

Washington, D.C., December 15, 1941.

To

All Collectors of Customs

216-T. Refer circular telegram 210-T. Release for export immediately and until further notice all Lend-Lease shipments of aircraft or aircraft parts, accessories, equipment, or aircraft tires and tubes which are shipped under a bill of lading executed by a United States Naval Officer representing the Navy. The numbers of such Navy bills of lading are prefixed by letter "N".

KERR, CHIEF, OFFICE OF EXPORT CONTROL

Copy sent to:

The Cairns  
Coast Guard  
Customs  
in White

(WCS)

*Henry Stimson*  
DEC 15 1941

My dear Mr. Attorney General:

Thank you for your letter of December 12 with regard to the telegram which I had received from Mrs. Roosevelt asking for clarification of the Federal order applying to transportation of American-born Japanese students on the West Coast.

I sent her a telegram which explained the difficulty and clarified the situation for her.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Attorney General.

KMF Jr/fm  
12/13'41

*Out Chauncy - 12-15-41.*



Office of the Attorney General  
Washington, D. C.

December 12, 1941.

The Honorable

The Secretary of the Treasury.

My dear Mr. Secretary:

The following inquiry was received by the Attorney General from the office of the General Counsel of the Treasury:

"The Secretary of the Treasury received a telegram this morning from Mrs. Roosevelt asking for clarification of the proclamation preventing aliens from traveling on railroads, etc. Mrs. Roosevelt was particularly inquiring about the difficulty American-born Japanese students were having."

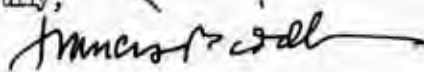
This I understand refers to the following telegram from Mrs. Roosevelt:

YWCA AND YMCA OUT HERE MUCH DISTURBED FOR  
AMERICAN BORN JAPANESE STUDENTS IN COLLEGE  
WHO CANNOT OBTAIN TRANSPORTATION. THEY WANT  
CLARIFICATION OF FEDERAL ORDER APPLYING  
TRANSPORTATION.\* \* \*

There is nothing in the Proclamation of December 7 which prevents American-born Japanese students from obtaining transportation. Nor indeed is there anything in the Proclamation which prevents Japanese nationals from obtaining such transportation. See my opinion to you dated December 11, 1941. Paragraph 10 of the regulations prescribed by the President in con-

nection with the Proclamation gives the Attorney General power to prescribe regulations concerning the movements of alien enemies within the continental United States, but no regulations have been prescribed. Section 12 forbids enemy aliens to enter upon railroad premises which are not open to the public, but of course that would in no way prevent securing transportation.

Respectfully,



Attorney General

Treasury Department 209 ✓  
Division of Monetary Research

○ Date December 15, 19 41

To: Miss Chauncey

From: Mr. White

This is not important but is  
merely to keep the Secretary fully in-  
formed about the Economic Defense Board.

TREASURY DEPARTMENT

210

INTER OFFICE COMMUNICATION

DATE December 15, 1941

TO Secretary Morgenthau  
FROM Mr. White  
Subject: Additional Facilities of the Economic Defense Board

The resources and staff of the Tariff  
Commission have been placed at the disposal of the  
Economic Defense Board for the duration of the war.

Treasury Department **211**  
Division of Monetary Research

Date Dec. 15, 1941 19

To: Secretary Morgenthau

You may be mildly interested in  
this history.

Americans will probably get much  
of it back -- the hard way.

H.D.W.

MR. WHITE  
Branch 2058 - Room 214 $\frac{1}{2}$

TREASURY DEPARTMENT

212

INTER OFFICE COMMUNICATION

DATE December 15, 1941

TO Mr. White  
 FROM Mr. Ullmann  
 Subject: U. S. Petroleum Exports to Japan

1. Since 1937, the United States has shipped Japan over 123 million barrels of petroleum products.

1937	28.4 million barrels
1938	31.4 " "
1939	28.0 " "
1940-Jan.-July	11.8 " "
Aug. 1940-July 1941	<u>23.5</u> " "
Total	123.1 million barrels <sup>1/</sup>

Japanese petroleum stocks today probably amount to about 35 million barrels.

2. Since 1937, the United States has exported to Japan 6 million metric tons of iron and steel scrap.

1937	1.9 million metric tons
1938	1.4 " " "
1939	2.0 " " "
1940	1.0 " " "
1941	<u>-</u>
Total	6.3 million metric tons <sup>2/</sup>

<sup>1/</sup> Source: 1937-July 1940, Department of Commerce  
 Aug. 1940-July 1941, Treasury, Office of  
 Merchant Ship Control

<sup>2/</sup> Source: Department of Commerce



December 15, 1941

Mr. E. D. White

Mr. Dietrich

On July 1, 1941, we extended to December 31, 1941 the July 14, 1937 Stabilization Agreement with China under which we agree to purchase Chinese yuan up to the equivalent of U. S. \$50 million. At the present time we are holding Yuan 69 million valued at \$19,112,500 collateralized by \$19,379,000 in gold.

Paragraph 6 of the Agreement stipulates that if China wishes a renewal of the Agreement, it will give notice to that effect thirty days prior to the expiration date, namely December 1, 1941. Up to the present time we have not received such a request and I intend to instruct the Federal Reserve Bank of New York to send a cable to the Central Bank of China inquiring if it wishes to renew the Agreement. In the past, The Central Bank of China has usually been delinquent in requesting renewal and this procedure has been followed.

Will you please let me know if this meets with your approval.

71000112.15.41

December 15, 1941

Mr. Liversy

Mr. Dietrich

Will you please send the following cable to the American Embassy, Chungking:  
"For Fox from Secretary of the Treasury.

In further reference to your 489, will you please advise whether  
Free and Taylor are still in Hong Kong and if not where they are. Please  
keep us informed of any information you receive about them. We do not  
understand why Free and Taylor did not leave Hong Kong. If they remained  
of their own volition, will you please cable us the reasons they gave."

FD:dm:12/15/41

## TELEGRAM SENT

BT

GRAY

December 15, 1941

5 p.m.

AMERICAN EMBASSY,

CHUNGKING, (CHINA) VIA N.R.

290

FOR FOX FROM THE SECRETARY OF TREASURY

QUOTE. In further reference to your 489, will you please advise whether Press and Taylor are still in Hong Kong and if not where they are. Please keep us informed of any information you receive about them. We do not understand why Press and Taylor did not leave Hong Kong. If they remained of their own volition, will you please cable us the reasons they gave. UNQUOTE.

HULL  
(PL)

FD-4143MB

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE December 15, 1941

TO Mr. White *ELB*  
 FROM E. M. Bernstein

The following accounts have been located on TFR-300 reports in the name of the State of Vatican City, the Special Administration of the Holy See, or His Holiness Pope Pius XII:

<u>Name</u>	<u>Account</u>	<u>Bank</u>	<u>Balance June 14, 1941</u>
Special Administration of the Holy See	Earmarked gold	Federal Reserve New York	\$7,665,000 (Dec. 2, 1941)
"	Deposits	Chase	524,000
"	Deposits	Chase	107,000
"	Deposits	J. P. Morgan	26,000
"	Deposits	J. P. Morgan	5,554,000
Pontifical Gregorian University	Deposits	Chase	3,000
His Holiness Pope Pius XII	Deposits	Chase	56,000
"	Deposits	Central Hanover	93,000
"	Common and preferred stocks	Central Hanover	1,700
Special Administration of the Holy See	Deposits	National City	2,707,000
"	Trust	J. P. Morgan	10,000 shares in a British company, value unstated. (This British company holds on its accounts a balance of \$2,264,000 for the Holy See.)
Credito Italiano	Deposits	National City	1,400
Sacra Congregazione de Propaganda Fide	Mortgage	Gillespie & O'Connor	2,123

DEC 15 1941

My dear Mr. Minister:

The Treasury Department has been considering the questions relating to steel mills and steel plates for gold mines which you laid before us. I regret the delay in answering your request, but the problems you raise are new and have required a good deal of discussion with other departments as well as study inside the Treasury.

The decision regarding priority for steel mills and steel rolling mills for the Government of South Africa lies outside the province of the Treasury.

The decision regarding priorities for articles in short supply in the U.S. and needed for South African gold mines is, however, a matter in which the Treasury along with several other departments has an interest. That interest derives from the Treasury's responsibility for foreign exchange. At a recent meeting of representatives of departments interested in the question of priorities for gold mining, the consensus was that in the case of foreign gold mines, high preference ratings for equipment and supplies should be given only in special circumstances — such as a difficult foreign exchange position. If the Treasury obtains information that there is, or is likely to be, a deficit or acute shortage of dollar exchange assets of South Africa, or the British Empire, and that the application of U.S. priorities is likely to result in a serious reduction of the output of gold, and therefore in a worsening of the dollar exchange position of the British Empire or of South Africa, the Treasury will be glad to assist on this problem.

Unfortunately the material which you have given us does not contain data on the above points. If the government is to allocate to foreign gold mines materials urgently needed for war purposes because of the exchange position of foreign countries, it will be necessary for the Treasury to have detailed data on the present foreign exchange position, and the prospective balance of payments of the country or countries concerned. We would also require — as would the other departments concerned — detailed estimates of the probable reduction in gold output if the materials request should not be forthcoming.

FILE COPY

In the meantime, however, we feel that the decision respecting the granting of priorities for steel to South Africa will have to be determined by the Priorities Committee on its merits independent of the gold (or dollar) assets of the British Empire and South Africa.

I hope you will understand that this decision in ~~is~~ no way evidence of a lack of cooperation on the part of the Treasury or a lack of desire to assist whenever and wherever it appropriately can. We shall be glad at any time to receive further communications and information from you which would indicate the danger or imminence of a shortage of necessary dollar exchange.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Ralph W. Close,  
Envoy Extraordinary and Plenipotentiary  
of the Union of South Africa,  
South African Legation,  
Washington, D.C.

*By Hand - Stamps 5:20*

HEW:VFC:ics  
12/9/41.

*H.W. S. Th* FILE COPY



## SOUTH AFRICAN PURCHASING COMMISSION

27 WALL STREET

NEW YORK CITY

CARLOS "SAPURCOM"

P. O. BOX 64

TELEPHONE HANOVER 2-3480

WALL STREET STATION

ALL COMMUNICATIONS TO BE ADDRESSED  
TO THE COMMISSION

DATE 11th November, 1941.

Dr. White,  
Assistant Treasurer,  
The United States Treasury,  
WASHINGTON D.C.

Sir,

MATERIALS FOR GOLD MINES: UNION OF SOUTH AFRICA.

Adverting to our verbal conversations relative to the above, I have the honour to submit the following comments on the importance of the Gold Mining Industry in its relationship to the national economy of the Union of South Africa and repercussions which any restrictions on the output of the Mines would have on the whole of the Community, both European and Native.

The Union Government at present is spending 28,000,000 dollars per month on its War effort and to this amount the Mines contribute - in direct taxation - 11,000,000 dollars and probably a similar amount indirectly through purchases of stores in the Union, foodstuffs, customs on imported stores and railage from all parts of the Union. The population of the Union of South Africa is approximately 12,000,000 persons of whom only 2,000,000 are Europeans and the balance Coloureds and Natives, the latter being more or less a liability on the revenue of the Country. As regards the former, a large proportion is engaged on agricultural pursuits and do not rate highly as a source of revenue for taxation purposes.

The Union has only within recent years developed industrially outside of mining and wages are very much lower than those prevailing in the United States, and although the cost of living is also lower, incomes do not permit of large amounts being available to meet extraordinary expenditure by the Government through the medium of taxation. Further, whilst the manufacture of munitions has been increased as much as possible, if any large number of men are thrown out of employment on the Mines the industrialisation of this country has not yet gone far enough that alternative employment could be found for them.

It will be seen, therefore, that with a relatively small population, the Union has to rely to a very great extent on the gold mines to provide a large amount of the money required to finance its War effort and, should the output fall through a lack of the necessary materials to keep the mines working to the fullest capacity, the financial effects on the Country's economy will be extremely serious. Indeed the Country is so dependent on the Gold Mining Industry that any serious fall in output could not fail, in addition to its purely financial effects, to have the gravest social and political consequences through men being thrown out of employment at this critical juncture.

Dr. White.

11. November 1941.

It must be recognised that the strain on the physical resources of gold mine production, working continuously throughout the year, is very great, necessitating constant replacements and requiring large quantities of iron, steel and other metal accessories, whilst in addition equipment is required for new mines which are being developed to take the place of others which are worked out and being closed down.

The following short description of the Industry will possibly be of some assistance :-

The mines run in a more or less continuous straight line for a distance of approximately seventy miles East and West. The populations of Johannesburg - the largest city in the Union - and eight other large towns are dependent almost entirely on the mines for a livelihood - either as employees or engaged in commerce and industries closely associated with the mines.

The Gold Mining Industry itself employs 45,490 Europeans and approximately 348,048 Natives and expends during normal years approximately 128,000,000 dollars on stores and equipment, and altogether there are close on 1,000,000 persons in those centres who look to the Industry for their means of subsistence.

Apart from this the farming and other communities who produce foodstuffs for the Native employees are also largely affected as the mines purchase their requirements direct from the producers, and this requirement alone takes up approximately 25% of the Country's production.

The outbreak of the War has deprived the Union of markets for many of its exports and for this reason it is more necessary than ever that the output of the Gold Mines be maintained to the fullest extent to provide additional revenue and, to enable this to be accomplished, there must ipso facto be no stoppages for want of materials which have to be imported.

In addition to their normal work many of the mine engineering shops - like practically all similar establishments throughout the Union - are assisting wherever possible in turning out various items of materials required for the prosecution of the War.

It may be mentioned that, whilst the Union has a small steel industry, the production scope of the mills is very limited and practically the whole of the output is being utilised for urgent war work.

