oh, I will give it to you tonight.

H.M.JR: I may not be here. I mean, I will be here until 4:30.

MR. BELL: There has been prepared a telegram for my signature to the Federal Reserve Banks and if you are in favor of it we can let it go as soon as I consult with these few people. It has only been - well, I don't know how much attention Harold has given to it, but only two of my people have been on it.

H.M.JR: Well, I will give you until Friday noon.

MR. BELL: O.K. That is plenty of time.

H.M.JR: I will give you until Friday noon. Just as long as I think that any responsible financial agency, whether it is a department store or the Pullman Company or any financial responsible place should be permitted to issue these things.

MR. BELL: Of course you realize when you start out on this you are going to get the ones that are not financially responsible and it is very difficult to pick them.

H.M.JR: I would make the Federal Reserve Bank responsible.

MR. BELL: Well, I am wondering if we can't do it a little differently.

H.M.JR: Well, Dan, I want to make it - you could always get back - every time I go on a trip it does me good. The Pullman conductor comes in. Have I told you the story?

MR. BELL: No.

H.M.JR: And on December 8 he wanted to buy ten bonds. He went to his bank here in Washington and the fellow was too busy, and he has to go up to some post office, and he finally got it. He says, "Mr. Morgenthau, why can't I go to the disbursing office of the Pullman Company and let them sell these bonds when I want to buy them?" I don't know why the Pullman Company isn't responsible.

MR. BELL: Well, the Pullman Company is responsible and there are a good many of them that are not responsible and don't care.

MR. GRAVES: Dan, don't you think that is met pretty largely by the prepayment requirement there?

MR. BELL: If you require them, I don't know how many you will get on a prepayment requirement.

MR. GRAVES: That makes a very conservative program.

H.M.JR: Is that the suggestion?

MR. GRAVES: That is the Young suggestion.

H.M.JR: I didn't even know that. If that is it, what have you got to lose? Are you going to make them pay in advance?

MR. BELL: Yes, make them pay in advance.

H.M.JR: You have got nothing to lose, Dan.

MR. BELL: Well, we may not have anything to lose, but I don't like to sign a telegram to the Federal Reserve

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Banks without more consideration than has been given to this.

H.M.JR: Friday noon.

MR. BELL: That is my point.

H.M.JR: Friday noon.

MR. BELL: All right, that is all I want.

H.M.JR: That certainly isn't rushing you. I told them not to refer it to you until noon.

MR. BELL: I think it might require a revision of the regulations.

H.M.JR: Listen, Dan, Friday noon, is that--

MR. BELL: That is not rushing me.

H.M.JR: Is that rushing you?

MR. BELL: No, sir.

H.M.JR: You won't be rushed?

MR. BELL: No, I have got two days.

H.M.JR: O.K.

MR. BELL: We have here your letter to the President and Harold Smith. Mr. Paul and I have been over it. I don't know whether anybody else has or not.

H.M.JR: Do you mind, after the ten-fifteen meeting my own people will stay behind and we will go over the letter then.

MR. BELL: You will not bring this up?

H.M.JR: I will not bring this up.

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MR. BELL: That is all I had.

H.M.JR: My own people stay behind.

MR. WHITE: Dr. Soong called up to say that they have got China - the Chinese Government has got two hundred million yuan of freshly printed notes in the bonded warehouse at Manila, and he is afraid it might fall in the hands of the enemy. We discussed it a little over the phone, and he agreed that it would be desirable to destroy them at once since then it would involve only the printing costs and so on which he is ready to undertake.

If it is clear to the Legal Division that we have the authority to go ahead and whoever else is in on it, if it is O.K. here, is it all right with you that we give instructions under the proper conditions to have it destroyed?

H.M.JR: Sure.

MR. WHITE: Mr. Perkins said he was very sorry he would be unable to attend this morning. He had a previous engagement.

H.M.JR: I saw him last night at dinner.

MR. WHITE: He wondered whether Mr. Bean who follows that stuff for Mr. Wallace more closely, and he does, could be present.

H.M.JR: Have you already asked him?

MR. WHITE: No, I haven't.

H.M.JR: Oh, I don't want to get down - do you think so?

MR. WHITE: Well, as a representative of the Vice President, not personally. He is a good man, and he has been the one who has been following it for - he even knows more about it than Milo Perkins. Either himself or

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Ezekiel, whichever--

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

MR. WHITE: Well, Louis Bean is the one he mentioned.

H.M.JR: All right, let Louis come.

MR. WHITE: I notice there is a good deal in this notation from Ezekiel to Secretary Wallace as of the conclusions of that meeting that I think you would be in agreement with. Is it all right to say something of that character, that our thinking has been along similar lines except for one or two points?

H.M.JR: Yes. You had better go phone Louis Bean. The meeting is at ten-fifteen.

MR. WHITE: I have nothing else. If I can phone him, I will go on.

H.M.JR: Will you phone him?

MR. WHITE: Yes.

H.M.JR: George?

MR. HAAS: I have a few things that can hold over, Mr. Secretary, in connection with some of those jobs.

H.M.JR: Well, put yourself down on the list.

MR. HAAS: All right.

H.M.JR: Harold?

MR. GRAVES: You asked me to give you a date when the mural could be put in the station.

H.M.JR: Yes, sir.

MR. GRAVES: My people say if we had perfect luck

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on this thing we might get it there by the first of February. It is a hard job, however, and you just can't put a deadline on an art job because we might get something that is not satisfactory and have to do it over again. They worked, I believe, about five months on the mural for the Grand Central. It is not a thing that can be duplicated because of the varying - the different dimensions and shape of the concourse. It will have to be a new thing.