The hope is expressed that this summary may convey some idea of just what the Gold Mining Industry means to South Africa and the Union Government particularly, and any assistance which may be made available for the speedy procurement of materials in this country, which are very sorely needed at this time, will of a surety be deeply appreciated by the South African Government.

The Union is putting forth every effort in its power to assist in bringing the War to a successful conclusion despite many handicaps.



Dr. White.

11th November, 1941.

A statement of the Industry's possible requirements for the ensuing year is attached as this may be of interest to the United States Authorities concerned.

The writer desires to apologise for the delay in furnishing this statement as promised, due to preparations for, and subsequent transfer of, his division of the South African Purchasing Commission to Washington.

I have the honour to be,

Sir,

Your obedient servant,



J.A. REID.

FOR: CHAIRMAN : SOUTH AFRICAN PURCHASING  
COMMISSION.

ENCL:

JAR:EG.

ESTIMATED MATERIALS REQUIRED FOR THE  
GOLD MINING INDUSTRY IN THE UNION OF  
SOUTH AFRICA FOR THE YEAR 1942.

222

	<u>Dollars.</u>
Belting and hose i.e. raw materials .....	650,000
Fused Borax.....	90,000
Brake Lining .....	40,000
Filter Cloths .....	90,000
Hospital Requisites.....	120,000
Iron and Steel follows:	
Alloy Steels .....	430,000
Billets .....	800,000
Carbon & Drill Steels .....	430,000
Deep drawing steel .....	60,000
Nail wire .....	280,000
Plates & Sheets .....	1,000,000
Shafting .....	280,000
Tool steels .....	30,000
Wire rod .....	<u>1,200,000</u>
Total iron & steel .....	4,510,000
Iron and steel goods follows:	
Ball and Roller Bearings .....	1,300,000
Boiler Tubes.....	70,000
Bolts & Nuts .....	650,000
Ironmongery .....	20,000
Pipe Fittings .....	300,000
Rail accessories .....	<u>250,000</u>
Total iron & steel goods.....	2,590,000
Machinery spares.....	1,400,000
Non Ferrous Metals:	
Brass.....	30,000
Zinc dust.....	<u>200,000</u>
Total non ferrous..	230,000
Oils and greases.....	1,300,000
Packings .....	20,000
Rockdrill machines & spares.....	920,000
Timber.....	1,100,000
Hand Tools.....	200,000
Explosives i.e. raw materials and fuse excluding glycerine.....	500,000
Total approximately	<u>\$13,760,000</u>

RECEIVED  
 Treasury Department  
 NOV 15 1941  
 Division of  
 Monetary Research

(20)

GOLD MINING STEEL PLATES.

REQUISITION.

1. 1200 long tons Mild Steel Plates for South African Gold Mines.
2. Under Lend Lease by Regulation 3305/802 of 1st August 1941. Control Reference S.A. 67/LL/R 301.

NOTE. Shipment desired October - March at say 2000 tons per month.

3. Memo at foot of requisition.

"These plates are required for Plant Maintenance on the Witwatersrand Gold Mines the continued operation of which is essential to South Africa's economic structure and war effort. The Mine Workshops are also actively engaged in production of "bomb casings, etc".

4. After requisition in - by telephone there was a query over the telephone as to the part played by the Gold Mines in South African war effort. ?????
5. General Smuts: Realised the grave danger that if that view obtains no chance of obtaining material for the mines !!!.

Memo "Belgian Congo".

SOUTH AFRICA'S PART IN WAR.

May be regarded as to three spheres -

1. War Effort in the Field.
2. War Economy.
3. Production of War Material.

I. IN THE FIELD.

1. In November 194 <sup>had been</sup> 100,000 army raised and large part sent to Abyssinia. Fully equipped in all branches  
600000 !!
2. Equipment and its maintenance  
Entirely Union responsibility  
Largely Union manufacture.

Ex nihilo.

3. Allied armies received from Union large supplies equipment ranging from armoured trucks and vehicles to shells, ammunition and boots (200000 in three months).  
We make howitzers.
4. Mainly work of Mines, Railways, Iscor.  
Mines share highly important.
5. Delhi Conference. Heavy future commitments.
6. In all these matters Mines played a vital part; it would be a grave disaster if anything were to happen to stop production.
7. Field Marshal Smuts regards so gravely risk of jeopardising the supply of material for mines that he twice or more in September cabled to London to represent to the British Government that it was fundamental to regard Gold Mining production as part of the war effort.
8. Witwatersrand University on Gold Mining Area - Long before this question had taken present form General Smuts in speech to University declared that the Mines were probably contributing as much to the South African War Effort as our own fighting forces in the Field (Soldier Statesman)  
Pardonable in view of their record (and his)  
to say "And that's that".

*P. A. M. - Best Thanks Poulter. - 3/ -*

II. WAR ECONOMY AND GOLD MINES.

1940

(Latest figures obtainable here from Year Book and Budget).

N.B. Our war financing met by Internal Loans and Taxation - Direct and Indirect.

1937. Gold Production Figures

Gold Production .....	12821507 fine oz.
Gross Revenue .....	<u>£107701000</u> ( X 5 1 )
Costs approximately 63% i.e.	£67½ million.
Stores .....	£34 ½ million. 3 ¼
Salaries and Wages .....	£33-1/3rd million.
Profits approximately 37% i.e.	£41 million.
Less 1940 taxation (exact)....	£10232000
Shareholders (exact)	£30694000

1941 - 42. (Budget Estimates - page 18).

TOTAL REVENUE.....	£64347000
1. <u>Direct Taxation</u>	<u>£42884000</u>
(Mines Share)	
normal tax:	£15115000
special war levy.	<u>4820000</u>
compare with ...	£10232500 in 1940
Increase in year over .....	<u>£9½ million</u>

Add. Dividends in Super tax brackets.

Add. Sliding scale of share of profits in some leased mines. (contractual). see year book 837/38

See Budget Figures.

Ward Ship  
New Collection  
5th June

- 4 - at 2.60 PM  
1940

State of Profit & Taxation  
and other related matters

2. Indirect Taxation.

- a. Customs and Railways re Mining Stores  
(machinery, chemicals, etc. etc.)  
even in 1939 - over £34000000
- b. Employees wages (394000 personnel.)  
Natives and European.- (6.7 ratio black to white)  
Personal taxation by all.  
Income tax by large percentage European.

3. Dependent on Mines.

- (1) Many factories directly dependent on Mines:  
Manufacturing supplies (machine parts, steel drills and explosives, etc.)
- (2) Explosives Manufacturers -  
Cape Explosive Works.  
One of greatest South of Equator.  
Done splendid war work: supplying all South African civil and military needs: and sending large supplies to other war centres.  
  
Intimate connection with and dependence on Mines <sup>obvious</sup> above.
- (3) S.A.R. & H. Annual Budget (explain),  
In importance rivals Union Budget, (National Railways).  
Major portion its revenue is from haulage of Mines.
- (4) Agriculture - Farmers rising into hundreds of thousands depend directly or indirectly on Mines.  
*Good thing Secretary Agriculture who has gold & money.*
- 4. Sterling Support.
- (1) General ~~sums~~ <sup>took</sup> under ~~sums~~ to make available to the United Kingdom the equivalent in gold of the value of goods obtained by us in U.S.A., i.e. virtually we pay cash.
- (2) Transfer to U.K. serves to help finance the war for rest of British Commonwealth.

5. International Aspect.

Could not wish for more convincing statement than that made by the Secretary himself.

N.B. FINAL.

Read summaries or paraphrases of General Smuts telegrams.

3rd October, 1941.



LEGATION OF  
THE UNION OF SOUTH AFRICA  
WASHINGTON, D.C.



MINISTER'S COPY

no 171 2/dPRIME MINISTER TELEGRAM TO HIGH COMMISSIONER LONDON:

1. Clearly fundamental to regard gold mining production as part of the war effort of the Union.
2. Opportunity therefore of getting from U.S.A. <sup>material</sup> the material necessary for gold mining should not be put in jeopardy
3. Gold Mining Production essential -
  - (a) Because of British Dollar Exchange.
  - (b) Because the gold mines contribute so very greatly to the Public Revenue of the Union as follows:-
    - (i) Direct Contribution: 1/3 of total Union Public Revenue.
    - (ii) Indirect Contribution - probably practically the same share - 1/3.

GOLD AND STEEL:

Telegram 147: 1st September, 1941, conveys text telegram to High Commissioner, London, to inform Dominion Secretary.

- (1) We wish to make use of Lease Lend to maximum extent for all purchases so far as held applicable.
- (2) To the United Kingdom Government we will make available in gold - the equivalent of Lease Lend use.
- (3) Promise from 1st September complete control of exports and imports per Import Permits, also where needed Essentiality Certificates plus for goods bought in U.S.A. priority ratings.
- (4) Control of
  - (a) Use and distribution promised - via National Control Board.
  - (b) Prices - through Price Controller.
- (5) Therefore can assure U.S.A. that Lease Lend conditions will be fulfilled, viz:
  - (a) Centralisation of orders by S.A.P.C. in New York - presented by B.P.C.
  - (b) Purchases will be those essential to war effort and community vital needs.
  - (c) Purchases in U.S.A. by Union private persons of such commodities will cease.
  - (d) Undue profit by agents (distributors) will be stopped.
  - (e) But Government will be secured re use and distribution for its purposes.
  - (f) "Re-Export" of Lease Lend things from Union will be prohibited - unless arranged with U.S.A. - e.g. other African British territories like Rhodesia.
- (6) List of articles to be dealt under these was given: including commercial motor cars. Difficulty with passenger motor cars but hope for share for Union in quota allocated by U.S.A. *Steel was specially mentioned*
- (7) Sapurcom will be advised of priority ratings and import permits - and told to act in collaboration with War Transport Ministry in New York to arrange necessary sea freight.

## TELEGRAM.

FROM: EXTERNAL AFFAIRS (7) PRETORIA.  
TO: SOUTH AFRICAN LEGATION, WASHINGTON, D.C.  
2nd October, 1941.

**SECRET**

183

Further to my telegram 171 McColm telegraphed Swingler palpably comprehensive statement of activities Mines Iscor and Railways in direct production way material for Africa and Middle East. Such production on the part of gold mines depends entirely on maintenance of work and even partial closing down would gravely affect output of munitions. Gold mines also provide principal market for many manufacturing industries which are turning out clothing footwear and foodstuffs for army but owe their existence and maintenance to mining industry and requirements its employees. Continuity of gold production is as vital to South Africa's economic existence and therefore to our war efforts as maintenance of export trade is to United Kingdom. Please read this (mut.) cable in conjunction with McColm's telegram to Swingler.

232 Gen Smuts



LEGATION OF  
THE UNION OF SOUTH AFRICA  
WASHINGTON, D. C.

Gen Smuts

22nd September, 1941.

My dear Mr. Secretary,

I have the honour, on instructions of my Government, to inform you that the South African Purchasing Commission, 37 Wall Street, New York City, has submitted, on behalf of the South African Iron and Steel Industrial Corporation, Limited, of Pretoria, South Africa, through the British Purchasing Commission, its formal applications for the procurement of one two high blooming and slabbing mill and one plate mill with all accessories.

The above applications were forwarded to the Director: Procurement, Government of the United States, on form 1 of Requisition for Defence Articles (Under Act March 11, 1941) under British references SO/SAB3/LL/E311 and SO/SAB4/E348 dated the 22nd August, 1941. The applications were accompanied by an explanatory memorandum showing the urgent necessity for the Union of South Africa to obtain this equipment at the earliest possible date. A copy of this memorandum is enclosed herewith for ease of reference.

My Government has instructed me to support the above applications and to confirm that these mills are essential to the Union's war effort being developed to the limit of its resources, particularly for the equipping and the maintaining of South African and other Forces in the Middle East and for assisting in the making of our full contribution to the effort of the Eastern Group.

With the acquisition of these mills the available steel output of the Union of South Africa will

-2-

be increased by an estimated additional two hundred and fifty thousand tons per annum. This additional steel in the Union of South Africa will be invaluable in view of the difficult shipping position and in view of the Union's geographical position relative to the Middle East operations.

The Union Government would be grateful if the most favourable consideration could be given to the applications referred to above and if the United States authorities would allot so high a priority rating for the material as would allow of the quickest possible delivery thereof.

Should the United States Government, however, feel that these mills cannot be procured appropriately under Lend Lease, the Union Government trusts that the acquisition of the urgently required equipment against cash would be authorized.

I am, my dear Mr. Secretary,

Yours very sincerely,

*nl*

The Honourable the Secretary of State,

Department of State,

WASHINGTON, D.C.

COPY DB

DEC 15 1941

My dear Mr. Nelson:

This is in reply to your letter of December 3, 1941, asking for our official opinion concerning the supply of gold-mining equipment abroad, and for our opinion on the possibility of purchasing gold for post-war delivery to ease the dollar position of certain countries.

It is our opinion that because of the scarcity of raw materials, an export of machinery to be used for gold mining is hardly justified except where special conditions surrounding a particular case make a maintenance or increase in gold production desirable. Such a special case might exist when a relatively small amount of steel and machinery would yield substantial output of gold, and when, further, there was danger of a shortage of dollar exchange during the ensuing year; and when, moreover, there was no better means of helping those countries to obtain the needed dollar exchange. Political considerations would in some cases also have to be an element in the general evaluation. It is clear from the above that each application would have to be considered on its individual merits before any preference ratings on exports of mining machinery should be granted.

The Treasury has already received a request from the Canadian Government and the South African Government for our assistance in obtaining priorities on gold-mining machinery. I am enclosing for your information our reply to Mr. Class, the South African Minister, which indicates our position in that specific case. We are still studying the Canadian case.

I think it would be helpful if we could be informed as a routine matter of any request that comes to you for any gold-mining machinery for export. We could then send you our opinion as to whether or not the particular country making the request is in need of dollar exchange for the prosecution of the war, and whether an increase in gold production is the best method of supplying the needed exchange. I presume that the State Department would be the appropriate agency to pass on the importance of the political considerations that might apply in any given case.

- 2 -

It should be clear that the above opinions refer only to mining machinery for export. Domestic gold production in war-time serves no military purpose, but does consume labor and materials that have usefulness in military production, particularly in the mining of scarce metals. We do not believe, therefore, that domestic gold mines should receive any preference rating for machinery unless the gold is produced with a substantial amount of such needed by-product metals or ores, or unless it is produced in a mine so peculiarly situated that serious and sustained unemployment of men not eligible for defense jobs would result from its shutdown.

I refer now to your question on the possibility of supplying dollars by the purchase of gold "in the ground" for post-war delivery.

The Treasury, as you probably know, has recently purchased gold for future delivery and stands ready to undertake such transactions where the conditions indicate such action to be desirable. However, I do not feel that the Treasury would be warranted in purchasing gold for delivery at so uncertain a date as post-war. So far as we know, there has been no instance in which a country has needed goods for the common war effort, that has not been able to find ways of financing these purchases with United States' assistance.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Donald M. Nelson,  
Executive Director,  
Supply Priorities and Allocation Board,  
Social Security Building,  
Washington, D. C.

Enclosure

By Messenger

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10/12/41  
2/9/42



SUPPLY PRIORITIES AND ALLOCATION BOARD  
SOCIAL SECURITY BUILDING  
WASHINGTON, D. C.

OFFICE OF  
DONALD M. NELSON  
EXECUTIVE DIRECTOR

December 3, 1941

My dear Mr. Secretary:

The Supply Priorities and Allocations Board discussed yesterday the enclosed communication of November 18th from Lauchlin Currie, Administrative Assistant to the President with the resolution of the Joint Economic Committees of Canada and the United States of November 8th appended, together with the enclosed memorandum of conversation from the Department of State, dated November 24th. As you will note, Mr. Frank V. Coe has participated in preliminary conferences.

The Board expressed a desire to have the benefit of your official opinion concerning supplying gold mining equipment abroad, whether for expansion or for repair. It would also appreciate your advices as to other possibilities of supplying dollars for an otherwise deficit dollar position in the balance of payments, such as lend-lease, purchase of gold "in the ground" for postwar delivery and other alternatives.

We are addressing a similar communication to the Secretary of State, the Chairman of the Board of Governors of the Federal Reserve System and the Executive Director of the Economic Defense Board.

Sincerely yours,



Donald M. Nelson  
Executive Director

3 Incls.

The Honorable Henry Morgenthau, Jr.,  
Secretary of Treasury

THE WHITE HOUSE  
WASHINGTON

November 18, 1941.

Mr. Donald M. Nelson,  
Executive Director,  
Supply Priorities and Allocations Board,  
Social Security Building,  
Fourth St. & Independence Ave., S.W.,  
Washington, D. C.

Dear Mr. Nelson:

I have been directed by the President  
to inform you that the resolution of the  
Joint Economic Committees of Canada and the  
United States, dated November 8, 1941, a  
copy of which I enclose, has his approval.

Sincerely yours,

/s/ Lauchlin Currie  
Lauchlin Currie  
Administrative Assistant  
to the President.

RESOLUTION OF THE JOINT ECONOMIC COMMITTEES OF CANADA AND  
THE UNITED STATES

"(A) WHEREAS one of the purposes of the Hyde Park agreement was to remove the problem of exchange as a barrier to the combined defense effort of Canada and the United States; and

"(B) WHEREAS the Hyde Park agreement is having this effect to a large degree; but

"(C) WHEREAS, the current production and refining of gold in Canada remain an important means to obtain exchange which is necessary to pay for a large volume of needed war supplies from the United States;

"THEREFORE, The Joint Economic Committees recommend that:

Although in the allocation of scarce supplies the gold mining and refining industry should in general be treated as a non-defense industry, wherever priorities or allocations would, through curtailing gold production, diminish the supply of exchange for vital imports, this prospective deficit should be prevented:

- (1) By increasing the purchase of defense articles or by other methods which will maintain the exchange position in the spirit of the Hyde Park agreement; or
- (2) By such particular modification of the system of priorities and allocations as will permit the continuance of gold production to prevent the deterioration of the exchange position.

Date: November 8, 1941.

Signed:

W. A. Mackintosh  
Canadian Chairman

Alvin H. Hansen  
United States Chairman

## DEPARTMENT OF STATE

## Memorandum of Conversation

FINANCIAL DIVISION

Date: November 24, 1941

**SUBJECT:** Priorities and Export Licenses for Gold Producing Machinery

**ARTICIPANTS:** Mr. Frank V. Coe, Treasury Department; Mr. Walter R. Gardner, Mr. Charles T. Kindleberger, Federal Reserve System; Mr. L. A. Morrison, Mr. Dennis W. Pickens, Mr. Shaw Livermore, Office of Production Management;

**COPIES TO:** Mr. Berle, Mr. Wickerson, Mr. Stonebower and Mr. Livesey, State Department.

Mr. Berle opened with general remarks closely following his memorandum of November 24 entitled "Priority for Gold Mining Machinery" recognizing the actual unimportance of gold as a defense material but in relation to foreign gold production, which was the concern of the meeting, pointing also to the importance of gold as a balancing element in our accounts with Canada and South Africa and to its psychological and industrial importance to those countries.

The ensuing discussion brought out that general priority ratings have been refused but that individual licenses have been issued after careful scrutiny of need and of the use to be made of the machinery and of the local conditions where it was to be used, such as possibilities of alternative employment and of production of more essential strategic materials such as chrome and other alloys. Mention was made of the probability that in case supplies from the best qualified sources are refused, the gold producing territories would divert energies to the inefficient production of inferior substitutes within their own manufacturing capacity. The licensing of exports requires particular care because outside the United States our licensing authorities do not have available facilities for inspection on the ground to assure that proper use is made of the exported machinery and that the licenses are not abused.

It appeared to be the consensus of the meeting that preference ratings for gold mining equipment should be granted only after careful scrutiny with a view to maintaining at the very most, existing rates of output and to refusing equipment for any expansion of output; subject to exceptions in cases where extraordinary hardship might result — as in the case of isolated communities having no alternative forms of employment — preference ratings for exports of gold mining equipment should be made to depend on a showing that the maintenance of the present level of gold production is necessary (a) to supply dollars for an otherwise deficit dollar position in the balance of payments of the country (or in the case of South Africa, for the dollar position of the sterling area), or (b) for special political reasons; whenever the current gold mining is maintained mainly to prevent a dollar deficit and especially where the labor could be used for more direct contribution to defense production, this Government should endeavor to find other means of meeting this deficit such as lend-lease activities, purchase of gold "in the ground" for postwar delivery, and the like. To give effect to the foregoing conclusions, no general priority ratings for gold mining equipment, including repair and replacement parts, should be granted but individual consideration should be given to each application on its merits unless adequate periodic compliance investigations can be made (particularly in Canada) as is done in the United States.

## TREASURY DEPARTMENT

241

## INTER OFFICE COMMUNICATION

DATE December 15, 1941

TO Secretary Morgenthau  
FROM Mr. Kamarek

Subject: Summary of Military Reports

Loss of the Prince of Wales and Repulse

The Prince of Wales and the Repulse were sunk by air attack at around seven o'clock in the morning on December 10, 140 miles north, northeast of Singapore. One high level bombing attack and three torpedo plane attacks were made on the Prince of Wales. Hits were scored with one bomb, probably a one-thousand pounder and four or five torpedoes. One high level attack and one torpedo bombing attack were made on the Repulse and hits scored with one or more bombs and two or three torpedoes. Each torpedo bombing attack was carried out by nine aircraft and all attacks were pushed well home and skillfully carried out. About seven airplanes were shot down.

(The account reveals

- (a) The two battleships were still several hundred miles to the south of the Japanese troop landings when the attacks occurred.
- (b) The total number of planes participating was around 54.
- (c) The usual technique of attack was used: a high level bombing attack to attract the anti-aircraft guns, while torpedo planes attacked from close to the water.
- (d) The battleships must have had an insufficient destroyer escort and no "umbrella" of airplane protection.)

(U.K. Embassy, Operations Report, December 11, 1941)

Attack on Singapore

The Japanese heavy air attacks have made the majority of the British airdromes in northern Malaya unserviceable.

The British now estimate that the Japanese have about 400 airplanes in French Indo-China and Siam. A general air movement southward continues. Eighty long-range fighters have moved to Patani airdrome (in Siam, near the northern Malayan frontier.)

(U.K. Embassy, Operations Report, December 11, 1941)

DEC 15 1941

Dear Bill:

Pursuant to your telephone request of December 11th for data on commodity experts to Hire, I am enclosing a memorandum giving some pertinent data and suggestions as to steps that might be taken in connection with Hire.

Sincerely,

(Signed) Henry

Secretary of the Treasury

Colonel William J. Donovan,  
Coordinator, Office of  
Coordinator of Information,  
25th and E Streets, N. E.,  
Washington, D. C.

WLU:as  
12/15/41

By Messenger *Stange*  
4:10

H.M.C.  
Copies to White Office

December 13, 1941

Secretary Morgenthau

Mr. White

Subject: Kire

1. Trade between Kire and the United States is now very small. Our exports decreased from \$27 million in 1938 to \$2 million in the first nine months of 1941. Our present exports are composed of a number of items, none of which amount to more than 10 percent of the total amount. However, even though these shipments are small, some of them may be of sufficient importance to Kire to qualify as bargaining instruments, e.g., corn, petroleum, iron and steel, automobiles and chemicals. (Table of United States exports to Kire is attached.)

Many of the articles being exported are under Export Control, and stopping their shipment would require only Administrative action. All exports could be stopped through our Foreign Funds Control powers.

2. Our imports from Kire have increased in recent years, but amounted to only \$2 million in the first nine months of 1941. Three-fourths of our present imports are accounted for by unmanufactured wool. (Table is attached.) Imports can also be stopped by the use of Foreign Funds Control.

3. It is possible that Kire might be influenced by our powers to freeze its assets in the United States. Its assets are small but some of them may be controlled by influential personages in Kire.

The best information indicates that Kire assets in the United States amount to \$16 million, of which over half is represented by securities, and about \$1.4 million by dollar balances. U. S. assets in Kire are estimated at less than \$1 million. (A table is attached showing these assets.) Incidentally, Kire in October closed bank accounts of non-resident Americans and other foreigners.

4. It is possible that the United States could influence Kire by threatening to cut off the flow of remittances from the United States to Kire. It could do this through the use of our Foreign Funds Control. It is understood that substantial amounts are sent as benevolent remittances to Kire.

WLU:es  
12/13/41



## U. S. - DOMESTIC EXPORTS TO KINE, 1938 TO DATE

(In thousands of dollars)

	1938	1939	1940	9 mos. 1941
<b>TOTAL DOMESTIC EXPORTS TO KINE</b>	<b>\$27,328</b>	<b>\$9,786</b>	<b>\$8,128</b>	<b>\$2,239</b>
Animals and animal products, edible	173	118	42	9
Animals and animal products, inedible	29	29	5	4
Vegetable food products and beverages	19,232	5,024	3,121	417
Corn	7,783	1,916	1,239	89
Wheat	10,280	1,888	924	-
Bried and evaporated fruits	290	462	325	128
Vegetable products, inedible, except fibers and woods:	4,399	1,129	892	211
Bright fine cured tobacco	3,926	684	128	248
Textile fibers and manufactures	98	128	178	47
Wood and paper	454	394	449	117
Nonmetallic minerals	360	73	38	228
Petroleum products	326	39	48	193
Metals and manufactures, except machinery and vehicles	294	279	1,041	339
Iron and steel manufactures	62	135	62	218
Steel mill manufactures	127	9	173	66
Machinery and vehicles	1,826	1,699	1,484	342
Electrical machinery and apparatus	271	298	122	97
Automobiles, parts and accessories	1,129	915	724	128
Aircraft and parts	1	265	162	29
Chemicals and related products	103	143	154	92
Miscellaneous	112	189	153	100

Source: U.S. Dept. of Commerce  
Office of Coordinator of International Statistics  
Foreign and Domestic Commerce - Census

221/cfs  
12/11/41

**U. S. - TOTAL IMPORTS FOR CONSUMPTION FROM KIRE,  
1938 TO DATE  
(In thousands of dollars)**

	1938	1939	1940	9 mos. 1941
<u>TOTAL IMPORTS FOR CONSUMPTION FROM KIRE</u>	<u>\$1,092</u>	<u>\$1,478</u>	<u>\$1,059</u>	<u>\$2,322</u>
Whiskey	209	278	206	119
Malt liquors	229	301	209	189
Wool, unmanufactured	185	148	1,244	1,390

Source: U. S. Department of Commerce  
Office of Coordinator of International Statistics  
Foreign and Domestic Commerce - Census

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**EIRE ASSETS IN THE UNITED STATES  
and  
UNITED STATES ASSETS IN EIRE**

Eire Assets in the United States<sup>1/</sup>

Long-term investments (1937)

Direct investments . . . . .	\$1,107,000
Common and preferred and trust shares . . . . .	8,342,000
Miscellaneous . . . . .	<u>4,916,000</u>
Bank deposits (1941) <sup>2/</sup> . . . . .	\$14,365,000 <u>1,425,000</u>
TOTAL . . . . .	<u>\$15,790,000</u>

United States Assets in Eire

Direct investments (1936) <sup>3/</sup> . . . . .	\$ 315,000
Eire dollar bonds (1940) <sup>4/</sup> . . . . .	<u>400,000</u>
TOTAL . . . . .	<u>\$ 715,000</u>

<sup>1/</sup> U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, "Foreign Long-Term Investments in the United States, 1937-39".