H.M.JR: I see. Are they going ahead with it, Harold?

MR. GRAVES: Oh, yes.

H.M.JR: Which other stations are they going to do?

MR. GRAVES: Some of those that you suggested are not feasible at all. For instance, you included New Orleans. New Orleans has a little ramshackled--

H.M.JR: I raised it. I said I didn't know.

MR. GRAVES: Yes, I know.

San Francisco you mentioned also. It is the same thing. There is no sufficient dimensions in any station there.

Peter thinks that Chicago is feasible, although we don't have anything like the height that you have in Grand Central.

St. Louis is not feasible.

Kansas City, which you did not mention, would be, I think--

H.M.JR: Good.

MR. GRAVES: A good--

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MR. GASTON: How about the airports? We have got some very good airports. New Orleans has a very fine airport.

H.M.JR: There are not enough people there, Herbert.

MR. GRAVES: No, you don't get the traffic.

MR. GASTON: Here we have a great number of spectators out there in addition to the travel.

H.M.JR: Well, if you see the figures that some of these railroad stations - the people are simply amazing.

MR. KUHN: I believe the Kansas City one is the best architecturally for purposes of showing a mural of any station that they were talking about.

H.M.JR: Well, Kansas City - which station in Boston? You said Boston.

MR. GRAVES: No, I didn't speak of Boston.

H.M.JR: Peter did. Which one in Chicago?

MR. GRAVES: The one that you came in, the Pennsylvania, the Union Station.

MR. FOLEY: Union, that is the biggest.

MR. GRAVES: The only one there that--

H.M.JR: Then we would go from Washington, Chicago, Kansas City - what else?

MR. FOLEY: Cincinnati?

MR. GRAVES: Ed just mentioned Cincinnati. I hadn't thought of that and don't recollect the height of their concourse.

MR. KUHN: Kansas City is a circular hall.

MR. FOLEY: Their station has been built within the last ten years.

H.M.JR: How about Minneapolis.

MR. HAAS: St. Paul has got one.

MR. KUHN: St. Paul is good.

H.M.JR: Well, will you push on that, Harold, please.

MR. GRAVES: Yes.

MR. PAUL: Omaha might be one.

MR. KUHN: Cincinnati has its own mural around a circular hall, a painted mural.

MR. GRAVES: It is all mural.

MR. KUHN: Yes, it is all mural, the whole wall.

H.M.JR: Anything else, Harold?

MR. GRAVES: I have nothing.

H.M.JR: Ferdie?

MR. KUHN: I have nothing, sir.

H.M.JR: Roy?

MR. MORRIS: No.

MR. PAUL: All I have to say is that Mr. Henderson can't be at the ten-fifteen meeting, but Mr. - he is sending Mr. Gilbert and he has some - I talked to Leon a little while ago and he said he had some very interesting information to give.

H.M.JR: Good.

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MR. FOLEY: Congressman Cochran wrote you a letter about legislation that he wants to immunize defense contracts by legislation. He is very much exorcized about the thing. If you will sign this letter, we will send it back. Randolph has been over it. John hasn't seen it.

MR. GASTON: Here is a Naval Intelligence report from the Naval Attache at Havana given rating B, reliable. An informant reported that on the ninth of December, Second Secretary Reymunde, Spanish Embassy, commented that Spain would declare war on the Democracies prior to January.

H.M.JR: Who is that?

MR. GASTON: This is a Naval Intelligence report. They quote an informant as saying that Second Secretary of the Spanish Embassy in Havana said that Spain would declare war.

H.M.JR: That comes from J. Edgar Hoover?

MR. GASTON: No, it is Naval Intelligence. It comes through the Naval Attache. You probably noticed the reports of heavy German troop movements today through France.

H.M.JR: They keep repeating that the same ships were sunk over and over and you can't tell. Something on the radio this morning said we had sunk three destroyers.

MR. GASTON: Mr. Houghteling passed on to me an invitation from a group in New York, a labor-progressive group for me to speak to them on January 24. Gardner Jackson is interested in it. He is going to see me this morning, and I presume it is about that. I think it is called The League for Democratic and Political Action. It is progressive and labor groups.

H.M.JR: Just check it. That is a former communistic organization.

MR. GASTON: They tell me not.

H.M.JR: Check it.

MR. GASTON: Yes, I will talk to Pat about it.

H.M.JR: No, talk to J. Edgar Hoover. Just check if that isn't a former communistic organization.

MR. GASTON: Houghteling says not. Fred A. Kirkway is quite prominent in it.

H.M.JR: I still say check it.

MR. GASTON: Right.

H.M.JR: Incidentally, I don't know how many of you take the New Republic, but I do. Last week it was just packed with good stuff. I think it is by far the most interesting magazine of opinion that comes to my house. I mean T. R. V.'s article, Arthur Krock, Max Werner. I think it is the best by far. I bring it to your attention, The New Republic. It is just packed full of good stuff. It is so much better than anything else. Don't you agree, Ferdie?

MR. KUHN: Oh, yes. Head and shoulders above anything else.

H.M.JR: And The Nation, Fred A. Kirkway's Nation, just isn't worth reading.

MR. GASTON: I have here a letter to the Secretary of the Navy submitting for their approval some instructions that we propose to send to Customs collectors and agents by liason with Navy officers in the ports. We are merely asking their opinion as to whether those are suitable instructions.

H.M.JR: This is all right for me to sign?

MR. GASTON: Yes, sir.

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H.M.JR: All right.

Paul and Bell, will you line up the Treasury people that are coming in and staying with us at ten-fifteen?

MR. BELL: Yes. I guess they all know, don't they?