<sup>2/</sup> Total Eire funds held by all New York banks which act as correspondents for banks in Eire, including \$15,000 of securities held in custody. No gold or official deposits. Figures from Federal Reserve Bank of New York, obtained from E. M. Bernstein in telephone conversation December 11, 1941.

<sup>3/</sup> U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, "American Direct Investments in Foreign Countries, 1936".

<sup>4/</sup> Paul D. Dickens, "Status of United States Investments in Foreign Dollar Bonds, End of 1940", in Foreign Commerce Weekly, July 19, 1941.

Treasury Department, Division of Monetary Research December 12, 1941

HH:bvl  
12-12-41

(TRANSLATION)

EMBASSY  
OF THE  
ARGENTINE REPUBLIC

Washington, D. C.

December 15, 1941

MEMORANDUM

- I. The Argentine financial position and the state of its international accounts have suffered a substantial modification since the extension of dollar credits at the end of 1940. It is appropriate, consequently, to examine the position and the necessity of funds of the Argentine Government in the light of the present situation.
- II. Below there is presented informally the outstanding aspects of this situation, and there are advanced certain considerations with regard to possible solutions.
- III. The position in free exchange has evolved favorably during the last twelve months. The increase of our exports to the United States and the inflow of capital have been the two most important factors. Our present reserves of dollars and the establishment of the régime of priorities for exportations from the United States permit--assuming that our sales in that market continue at their present rate--us to contemplate with tranquility our dollar necessities for the immediate future.

However,

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However, the experience of many years counsels extreme prudence in these matters since the situation can suffer fundamental modifications in few months.

- IV. On the other hand our balances of blocked pounds continue to increase. At the present time there is under negotiation with the authorities of the United Kingdom the utilization of part of the present balance in repatriating securities of the Argentine Government in the hands of British bondholders. Nevertheless it is to be anticipated that during the year 1942 our balance of blocked pounds may increase in a considerable amount with all the consequences of a monetary and financial nature which that would imply.
- V. The purely domestic financial situation at the outset of the third year of war is characterized principally by the persistence of the governmental fiscal deficit and by the expansion of banking credit. Both are aspects of the same problem: The contraction of foreign commerce has brought with it a severe decline in customs revenues and has made necessary the purchase of unmarketable surpluses by the government. During the year 1942 these factors will continue operating with the consequent aggravation of the expansion of banking credit if there are not obtained other resources for the purchase of such services.

VI. The

- VI. The market for Government securities--short and long term-- is today very satisfactory, as is demonstrated by the recent operations of conversion and of placing of securities carried out with all success. However, our money market is of a limited capacity of absorption and during the course of 1942 it will be indispensable to reserve it for the financing of the expenditures required by: the program of rearmament, public works, the budgetary deficit, the necessities of political subdivisions, and private industry.
- VII. From this situation it arises that the two aspects of our financial situation which require immediate study and adequate remedy if we do not wish to become involved in serious disturbances of a monetary nature are the problem of the blocked sterling and of the expansion of banking credit, the latter arising out of the purchase of unmarketable surpluses. The immediate needs for dollars, which as we have seen do not present a severe problem at this moment, may also be considered.
- VIII. In spite of the fact that the problem of dollar availability lacks today the urgency which it had a year ago, prudence counsels the maintenance of free lines of credits to be used at the necessary time. For this reason we believe that the credit of \$50,000,000 of the Export-Import Bank might be maintained under present conditions as a reserve for emergencies which would contribute by

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its mere availability to strengthening our monetary and exchange position.

- IX. The problem of blocked sterling viewed from a broad and long term point of view consists of a tripartite problem between the pound, the peso and the dollar. The present blocked balances can be handled, with of course some difficulties, by means of direct arrangements between our government and that of the United Kingdom. The increase which we foresee for the future in these balances merits a careful examination by the authorities of the United States if it is desirable to avoid the creation of unfavorable factors for free interchange between the three countries in the future. In this sense even though temporary solutions such as the acquisition in dollars by the government of the United States of certain Argentine products destined for the United Kingdom or the extension of credits in dollars against sterling balances would offer an important alleviation, we believe that the fundamental remedy must be found in monetary accord between the peso and the dollar, an accord which could be extended subsequently to other American republics if desirable.
- X. The problem of the expansion of banking credit requires a more immediate treatment. The Argentine Government maintains the firm policy of financing the purchase of the unmarketable

-8-

unmarketable surpluses and the reorientation of agriculture with resources of the Treasury. Financing with resources of the Treasury will oblige us to have recourse to the security market but we fear that in view of its limited capacity the latter will not be able to absorb such offerings in adequate amount, especially if there are considered the credit necessities mentioned above.

- XI. It would seem that the most adequate solution would consist in obtaining a credit in dollars for the Treasury, which would sell these dollars in the market to obtain the pesos necessary to carry on the purchases of the unmarketable surpluses and to undertake in a basic form the substitution of certain crops as well as the industrialization of some of our basic products.

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DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
FP 840.51 Frozen Credits/4625

December 15, 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 8, 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>
1431	Buenos Aires	12/10/41
750	Mexico City	12/11/41
1422	Buenos Aires	12/10/41
642	Bogota	12/11/41
1440	Buenos Aires	12/11/41

Enclosures:

As stated.

COPY:bj:13-17-41

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Buenos Aires  
TO : Secretary of State, Washington  
DATED: December 10, 1941, 9 p.m.  
NUMBER: 1431

Grumbach stated this afternoon that the Central Bank would be instructed tomorrow morning by the Minister of Finance to take measures subjecting to its control all securities and funds of Japanese banks and firms domiciled outside of Argentina. He said such action would be tantamount to blockage. A circular will probably be issued by the Central Bank tomorrow afternoon. He said this blockage differed from the provisions of the Bank's circulars 244 and 246 of last September to the extent that the new measures make no exceptions. Measures controlling the movement internally of funds belonging to the Japanese residents in Argentina probably would not be adopted.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Mexico City  
TO : Secretary of State, Washington  
DATED: December 11, 1941, 1 p.m.  
NUMBER 750

Mexican relations with Germany and Italy will be broken off this afternoon and all funds of these countries in Mexico will be frozen, according to confidential information from the Foreign Minister.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Buenos Aires  
TO : Secretary of State, Washington  
DATED: December 10, 1941, 7 p.m.  
NUMBER 1422

Simon of the British Embassy was informed this afternoon by Grumbach that the possibility of a decree providing for the control of the internal movements of funds of Japanese as a supplement to the existing measures, was being considered and that a decision would be reached tonight probably or tomorrow morning.

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## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Bogota  
TO : Secretary of State, Washington  
DATED: December 11, 1941, 10 p.m.  
NUMBER: 642

Information has been received from the Secretary General of the Foreign Office that all Japanese funds thought to total about 80,000 pesos are now practically all blocked by exchange regulations, and are expected to be blocked entirely by a decree to be issued when such powers are granted to the President this week.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Buenos Aires  
TO : Secretary of State, Washington  
DATED: December 11, 1941, 9 p.m.  
NUMBER 1440

Circular no. 262 was issued today by the Central Bank to the authorized institutions dealing in foreign exchange. It provides measures suspending movements of funds and securities between Argentina and Japan until further measures as may be needed are adopted.

The Central Bank has been given the power to authorize such operations as exceptions which cannot by their very nature be delayed without causing undesirable inconveniences or creating disturbances.

Further, the following operations now require express prior authorization by the Central Bank for each case:

- (1) Transfers of securities or funds abroad in foreign or national currency to the account or order of persons juridical or real residing or domiciled in Japan;
- (2) transfers of securities or funds from abroad in foreign or national currency to the account or order of persons juridical or real residing or domiciled in Japan;
- (3) exportation of funds "withdrawals or debits" from existing accounts in foreign or national money or those which may be opened in the country in the name of the juridical or real person domiciled or residing in Japan;
- (4) importation of funds "withdrawals or debits" in foreign or national money accounts

referred to in the preceding paragraph; (5) exports or imports in accounts of stocks or securities in the name of the aforesaid persons.

Registration of changes in the domicile of the holders of the respective accounts affected by the preceding provisions is permitted only if a prior authorization was granted by the Central Bank.

The circular further instructed that the Central Bank be consulted in all other operations of interest on the part of juridical or real persons domiciled or residing in Japan.

Copy:bj:12-17-41

## TREASURY DEPARTMENT

260

## INTER-OFFICE COMMUNICATION

DATE December 15, 1941

TO Secretary Morgenthau  
 FROM Mr. Dietrich

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£220,000
Purchased from commercial concerns	£ 14,000

Of the former amount, £145,000 is being used for investment purposes.

Open market sterling held steady at 4.03-3/4. The only reported transaction consisted of £1,000 sold to a commercial concern.

The Canadian dollar discount widened to a final quotation of 12 percent, as compared with 11-3/4 percent on Saturday.

A moderate improvement took place in the Venezuelan bolivar. The closing quotation was .2680, as compared with .2665 on Saturday.

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

Argentine peso (free)	.2390
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5310
Cuban peso	1/32% discount

The Federal Reserve Bank of New York received a cable from the Bank of Sweden on Saturday, instructing the Federal to sell 1,000,000 Argentine pesos at best for the Swedish bank's account. Owing to the thinness of the peso market in New York, the Federal offered these pesos directly to the Argentine Central Bank. Today, the latter agreed to purchase them at the rate of .2382.

We sold the following amounts of gold to the banks indicated below, this gold being added to their earmarked accounts:

\$25,000,000 to the Bank of Sweden
<u>19,950,000 to the Swiss National Bank</u>

\$44,950,000 Total

All of the gold used in these transactions was purchased by us from the General Fund.



No new gold engagements were reported.

In London, spot and forward silver were again fixed at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

CONFIDENTIAL



RESTRICTED

262

G-2/2657-220; No. 570 M. I. D., W. D. 11:00 A. M., December 15, 1941

SITUATION REPORT

I. Pacific Theater.

Philippines: No further reports on yesterday's hostile attacks. Apparently the principal land activity is still concentrated at Aparri, Vigan and Legaspi. Hawaii: It is reported that enemy submarines are operating in the Hawaiian area, but no further hostile activity has been reported. Malaya: A small Japanese force landed in the early morning of the 14th at Kuala Pahang, which is on the east coast approximately 200 miles southeast of Kota Bharu. The fighting in north Malaya continues but reports are confusing. Gilbert Islands: The Japanese have made a landing in the Gilbert Islands, just south of the Marshall Islands. Hong Kong: Japanese communications near Hong Kong were being attacked yesterday by Chinese west from Waichow (northeast of Hong Kong). These attacks are not thought to be of a very serious nature. The general situation is still confused. West Coast: No further reports received. Wake and Midway: No further reports received.

II. Eastern Theater.

Ground: The German withdrawal continues on the Russian front. The Russians claim a forty-mile advance at Tikhvin and the capture of Uzlovaya (southeast of Tula), Verkhova (northwest of Livny), and Dubna (west of Tula). Germans admit the Russians are making counterattacks along the entire line from Murmansk area to the Donets Basin, inclusive.

III. Western Theater.

No further reports received.

IV. Middle East Theater.

Ground: Axis retirement toward the Derna area continues. Axis rear guard still holds at Gazala. This rear guard has been bypassed by small task forces which are harassing Axis withdrawal as far northwest as the vicinity of Timimi and as far west as the vicinity of Mechili.

Air: Air activity by both sides has increased.

RESTRICTED

BRITISH EMBASSY  
WASHINGTON, D.C.

PERSONAL AND  
SECRET

December 15th, 1941

Dear Mr. Secretary,

I enclose herein for your  
personal and secret information a  
copy of the latest report received  
from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,  
United States Treasury,  
Washington, D.C.

BRITISH MOST SECRET

264

(U.S. SECRET)

REF. No. 74

Information received up to 7 a.m., 13 December, 1941.

(I) NAVAL

Early this morning a British destroyer reported that, in company with other British destroyers, she torpedoed two Italian cruisers off CAPE BON, TUNISIA. One blew up, the other was left on fire from stem to stern. They also damaged a destroyer by gunfire and sank an E-boat. No damage or casualties to our ships. On 24th November a British submarine torpedoed a merchant ship and salvage ship in CANDIA Harbour. American Naval aircraft claim to have damaged a Japanese battleship of the Kongo Class off the coast of LUZON in addition to the HARUNA. A 5,000 ton British merchant vessel in Northbound coastal convoy was sunk by mine off the SUMBER on the morning of the 12th.

(II) MILITARY

LIBYA. 11th. Our advance westward continued. In the coastal area, GAZALA is held by the enemy in some strength, although air reconnaissance indicated considerable movement of mechanical transport west and north-west from this area. It is being marked by our troops who have advanced parallel to the coast and were reported within five miles of the town. They have captured about 500 German and Italian prisoners. About ten miles south of GAZALA, the enemy launched an attack with 35 tanks during the day and infantry also were opposing our troops. The results of these engagements are not yet known. Further south our armoured forces are carrying out a wide encircling movement directed on DERNA, EL GURBA and MEKILI. Other armoured columns were directed on enemy troops in the area south of GAZALA on the EL ADEM-MEKILI Road, where our infantry are also in contact with the enemy. In the area North-West of GAZALA, our support group scattered a column of German mechanical transport and is reported to have caused great destruction and confusion amongst enemy columns. Operations throughout were hampered by sandstorms.

PAR EAST

MALAYA. KELANTAN Area. Nothing to report. KEDAH Area. Some withdrawal by our forces has taken place in this area to a line just north of ALOR STAR. Our troops operating north of KROH were forced back towards the frontier by unexpectedly strong forces, including tanks and light artillery. An enemy prisoner stated that many men had inflatable rubber belts enabling them to cross rivers. Men landed without rations and were helped by fifth columnists. The enemy are using infantry and tanks in close co-operation.

Regraded Unclassified

HONG KONG No details of fighting have been received. There are slight indications that an enemy force is being prepared at SIATON to co-operate in an attack on the Island of HONG KONG.

PHILIPPINES. Japanese landings, covered by strong support, continue at APARRI in NORTH LUZON.

RUSSIA. The Germans are now on the defensive on practically whole of the MOSCOW Front from KALININ to South of YELETS, which the Russians have recaptured, also in the TAGANROG Sector.

(III) AIR OPERATIONS

11th/12th. 23 R.C.A.F., 4 R.A.A.F. and 4 R.N.Z.A.F. Aircraft took part in the night's operations. The results of the attacks on COLOGNE, BREST and LE HAVRE were generally unobserved owing to cloud. 12th. Six Hampdens despatched on individual tasks, destroyed some aircraft on the ground, bombed a factory near BREMEN, and attacked ELLERICH Oil Refinery from 300 feet. Hudsons operating off the Dutch Coast made low-level attacks on a destroyer, a 4,500 ton merchant vessel, a smaller vessel and a trawler, but owing to the necessary evasive action results were unobserved. One Hampden, one Spitfire and one Hudson are missing.

12th/13th. 39 Aircraft were sent out: BREST 24, DUNKIRK 9, DONGES OIL DEPOT, ST. NAZAIRE 6. At ST. NAZAIRE bombs fell on the target causing fires among the Oil cisterns. One aircraft is missing. A Canadian Coastal Hudson obtained a direct hit from (847) feet on a merchant vessel of 8,000 tons of TEXEL, and another of the same squadron hit a 4,000 ton ship off the FRISIAN ISLANDS.

LIBYA. 10th. Six Boston Light Bombers attacked an enemy column near NEKILI; five of them are missing. 11th. Our Fighters shot down five Messerschmidt 109 and two Junkers 88, while Marylands shot down three Junkers 52, another was destroyed by anti-aircraft fire, and six other enemy aircraft were damaged. One Blenheim and six Fighters are missing. Hurricanes attacked mechanical transport south of BENGHAZI and destroyed a staff car, a petrol lorry, another large vehicle and damaged 38 other vehicles.

CENTRAL MEDITERRANEAN. 11 Blenheims scored two near misses and a possible hit on a 5,000 ton merchant vessel in ARGOSTOLION HARBOUR, CEPHALONIA. 11th/12th. Wellingtons dropped 17 1/2 tons of bombs on PATRAS, where quayside buildings were demolished and a 12,000 ton liner was probably hit. Naval Aircraft destroyed three aircraft on the ground at CASTEL BENITO. 12th. Blenheims scored hits on a munition factory at COTRONE, and nine Hurricanes successfully bombed OGISO aerodrome.

SIAM. 12th. Our aircraft carried out numerous reconnaissances, and six Blenheims bombed SINGORA.

(IV) ENEMY ACTIVITY

MALAYA. 11th. Butterworth Aerodrome was attacked, and one aircraft shot down by anti-aircraft fire. The attack on PENANG on the 11th was made by a total of (7157) aircraft in three waves. On the 12th a further heavy attack was made which disorganized essential services.

BURMA. 11th. A heavy air attack was made on TAVOY.

(V) Aircraft casualties in operations over and from the British Isles, British - 4 missing.

(VI) LATE NEWS.

HONG KONG. A report has been received from the Governor, Straits Settlements, that the Japanese Commander-in-Chief has asked us to enter into negotiations for the surrender of HONG KONG. This request has been refused.

BRITISH EMBASSY  
WASHINGTON, D.C.

15th December, 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,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

BRITISH MOST SECRET

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(U.S. SECRET)

CPTEL No. 33

Information received up to 7 a.m., 12 December, 1941.

(I) NAVAL

MEDITERRANEAN. A British submarine sank an escorted 15,000 ton merchant ship 60 miles South West of NAVARINO yesterday afternoon. On the 7th R.M. submarine torpedoed a merchant ship of the RAMB class 3,700 tons which was entering SUDA BAY. On the 10th a British cruiser bombarded DERMA and shipping in the harbour at close range. A British gunboat successfully bombarded the road 13 miles West of TOBRUK on the nights of 6th/7th and 7th/8th. A British trawler disappeared without trace and is presumed to have been sunk by submarine whilst on patrol off GIBRALTAR yesterday.

FAR EAST. Ninety officers and 1,195 ratings have been saved from PRINCE OF WALES and forty-three officers and 858 ratings from REPULSE. The Navy Department WASHINGTON announce that one Japanese light cruiser, one destroyer and ten aircraft were destroyed during the attack on TAKE ISLAND on the 9th. It is reported that the Japanese battleship HARUNA about 29,300 tons was hit by bombs off LUZON on the 10th. Enemy aircraft attacked NAURU Island yesterday afternoon and severely damaged the Wireless Station. In the attack on homeward convoy reported yesterday, two medium sized merchant vessels were sunk (one British, the other Egyptian). It is feared that a third ship of smaller tonnage has also been sunk.

(II) MILITARY

LIBYA. On the morning of the 10th ACROMA was reported clear of the enemy and our troops advancing northwards had reached the TOBRUK - IERNA road. About noon enemy M.T. totalling about 1,000 vehicles and dispersed over some sixty square miles, were reported West of ACROMA moving West and North West. Our forces took over 300 prisoners, some guns and much M.T. mostly from the Italian Trieste Division. By the evening, although operations were hindered by a wide spread sandstorm, we were close to GAZALA where there were indications that the Eastern defences were occupied by the enemy.

FAR EAST

MALAYA. In the North East our forces have withdrawn to a position covering MACHANG aerodrome about thirty miles South of KOTA BHARU. Enemy activity confined to patrols. On the KEDAH frontier, North West MALAYA, enemy infiltration has been going on and our troops have withdrawn to pre-arranged positions.



GENERAL. The general direction of Japanese troop movements continues to be towards the MALAY Peninsula. The main features of enemy tactics experienced so far are rapid infiltration and immediate outflanking of any defenses. Attacks are supported by co-operating aircraft giving accurate direction to quick firing artillery lighter than our 3.7" How. Medium machine gun, and mortar fire described as very accurate. Marked ability to push on even over most difficult country. Enemy well supplied with Tommy guns.

BURMA. Japanese attack against VICTORIA POINT reported impending.

SARAWAK. Demolition of MIRI aerodrome and oilfield installations completed.

U.S. TERRITORIES. Fighting continues at GUAM and on WAKE ISLAND. The Japanese landings on LUZON are reported to have been repulsed on the West Coast but to have succeeded on the North Coast.

RUSSIA. The Russians are believed to have retaken YELETS.

(III) AIR OPERATIONS

11th. Six Hampdens dropped bombs at EMDEN, on a Dutch aerodrome where hangars were hit and on a town in the FRISIAN ISLANDS. 11th/12th. 124 aircraft operated as follows - COLOGNE, sixty, BREST, twenty-six, LE HAVRE, thirty-three, Sea mining, five. Three are missing.

LIBYA. 9th. Eight Hurricanes destroyed eight motor vehicles including three petrol lorries and damaged a further twenty-two on the JEDABYA - EL AGHEILA road. 9th/10th. Wellingtons bombed DERNA causing fire and large explosion, M.T. near BOMBA and the aerodrome at GAZAIA. 10th. Bad weather prevented bombing operations. 10th/11th. Eight Wellingtons dropped fourteen tons of bombs on BENGHAZI harbour.

SICILY. 11th. Blenheims hit two 5,000 ton merchant ships in CATANIA Harbour and set one of them on fire.

(IV) ENEMY ACTIVITY

MALTA. 10th/11th. Sixteen aircraft operated against the Island but caused no damage.

HONG KONG. 11th. Frequent attacks were made on our patrol vessels by enemy dive-bombers one of which alighted in the sea.

MALAYA. 11th. PENANG was bombed fairly heavily. Civilian casualties about 100 killed, no military damage or casualties, A.R.F. reported good.

(V) AIRCRAFT CASUALTIES IN OPERATIONS OVER AND FROM BRITISH ISLES

British - three missing.

(VI) JAPAN

Air reconnaissance on the 9th reported 40 Japanese bombers at SINGORA, probably from SOUTH CHINA, this would reduce the total bomber force in SOUTH CHINA to about 150 aircraft. There are probably between 80 and 90 fighters, type T '101' stationed in the KRA Isthmus, 40 at SINGORA and the remainder at PATANI.

(VII) There are 36 German and Italian merchant ships in Japanese controlled ports. Of these, about 13 could, without conversion, reach EUROPE without refuelling, although Japanese would have to supply the oil. There are substantial stocks of German owned rubber at present in Japanese controlled territory in the FAR EAST.

(VIII) LIBYA.

There has recently been an increase in the scale of night operations by German long-range bombers operating from Greek and Libyan bases. The average during the past week was about 10 to 12 sorties per night.

(IX) The Russians now claim to have air superiority over the Germans on their entire front and especially in the MOSCOW area. Our Military Mission confirms this.

(X) Report received from HONG KONG received this morning states that enemy made progress yesterday and that our forces have now withdrawn to the outskirts of KOWLOON.

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Tuesday, December 16, 1941.  
12/15/41

Press Service  
No. 29-5

The Secretary of the Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be dated December 17, 1941, and to mature March 18, 1942, which were offered on December 12, were opened at the Federal Reserve Banks on December 15.

The details of this issue are as follows:

Total applied for - \$382,650,000  
Total accepted - 150,040,000

Range of accepted bids: (Excepting two tenders totaling \$80,000)

High	- 99.950	Equivalent rate approximately	0.198	percent
Low	- 99.919	"	"	"
Average			0.320	"
Price	- 99.925	"	"	"
			0.295	"

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

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TREASURY DEPARTMENT  
Washington

FOR IMMEDIATE RELEASE,  
Tuesday, December 16, 1941.

Press Service  
No. 29-7

The Secretary of the Treasury today announced the final subscription and allotment figures with respect to the current offering of 2 percent Treasury Bonds of 1951-55 and 2-1/2 percent Treasury Bonds of 1967-72. Subscriptions for \$5,000 or less where the subscribers specified that delivery be made in registered bonds 90 days after the issue date were allotted in full, \$13,800,850 for the Treasury Bonds of 1951-55, and \$23,043,450 for the Treasury Bonds of 1967-72.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

Federal Reserve District	2% Bonds of 1951-55		2-1/2% Bonds of 1967-72	
	Total sub- scriptions received	Total sub- scriptions allotted	Total sub- scriptions received	Total sub- scriptions allotted
Boston	\$ 343,340,850	\$ 38,273,800	\$ 637,834,450	\$ 96,686,700
New York	2,242,647,450	248,727,950	3,433,309,300	520,875,900
Philadelphia	272,261,950	30,835,900	441,752,800	69,103,850
Cleveland	319,816,050	35,781,950	400,009,850	61,176,950
Richmond	164,714,650	19,063,100	252,414,250	39,400,700
Atlanta	182,288,250	20,680,300	255,674,400	39,173,300
Chicago	537,042,950	61,489,150	672,230,950	103,897,250
St. Louis	114,617,300	13,847,400	153,192,050	24,673,450
Minneapolis	64,802,350	8,332,900	122,166,450	19,642,450
Kansas City	84,841,550	10,603,150	118,588,100	19,475,400
Dallas	107,621,250	12,257,750	148,225,550	22,989,850
San Francisco	280,768,550	31,363,100	336,961,400	51,467,900
Treasury	13,135,000	1,461,400	6,834,400	1,035,600
Government Investment Accounts				103,500
<b>TOTAL</b>	<b>34,727,898,150</b>	<b>3532,717,850</b>	<b>36,979,193,950</b>	<b>1,069,702,800</b>

December 16, 1941  
12:22 p.m.

HMJr: Yes.

Marvin  
McIntyre: Can I have a couple of minutes?

HMJr: Sure.

Mc: In the first place, we've gotten two letters  
in here enclosing checks - one of them for  
eleven hundred and forty-eight dollars.

HMJr: Yeah.

Mc: To the Defense Bond, but it's drawn to Franklin  
D. Roosevelt.

HMJr: Yes.

Mc: We'll have to adopt some procedure. Shall I  
just send all those to you, or what?

HMJr: I'd send them all to Bell.

Mc: To Bell.

HMJr: Dan Bell.

Mc: Okay.

HMJr: Yeah.

Mc: Now, Henry.....

HMJr: Yeah.

Mc: .....we're having a hell of a time trying to  
locate a telegram that everybody thinks we got  
from Whitney, and we're in a terrible jam over  
here. We've had somewhere around forty or  
fifty thousand of these.....

HMJr: Yes.

Mc: .....and I've had to send the Army ones over  
there and a bunch of them over to Wayne Coy.

HMJr: Yes.

Mc: And I haven't been able to locate that. How important is it?

HMJr: Whitney?

Mc: Yeah. They said you wanted to know.

HMJr: No. I don't know anything about it.

Mc: (Talks aside) Didn't they say that the Secretary of the Treasury wanted to know? Uh huh. Was it Lowell Mellett asking?

Well, never mind. Maybe I'm bothering you. Somebody gave me a wrong steer, I guess, Henry.

HMJr: No, it's not me this time.

Mc: (Laughs) All right.

HMJr: Okay.

Mc: I just wanted to find out, because I could get it some other way and send it to you.

HMJr: No, I don't think it was me.

Mc: Uh huh.

HMJr: Anything else?

Mc: Well, yeah; but it's not important and I can't locate it.

HMJr: All right.

Mc: I'll send a memo over.

HMJr: Thank you.

Mc: Thanks for the other tip, though.

HMJr: Okay.

Mc: Right.

December 16, 1941  
12:25 p.m.

HMJr: Hello.

General  
Watson: Hello.

HMJr: Pa.....

W: Yeah.

HMJr: .....I spoke this morning to Colonel Smith -  
one of his people over there, Smith wasn't  
in.....

W: Yeah.

HMJr: .....and I have seen a copy of this military  
information that the joint board gets out.....

W: Yes.

HMJr: .....and I asked if, without too much trouble -  
if it's going to cause a revolution, I don't  
want it - but if - I understand it was going  
to be referred to you - if I knew it was referred  
to you I'd have asked you in the first place -  
but if it is an easy thing to let me have, in  
confidence, it would be helpful to me to be able  
to see it.

W: Yeah.

HMJr: Now, if there's any great trouble.....

W: Well, I'll tell you.....

HMJr: .....I don't want to raise any issues, you see.

W: Yeah. There's been a lot of trouble about them.  
Donovan wanted one, and so forth so - but as it  
not stands, nobody gets one but the President,  
the Secretary of War, and the Secretary of Navy.

HMJr: I see.

W: And so there can be - the idea being so that they  
can be frank with the President, or at least tell  
him everything. But if there's anybody in the

- 2 -

world ought to have one, I'd think it was you.

HMJr: Well, it would help me in my.....

W: Well, let me speak to the President about it.

HMJr: It would help me, but I'm not.....

W: I'll speak to him, Henry; let me do that.

HMJr: And if it's embarrassing, forget about it.

W: Well, I don't - I'll find out what the distribution is now, exactly, and I.....

HMJr: Well, will you - but you put it up to him that if it's embarrassing I don't want it, but if I can have it, it would be helpful to me.

W: All right, I shall.

HMJr: Now he once paid me the compliment by saying that there never was any leaks in the Treasury.

W: Well, I think that if there's anybody here that would be close-mouthed, I would say you'd be the boy.

HMJr: Okay.

W: That's the way I'd say.

HMJr: But you understand.

W: All right.

HMJr: Thank you.

W: Good-bye.



December 16, 1941  
2:05 p.m.

George:

Haas:

Yes. Hello, Henry.

HMJr:

George, just quickly tell me what you've done,  
if anything.

H:

All right.

(The above conversation is all that was  
recorded)

December 16, 1941  
2:12 p.m.

Sumner Welles: Hello, Henry.

HMJr: I got your message that you called me last night.

W: I'm sorry not to have coincided. I've tried to reach you three or four times.

HMJr: Yeah.

W: And I know you've tried to reach me when I was tied up.

HMJr: Right.

W: I wanted to let you know that the situation about Lufti is about as follows.

HMJr: Please.

W: As you know, the principal feeder line is Condor.

HMJr: Yes.

W: Condor suspended services today between Argentina and Chile - that's now stopped.

HMJr: Right.

W: It is our belief that Condor will have to suspend services between Argentina and Brazil.....

HMJr: Yeah.

W: .....within the next week.

HMJr: Yes.

W: As you know, all supplies of gasoline have been shut off and the Brazilian Government has promised to cooperate in that in preventing sources not in our control from getting to them.

HMJr: Right.

W: In regard to Lufti, Caffrey has had it up with the Brazilian Government, which now has it under immediate consideration.

HMJr: Yes.

W: And he indicated in his last cable to me that he thought we would have a favorable reply within two or three days.

HMJr: Right.

W: I'm sending him a further wire today.

HMJr: Good.

W: I think the policy of the Brazilian Government for the moment is probably not to take any overt action which would stir up violent reactions within Brazil, until after the consultative meeting to be held the first week, and to take action in accordance with any inter-American resolutions that may be agreed upon so as to put the blame for it - or, not the blame, but the responsibility for it on continental policy rather than individual domestic policy.

HMJr: I see.

W: But I'm still hopeful that we can shut it off before that time, and I think we can.

HMJr: I hope so.

W: So do I.

HMJr: Thank you.

W: Thanks, Henry.

HMJr: Good-bye.

W: Good-bye.

December 17, 1941.

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MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Secretary Morgenthau's Office  
December 16, 1941  
3:00 P. M.

Present: Secretary Morgenthau  
Mr. Morris Wilson, Chairman,  
British Supply Council of North America  
Mr. White

The interview was at Mr. Wilson's request. Mr. Wilson asked whether it would be possible for him to get data on Government appropriations for defense and estimates of the amount of expenditure from such appropriation broken down by fiscal years. He said he wanted the data for comparison with war expenditures in Canada and Great Britain. The Secretary said he would be glad to have the Treasury help if it could and telephoned for Mr. Lindow to come in. Mr. Lindow thought he could get some of the material Mr. Wilson wanted though he felt that the Office of Production Management would have better figures than he did of projected expenditures. The Secretary asked Mr. Lindow to explain to Mr. Wilson how Mr. Lindow had been helping the British Purchasing Mission keep their books. Mr. Lindow briefly explained what he had been doing in the past eighteen months in that connection. Secretary Morgenthau wanted to know if it would be all right for Mr. Lindow to make up a preliminary table and call on Mr. Wilson and Mr. Wilson could suggest desired modifications and changes. The Secretary was not certain he could supply what Mr. Wilson wanted, but said we would try. Mr. Wilson expressed his thanks and Mr. Lindow left.

The Secretary then told Mr. Wilson that he had heard Canada had some planes which Canada had produced and was not using and that Canada had offered them to Russia for sale, but so far as he knew, the sale had not been consummated. The Secretary expressed the view that any planes that could be spared would be of considerable use to Russia now and Mr. Wilson agreed and said he didn't know exactly what the situation was, but would look it right up and the Secretary would have the answer in a short time.

Mr. White happened to be in the Secretary's office about fifteen minutes later when Mr. Wilson telephoned and explained the situation. (The Secretary indicated that the telephone conversation was being recorded for his files, so there is no need to summarize it here.)

December 16, 1941  
3:26 p.m.

HMJr: Oscar?

Oscar  
Cox: How are you?

HMJr: Are you where you can talk in confidence?

C: Yes, sir.

HMJr: Where are you?

C: I'm over at Lend-Lease in Mr. Stettinius' office.

HMJr: Oh, with Stettinius.

C: Yes.

HMJr: Oh, well, I see. Well, I didn't.....

C: That's all right. He'll excuse you.

HMJr: (Laughs) Oh. Well, I've got this memorandum that you want a copy of the British Government's agreement with the Soviet Union.

C: Yeah.

HMJr: Well, if I give it to you, how do I know the Germans won't get it?

C: Well, we've got a safe over here.

HMJr: (Laughs) I see.

C: Furthermore, you trained me a long time ago to fight the Germans.

HMJr: I'm sitting here with Harry and I happen to be in a good humor and I said, "Let me kid Oscar," I said to Harry, and Harry said how do I know he'll know I'm kidding him.

C: Yeah, I'll know.

HMJr: Well, you really think you could keep that all right?

- 2 -

C: Yes. I'll put it in my special steel safe.

HMJr: Fine. Well, then I think under those arrangements, we'll let you have it.

C: Say, I did you dirt on your alien property custodian stuff.

HMJr: I heard you were wonderful.

C: Oh, well, I had some emotional boys on my hands from Justice.

HMJr: Why I hear you were wonderful. I hear you took that fellow Shea out into a room and when he came out his face was so red that everybody got sunburned looking at him.

C: Yeah, his face was red all right.

HMJr: On Sunday afternoon.

C: Yeah. His boss overruled him.

HMJr: Fought nice. I hear you were wonderful.

C: Oh, I can't say that.

HMJr: Why?

C: Well, we did a - we tried to do a job, and I don't know, I guess we got half way successful.

HMJr: Well, it's what - the thing, the way it went through though, so far, is all right, isn't it?

C: Oh, yes.

HMJr: What?

C: Sure. I think we ought to go beyond that, though.

HMJr: Yeah.

C: I think it's a bad mistake to separate the two.

HMJr: Because my - you see, it's only half way good

to have you in the Attorney General's office, you see; you might as well take it entirely over there, and I'll get everything that I want.

C: (Laughs) Oh, I see. Well, Biddle offered me a job over there.

HMJr: Well, that's - no, that isn't enough. I want you to go further than that.

C: Well, I don't know what you mean by that.

HMJr: All right.

C: Okay.

HMJr: Good-bye.

C: Good-bye.

December 16, 1941  
3:35 p.m.

HMJr: Hello.

Morris  
Wilson: Morris Wilson.

HMJr: Go ahead.

W: I've just checked up on this thing.

HMJr: Yes.

W: The four hundred Hurricanes in Canada are as I stated. They're to come off over the next six, seven, eight months - they're a fill-in until they can swing into this heavy bomber thing.

HMJr: Four hundred.

W: Yes. Of that four hundred, there's seventy-two going to the Dutch and there are three hundred and twenty-eight going to the Russians.

HMJr: How much?

W: Three - the balance - three hundred and twenty-eight.

HMJr: So they're all sold.

W: Oh, yes. They're all disposed of.

HMJr: Good.

W: The question of engine guns, that hasn't been worked out yet, but it's being discussed with the Air Corps here and so on and so forth.

HMJr: Good.

W: Now, in addition to that, there are sixty old type Hurricanes up there which are grounded because - well, there are no Packard Merlin engines available.

HMJr: I see.



- 2 -

W: They - well, you know that Packard have been behind-hand.....

HMJr: Yes.

W: .....but the minute they catch up and we can pull out the sixty engines to put in them, why they'll be put in and then they'll be turned over to the RCAF in Canada.

HMJr: I see.

W: So that's the - that washes out that, airplanes in Canada.

HMJr: Thank you so much.

W: All right, fine. Good-bye.

HMJr: Good-bye.

December 16, 1941  
5:02 p.m.

HMJr: Senator.

Senator  
Walsh: Hello.

HMJr: Henry Morgenthau talking.

W: Hello, Mr. Secretary. How are you?

HMJr: I was trying to see you this morning, but they said you were at the Navy Department.

W: Yes, I was up there.

HMJr: Well, I'm leaving this evening for Chicago. I'll be back Thursday morning.

W: Yes.

HMJr: What I wanted to ask you about, and I thought - I hate to do it over the phone, but at least you could be thinking about it, and that is that I still don't have an Under Secretary and we have got a war now and I was going to ask you whether you wouldn't reconsider that proposal I put up to you some months ago.

W: Very well. I'll think it over and let you know Thursday.

HMJr: Yes.

W: Will that be all right?

HMJr: Yes, if you would.

W: Yes.

HMJr: And I've been unable to find anybody.

W: All right.

HMJr: And it means a great deal to me.

W: Yes. I'll talk with you on Thursday.

- 2 -

HMJr: Thank you.

W: All right.

HMJr: Thank you.

12/10/41

**Memorandum for The President:**

Before leaving for Chicago this evening, Secretary Morgenthau directed that I submit to you at once an urgent request for an allotment from your emergency fund for the following purposes:

For the Secret Service,  
including additional -  
employees and the necessary  
equipment, travel, etc., ..... \$ 332,823

For emergency construction of  
safety measures for the  
protection of the Treasury  
Building, including barricades,  
steel roofing, mesh-wire  
skylights, etc., ..... 250,000

(Sgd) W. D. Bell

Acting Secretary of the Treasury.

*Am*

CONGRESS OF THE UNITED STATES  
JOINT COMMITTEE ON REDUCTION OF  
NONESSENTIAL FEDERAL EXPENDITURES

There will be a meeting of the Joint Committee in  
Room House Ways and Means Com. on Tuesday, Dec. 16.  
in Capitol  
at 10:00 a.m.

Ed Important

*Secy  
attended*

HARRY FLOOD BYRD,  
Chairman.

SPD 6502

## TREASURY DEPARTMENT

WASHINGTON

December 16, 1941.

MEMORANDUM ON MEETING OF THE JOINTCOMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called for 10 a.m. Tuesday, December 16, in the House Ways and Means Committee Room in the Capitol. There were present

## Senators:

Byrd  
McKellar  
Nye

## Congressmen:

Doughton  
Cullen  
Treadway  
Woodrum  
Cannon

## Treasury:

Secretary Morgenthau  
Under Secretary Bell  
Mr. Heffelfinger  
General Accounting Office:  
Mr. Tyler  
Mr. Berger

Mr. Smith, Director of the Budget, came in near the end of the meeting. Congressman Treadway announced that Congressman Teber was in the hospital and had asked Mr. Treadway to exercise his proxy. Senator Byrd announced that Senator George and Senator Glass had asked him to act for them.

Senator Byrd opened the meeting with a statement that the Committee should consider the reductions which they wanted to recommend and suggested that the first item for consideration was the CCC. Mr. Cannon asked for a statement with respect to the Committee's power and authority. Senator Byrd stated that in his opinion the Committee was not limited to recommending economies in appropriations made for the current fiscal year but could also recommend the curtailment of future appropriations effective for the fiscal year beginning July 1, 1942. There was a general discussion with respect to the recommendation for the abolishment of the CCC. Congressman Treadway suggested that if the Committee should be too drastic in its recommendations for the abolishment of agencies that it would be difficult to get the support of the House. He pointed out that as soon as a suggestion is made for the abolishment of an agency there is tremendous pressure brought to bear on the House and Senate by employees and officials of such agencies for the preservation of their jobs. Congressman Treadway suggested that there be a practical approach to the problem by the Committee so that it could obtain the support of the House and the people at large.

Secretary Morgenthau suggested that in lieu of taking the CCC alone, that it be considered with all agencies in this category, CCC, NYA, national defense activities of the Bureau of Education and the WPA. It appears that the appropriations for these agencies for the current fiscal year are as follows:

	(In millions of dollars)		
	<u>Appropriated</u>	<u>Impounded</u>	<u>Net available</u>
NYA	151	37	114
CCC	246	95	151
WPA	875	15	860
Education	<u>148</u>	<u>-</u>	<u>148</u>
	1,420	147	1,273

Secretary Morgenthau stated that he had found it much easier to abolish bureaus than it was to make cuts in the amounts appropriated for such bureaus and suggested that NYA, CCC and the national defense activities of the Bureau of Education be abolished and that all activities of such agencies dealing with the training of youth and others for national defense activities be consolidated in a new bureau. There was general agreement by the members of the Committee to this suggestion. Thereupon Secretary Morgenthau made the following motion:

Moved, that the Civilian Conservation Corps, the National Youth Administration and the national defense activities of the Office of Education be abolished, effective July 1, 1942, and that in lieu thereof there be established an agency for training persons for work in defense occupations; the activities of such agency to be limited strictly to national defense work and confined to those certified by the Secretary of War and the Secretary of Navy as necessary for that purpose; also that there be merged with such new bureau any defense training program now carried on under the Work Projects Administration program, the continuance of which is considered necessary; and further that all amounts held in reserve by direction of the Bureau of the Budget from amounts previously appropriated to such agencies be rescinded and be covered into the Treasury.

Congressman Woodrum seconded the motion and it was agreed to by all members present except Congressman Cannon, who reserved the right to record his vote on the recommendations as a whole.

Senator Byrd suggested that the next item for consideration was the appropriation for WPA. Congressman Woodrum suggested that the amounts held in reserve at the direction of the Bureau of the Budget from WPA appropriations be covered into the Treasury and that the WPA appropriation for the following year be cut in half. Senator McKellar and Congressman Treadway indicated their support of such suggestion. Congressman Woodrum stated that the Committee should include a reservation in its report to the effect that notwithstanding its recommendation

that conditions in the fiscal year 1943 might be such that there would be no need for any WPA appropriation. He also pointed out that WPA was doing a great deal of work which was classified as defense work, such as grading roadways, airports, etc., which used common labor and that there was no place in the defense program for this class of workers. From this standpoint he thought it might be necessary to carry a modest sum for a WPA program.

Secretary Morgenthau said that he had had occasion to see some of the so-called defense work which WPA was doing and that he was of the opinion that it would be better to make direct appropriations to the Army and Navy for this work. He said that at the present time WPA workers are doing this class of work at low wages and that this was unfair to such persons since they were entitled to the same wages as other classes of people doing similar work. With respect to the WPA program the Secretary said he was of the same opinion he was some time ago, that is, until the President submits his new program, he was not in a position to judge just how far that program would affect the need for the continuance of the WPA. He said the President's program might be so large and so extensive as to eliminate entirely any need for WPA. He suggested that the Committee recommend that there be appropriated \$50,000,000 per month to WPA for three months beginning July 1, 1942 and that in the spring of 1942 the Congress would be in a better position to judge whether any further need existed for a WPA program and if so it could make a further appropriation for another period of three months in the light of the situation that might then exist.

This suggestion by Secretary Morgenthau was treated as a motion and was seconded by Congressman Woodrum. All members present indicated their agreement except Congressman Cannon who also reserved his vote on this motion until the complete Committee program had been outlined.

Senator Byrd suggested that the next item for consideration was the appropriation for public works, including public roads. Senator McKellar stated that he had agreed to recommend a reduction of one-half in the public roads program for 1943 and to support such recommendation in the Senate. He said his recommendation was conditioned on the Committee taking action with respect to WPA, CCC and NYA and since the Committee had indicated its intention of recommending substantial cuts in those appropriations he would go along with the postponement of one-half of the 1943 regular public roads program.

Congressman Woodrum moved that the Committee recommend that one-half of the public roads program for 1943 be postponed. This motion was seconded and all members indicated their agreement except Secretary Morgenthau who voted against the motion since he had recommended the postponement of the entire 1943 roads program and Congressman Cannon who also reserved his vote on this motion until the complete program of the Committee has been agreed upon.



There was a general discussion of the amounts which the Committee could recommend for reduction in the Public Works program and it appeared that there was not sufficient information available to enable the Committee to make specific recommendations in this field. Senator Byrd, from statements which he possessed, indicated that \$43,000,000 of appropriations had been reserved by the Bureau of the Budget under the Federal Works program.

Congressman Treadway suggested that a sub-committee be appointed to consist of Senator Byrd, Chairman of the Committee, and two other members to go over the miscellaneous items included in the Budget and to bring in their recommendation for consideration by the full Committee. Congressman Woodrum suggested that the Chairman have his assistants prepare a table of miscellaneous items which could be brought before the full Committee for its consideration. In reply to an inquiry by Congressman Cannon, Senator Byrd indicated that the Public Works program totaled about \$703,000,000 including \$135,000,000 for roads, \$119,000,000 for TVA and \$100,000,000 for Civil Aeronautics.

Congressman Woodrum suggested that the Committee recommend against starting any new projects and Senator Byrd stated that in his opinion it was essential for the Committee to adopt a strong recommendation against any new Public Works projects. Congressman Woodrum indicated that he will prepare a motion with respect to this subject and bring it in for the Committee's consideration at its next meeting.

Senator McKellar said that he would like to see the Committee put in its report a recommendation that all activities of the Government, including corporations that receive income which is not paid into the Treasury, must pay all their collections into the Treasury and come to the House for appropriations from the Treasury. Congressman Woodrum thought that this suggestion went too far because he did not see how the EFC could operate under such conditions. Senator McKellar asked the Secretary if he would undertake to formulate a plan or recommendation for this purpose and the Secretary agreed to bring a proposal to the next meeting of the Committee for its consideration.

Congressman Woodrum moved his motion with respect to new Public Works projects and it was unanimously approved by the Committee, Congressman Cannon however reserving his vote on the motion.

There was a general discussion with respect to the recommendation which should be made for a reduction of the Civil Departments and establishments. There was some suggestion that the Committee recommend an over-all blanket reduction in these items. Secretary Morgenthau pointed out that it would be difficult to apply an over-all reduction to the various Civil Departments and establishments. He pointed out that there are some bureaus and agencies where personnel are working under heavy pressure while there may be other bureaus such as the Bureau of Foreign and Domestic Commerce whose work may have been

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completely terminated by virtue of present conditions. Secretary Morgenthau pointed out that the English have a Parliamentary Committee which sits continuously for the purpose of investigating expenditures in all branches of the Government so as to eliminate extravagance, duplication, overlapping, etc. The Secretary suggested that the Joint Committee now sitting could employ a small staff of accountants and investigators and by undertaking a review, bureau by bureau, where there appears to be a possibility of economy, it could save substantial sums in annual appropriations.

Congressman Cannon asked what was the life of the Committee now sitting and the Chairman replied that the Committee has life until it submits its final report.

Senator Nye suggested that the Departments be invited to submit to the Committee their views as to where economies and reductions could be made in their activities. There was some general discussion that this would not be very productive of economies, although Secretary Morgenthau said that in his opinion the Departments would honestly report economies which they thought could be made in their organizations.

Senator Byrd stated that in his opinion a general reference should be made in the Committee's report with respect to reductions in the regular expenditures of the Civil Departments and establishments.

Senator Byrd stated that the next item for consideration was the farm program and that any report that the Committee might make if it does not include a recommendation for a substantial cut in the farm program would not be given support by the people. There seemed to be general agreement with these views and Congressman Doughton asked Congressman Cannon, who comes from an agricultural State and is Chairman of the Appropriations Committee of the House, as to what, in his opinion, can be done with respect to reducing expenditures for Agriculture.

Congressman Cannon stated his view was that no cut should be made in the appropriation for soil conservation. This appropriation for the current year was \$499,000,000 and Congressman Cannon said this program was adopted in lieu of assuring the farmers any fixed prices under particular price legislation. Congressman Cannon reviewed various miscellaneous expenditures under the Department of Agriculture, some of which he thought could be eliminated entirely, others were not effective and could be cut substantially. He would not make, however, any estimate as to the total cuts which he thought could be made in these miscellaneous items. Congressman Cannon, however, was very insistent in his views that no cut should be made in the program for soil erosion.

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Senator McKellar suggested that a sub-committee be appointed consisting of Chairman Byrd and Congressman Cannon to report on items for reduction under the farm program.

Secretary Morgenthau stated that there are to be substantial expenditures under the Lend-Lease program for agricultural purposes and he thought this changed the agricultural situation, especially with respect to the need for expenditures to maintain prices of farm products. Secretary Morgenthau suggested that the Committee invite the Secretary of Agriculture to submit plans which he would adopt in order to support the Department of Agriculture and the farm program from an over-all appropriation of \$500,000,000 for the next fiscal year. Congressman Cannon stated again that the soil conservation program can't be touched because it affects every farmer and ought not be cut. Senator Byrd pointed out that at least there could be a cut in the \$95,000,000 overhead spent under this program. Congressman Woodrum suggested that the Committee adopt the Secretary's suggestion and Congressman Cannon again observed that the soil conservation program can't be cut.

Senator Byrd, in reply to an inquiry, read a list of amounts of the various appropriations under the farm program which aggregate about \$1,200,000,000, not including expenditures from money borrowed by corporations or expenditures out of Lend-Lease appropriations.

Secretary Morgenthau stated that if the Committee is not willing to ask the Secretary of Agriculture as to how he would operate under a \$500,000,000 appropriation, it could ask him as to how he would operate under \$500 - \$600 - \$700 - \$800 - \$900 million or \$1,000,000,000.

Senator Nye moved that the Committee ask the Secretary of Agriculture to submit a report as to what he can do if \$300 - \$400 - \$500 - \$600 million is cut from his appropriation in the next fiscal year, exclusive of money borrowed from corporations. There was general agreement with this suggestion and the Committee adjourned at 12 o'clock, noon, to meet again Wednesday at 10 a.m.

WYK

*Draft*

*Hearings  
1/21/43*

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STATEMENT BY SECRETARY MORGENTHAU

*12/16/41*

Mr. Chairman, I am pleased to have this opportunity to appear before this Committee for the purpose of discussing the appropriation estimates of the Treasury Department for the fiscal year 1943.

These estimates were approved by the Bureau of the Budget several weeks ago. In the meantime, events have occurred which may have the result of rendering some of the Department's estimates wholly inadequate, as well as requiring additional funds for specific purposes not contemplated under any of the appropriations which you are about to consider.

I should like to point out that the functions of the Treasury Department include the rendering of services to a considerable part of the entire Federal Establishment in such matters as accounting, procurement, disbursing, and the clearance of checks. It is inevitable, therefore, that any increase in the general activity of the Government is reflected in the work to be performed by the Treasury. In addition, world conditions have created new burdens. The operation of the Foreign Funds Control, the sale of Defense Savings Securities, and the collection of additional revenue represent substantial increases in the work which we are required to perform; and with respect to the funds necessary for these purposes, I can give no assurance that the estimates as submitted adequately provide for our needs. I can assure

*Approved 12-15-41*

you, however, that it will be the Treasury's determination to restrict its expenditures to the absolute minimum regarded as necessary to perform its functions during a period of crisis and emergency.

The 1943 estimates of annual appropriations, after the necessary reductions resulting from the transfer of the Coast Guard to the Navy, aggregate about \$217,000,000, of which \$137,675,000 represent the Department's operating expenses, and the balance of \$79,000,000 represent non-operating expenses. The 1943 requirements for operating expenses, compared with similar appropriations aggregating \$123,540,000 available in 1942, show a net increase of about \$14,000,000.

I shall not undertake to refer specifically to every bureau of the Department. While the burdens and responsibilities of practically every activity of the Treasury have been substantially increased, the principal items of increase are reflected in the estimates submitted for the larger bureaus. I shall deal specifically, therefore, only with the latter increases.

#### FOREIGN FUNDS CONTROL

About one-fourth of the Department's increase in estimated operating expenses for 1943 is reflected in the appropriation for the Foreign Funds Control.

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Although \$5,000,000 is being requested for this control, it should be explained that the estimate submitted to the Bureau of the Budget, as well as the Budget allowance, was predicated upon world conditions as they existed during the month of October. I believe your Committee already recognizes the vital necessity for providing immediate and adequate control of foreign funds and other property, belonging to certain countries or the nationals thereof, located in this country. Since the justification for the \$5,000,000 approved by the Bureau of the Budget for this Control will be presented in detail by representatives of the Department, I shall at this time merely emphasize the urgent necessity for these funds, and assure you that such additional appropriation as may later be required for this purpose, above the amount contained in these estimates, will be held to the absolute minimum regarded as essential.

#### BUREAU OF INTERNAL REVENUE

The Revenue Act of 1941 not only broadens the Income Tax bases to include about 5½ million new income taxpayers, but also imposes and creates certain new retailers', manufacturers' and miscellaneous excise taxes. These new and additional taxes, which are expected to increase the annual yield of Federal revenue by about 3½ billion dollars, necessitate a substantial increase in the personnel of the Bureau of Internal Revenue. There are included in the estimates of the Bureau for 1943 additional funds totalling

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\$7,700,000 for the collection of these taxes.

The estimate for the Bureau of Internal Revenue includes no funds for administering the tax on motor vehicles and boats, which tax was also imposed under the 1941 Revenue Act. This omission is due to the fact that when the 1943 estimates were being prepared, Congress had not as yet expressed its approval with respect to the method to be used in administering the tax. Accordingly, while no funds have been included for this purpose in the estimates now before your Committee, a supplemental estimate for the fiscal year 1943, to provide for the collection of these taxes, will have to be submitted at a later date.

#### BUREAU OF THE PUBLIC DEBT

The estimated requirements of the Bureau of the Public Debt for the ensuing fiscal year, exclusive of the indefinite appropriation "Expenses of Loans", are about \$422,000 in excess of the 1942 appropriations. Of this increase, \$241,000 is for additional personal services, due to increased volume of work in connection with the handling of cancelled United States currency and the redemption of bonds, and \$181,000 is for increased requirements of distinctive paper for United States currency.

EXPENSES OF LOANS

Under the Treasury Appropriation Act for 1942, expenditures from the indefinite appropriation "Expenses of Loans" are limited to \$9,800,000. For the fiscal year 1943, the Bureau of the Budget has approved a limitation in the amount of approximately \$14,800,000. This increase of \$5,000,000 includes about \$3,543,000 to enable the Bureau of the Public Debt to perform increased work related to the issue and redemption of bonds, notes, certificates and other securities. The remainder of the increase, or about \$1,457,000, is required for the expenses of the staff established last May for the purpose of advertising and publicizing Defense Savings Bonds and Stamps. The appropriation "Expenses of Loans" is an indefinite appropriation covering all necessary expenses arising in connection with the sale, issue and redemption of new issues of United States securities. In view of existing conditions, it would be impossible at this time to estimate the amount of funds which the Treasury will actually require during 1943 for this purpose. I can merely state to this Committee, as I have already stated, in effect, to the Director of the Bureau of the Budget, that the Treasury can give no assurance that it will be able to perform these operations within the limitation of approximately \$14,800,000 set forth in the 1943 Budget estimate. As a matter of fact, in the light of what has occurred within the past ten days,



with our Government now actually engaged in combat, I feel that I should advise you very frankly that on the basis of the most conservative estimate the Treasury does not believe that it will be possible to accomplish its 1943 financing program within the limitation provided in the estimate now before your Committee.

#### OTHER INCREASES

The general increase in the volume of the Department's operations, arising as a result of the defense emergency, is reflected in the estimates of the various bureaus.

These additional requirements include about \$475,000 to meet increased demands upon the Bureau of the Mint for coinage production, and about \$275,000 to meet increased demands upon the Bureau of Engraving and Printing for the production of currency. For increased operations incident to the clearance of checks and the redemption of securities by the Office of the Treasurer of the United States, additional funds in the amount of over \$170,000 are requested.

#### BUREAU OF ACCOUNTS

The estimate for 1943 under the Bureau of Accounts includes a new item, in the amount of \$250,000, to carry into effect regulations issued by the President under Executive Order No. 8512, dated August 13, 1940, governing budgetary administration and financial reporting.

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For some time there has been recognized the growing need for the integration of financial data of the Government in connection with the daily administration of the Government's affairs. This need arises, as a matter of fact, not only in the daily administration of the affairs of the Government, but is equally important in keeping the Congress and the citizens informed concerning the financial operations and financial condition of the Government. In view of the additional budgetary control which would be established thereunder, this item has received special consideration by officials of the Bureau of the Budget. I cannot urge too strongly its approval by your Committee.

REFUNDS OF INTERNAL REVENUE AND CUSTOMS  
COLLECTIONS

The 1943 estimate for "Refunding Internal Revenue Collections" is in the amount of \$60,000,000, a reduction of \$3,000,000 below the appropriation available for this purpose during the current fiscal year.

The 1943 estimate of \$19,000,000 submitted by the Bureau of Customs for Refunds and Drawbacks is in the same amount available for these purposes during the current year.

SINKING FUND AND INTEREST ON THE PUBLIC DEBT

The Sinking Fund will require \$590,000,000 for the fiscal year 1943. This represents an increase of \$2,000,000 as compared with the current estimate for the fiscal year 1942.

Tentative estimates of the Interest on the Public Debt indicate a requirement for this purpose for the fiscal year 1943 in the amount of \$1,450,000,000, an increase of 200,000,000 as compared with the revised estimate for the fiscal year 1942, the additional amount being necessary because of an increase in the estimated amount of obligations which will be outstanding.

ADMINISTRATIVE PROMOTIONS

The 1943 estimates of the respective bureaus and divisions include requests for additional funds required to comply with the provisions of the Ramspeck-Mead Act of August 1, 1941, providing for within-grade salary advancements. The gross amount required by the Treasury Department for these salary increases in 1943 totals \$3,069,640, of which \$1,345,649 will be absorbed by the bureaus and divisions from savings. The remaining \$1,723,991 must be provided by appropriations, and requests aggregating this amount have been included in the estimates now under consideration by your Committee.

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In conclusion, Mr. Chairman, I should like to emphasize again the fact that the estimates now before your Committee include no funds to meet the emergency demands with which the Treasury will be faced as a result of the entry of the United States into the War.

The Treasury Department's 1943 estimates are among the first of the annual appropriation bills to be considered by the Congress. Estimates of other departments and agencies in some instances are still under consideration by the Bureau of the Budget, and they will undoubtedly be reviewed in the light of immediate conditions. The Treasury Department, as I have stated, will be called upon to perform many tasks not contemplated when these estimates were in preparation. It is my belief, therefore, that within the next few weeks, action must be taken with a view to making available to this Department an emergency fund which will not only be adequate in amount, but sufficiently liberal in scope, to enable us promptly and efficiently to perform the additional tasks with which we will be confronted. I appreciate that this is a matter for consideration in the first instance by the Bureau of the Budget, and it is the intention to discuss our needs with that Bureau within a few days; but I also feel that I should avail myself of this opportunity to give your Committee my informal views as to the serious necessity for making such a fund immediately available.

The representatives of the various bureaus and divisions of the Treasury will appear before you to present a complete justification in support of their estimates. However, if any additional explanation should be required, and you will so advise me, I shall be pleased to see that it is promptly furnished.

*at least by 1943*

*a paper Commission may wish present views  
on Reserve requirements*

Excerpts from Secretary Morgenthau's testimony on the Price Control Bill,  
House Banking and Currency Committee, September 24, 1941

Page 1082 of Hearings

Mr. Williams. Now, the Board has just now increased the reserve requirements?

Secretary Morgenthau. That is right.

Mr. Williams. Up to the limit?

Secretary Morgenthau. That is right.

.....

Mr. Williams. In your judgment, do you think that it will be necessary to raise those requirements by law?

Secretary Morgenthau. Mr. Williams, do you mind if I just take a minute to read a very short statement which the Federal Board and the Treasury gave out on that point?

Mr. Williams. I would be glad to have you do so.

Secretary Morgenthau. I would like to do that, if I may, because a lot of time went into this statement, and I would rather read it.

Mr. Williams. That is entirely satisfactory to me, and, I assume, to the committee.

Secretary Morgenthau. That was a statement issued last night jointly by the Federal Reserve Board and the Treasury.

In connection with the action taken today by the Board of Governors of the Federal Reserve System to increase reserve requirements, the Secretary of the Treasury and the Chairman of the Board issued the following statement in which the Board of Governors concurs:

"The Treasury and the Board of Governors will continue to watch the economic situation and to cooperate with other agencies of the Government in their efforts, through priorities, allocations, price regulation, and otherwise, to fight inflation. Recommendations on the question of what additional powers"—

This is the question that you are asking me --

"Recommendations on the question of what additional powers, if any, over bank reserves the Board should have during the present emergency and what

form these powers should take will be made whenever the Treasury and the Board, after further consultation, determine that such action is necessary to help in combating inflationary developments."

Page 1091 of Hearings

Mr. Crawford. . . . In your joint statement with Mr. Eccles, which has already been referred to, and in connection with what Mr. Henderson said the other day in his testimony before this committee, that he believed that this committee should consider legislation right now to give the Federal Reserve Board power to raise reserve requirements substantially above the present legal limit, as recommended by the Federal Reserve Board in their special report to Congress dated December 30, 1940, and having in mind what you have already said to Mr. Williams, I will consider my question. Do you believe this committee should consider such legislation at the present time? As I understood your previous statement you did not say that we should consider it at this time. Or did you?

Secretary Morgenthau. I just come back to my statement, the joint statement, and if I may refresh my memory, please--it reads as follows:

Recommendation on the question of what additional powers, if any, over bank reserves the Board should have during the present emergency, and what form these powers should take, will be made whenever the Treasury and the Board, after further consultation, determine that such action is necessary to help in combating inflationary developments.

. . . . .

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE December 16, 1941

TO Secretary Morgenthau  
FROM George Buffington

Attached is a copy of the folder "How to File Your Income Tax THE SIMPLE WAY".

Fifteen million copies will be enclosed with Individual Income Tax Returns to be mailed on or about January 5.

It was not possible to secure a better grade of paper in time to have the folder available for distribution early in January.

Attached copy of memorandum to Commissioner Helvering shows the contemplated method of distribution.

G.T.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE December 16, 1941.

TO Commissioner Halvering  
FROM George Buffington

The following reduces to writing our conversation in your office yesterday:

1. Print at least 21,000,000 folders "How to File Your Income Tax THE SIMPLE WAY".

15,000,000 copies to be mailed on or about January 5, 1942, with Individual Income Tax Returns.

6,000,000 to be available for distribution through the following channels on or about January 1, 1942:

- (a) BANKS. Request that Federal Deposit Insurance Corporation send at least one copy with covering letter to all banks in the country, exclusive of National banks. Suggest that the Comptroller of the Currency send a similar letter with enclosure to all National banks. Covering letter to state that additional copies are available through the local office of Collector of Internal Revenue.
- (b) UNIONS. Commissioner of Internal Revenue will notify various unions that copies of the folder are available at local offices of Collector of Internal Revenue.
- (c) CORPORATIONS. Request that U. S. Chamber of Commerce and National Association of Manufacturers include item in their January bulletin stating that copies of the folder may be secured from local offices of Collector of Internal Revenue.
- (d) Single copies to be mailed to 4,000 business publications, house organs, and company magazines, together with press release, requesting that contents be published in January and February issues. Press release and covering letter to be prepared by Internal Revenue Department and sent to A. E. Wilson, Chief, Division of Savings Bonds, for mailing.



(e) Single copy to be mailed to 800 newspapers on or about January 1, 1942, with press release to be prepared by U. S. Treasury, Public Relations Division.

(f) SAVINGS AND LOAN ASSOCIATIONS. Request that Governor, Federal Home Loan Bank System, send 1 copy of the folder to each savings and loan association with covering letter similar to the one sent out by the Federal Deposit Insurance Corporation.

(g) Arrangements have already been made with American Bankers Association publication "Banking" to carry in January issue double page presentation of folder stating in the text of the article that additional copies may be secured through the local office of Collector of Internal Revenue.

2. 350,000 posters now in preparation to be distributed on or about January 1, 1942, by the 64 offices of the Collector of Internal Revenue to corporations.
3. Ask the American Newspaper Publishers Association to secure cooperation of all newspapers beginning January 1, 1942, in running daily tax brevities on front page above headline as follows:

ONLY \_\_\_\_\_ DAYS TO FILE YOUR INCOME TAX RETURN

Consult the nearest Collector  
of Internal Revenue

Tax Information  
Page\_\_\_\_, \_\_\_\_\_

4. Possibility is being considered of having Walt Disney develop one or more animated movie shorts for distribution to as many theatres as possible after January 1, 1942.

G.F.

On the inside of this folder you will find a sample of the new, simplified Form 1040A, with directions for using it.

If you are not eligible to use the simplified form, 1040A, or if you prefer not to use it, then Form 1040 must be filed.

The following table shows how much you will have to pay in individual income tax on 1941 net income before deduction of personal exemptions and credit for dependents from salaries and wages of selected sizes if you use Form 1040.

*Net income from salary or wages	Tax for single persons, not head of family—No dependents		Tax for married person living with husband or wife		
	No. in family	No. dependents	1 dependent	2 dependents	3 dependents
750	83				
800	11				
900	21				
1,000	31				
1,100	40				
1,200	50				
1,300	59				
1,400	69				
1,500	79				
1,600	88				
1,700	98				
1,800	107				
1,900	117				
2,000	127				
2,100	136				
2,200	145				
2,300	155				
2,400	165				
2,500	175				
3,000	221				
3,500	284				
4,000	347				
4,500	410				
5,000	483				
6,000	649				
7,000	825				
8,000	1,031				
9,000	1,247				
10,000	1,493	1,205	1,117	1,033	
12,000	2,035	1,817	1,701	1,597	1,497
14,000	2,637	2,409	2,277	2,157	2,041
16,000	3,354	3,004	2,940	2,805	2,673
18,000	4,112	3,819	3,663	3,516	3,372
20,000	4,929	4,614	4,446	4,287	4,131
22,000	5,807	5,469	5,289	5,118	4,950
24,000	6,744	6,384	6,192	6,009	5,829

\*Net income after allowable deductions, but before deduction of personal exemptions and credit for dependents.

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# HOW TO FILE YOUR INCOME TAX THE SIMPLE WAY

As a service to taxpayers, I have had prepared the attached information to help you in filing your income tax return for this year.

If you wish any additional information, I suggest you go to the nearest Collector of Internal Revenue who, I am sure, will be glad to answer your questions.

*Harry Morganthau Jr.*  
Secretary for Treasury



# THE USE OF SIMPLIFIED INCOME TAX RETURN EXPLAINED

FORM 1040A simplifies filing income tax returns for millions of small taxpayers.

If you use this simple Form 1040A you can prepare your return in a few minutes.

The filing of a return is required by all single persons having gross incomes of \$750 or more, and for all married persons having gross incomes of \$1,500 or more.

Form 1040A may be used by persons who are required to file returns but who have gross incomes of not more than \$3,000 from salaries, wages, compensation for personal services, dividends, interest, rents, annuities and royalties only.

The tax shown on Form 1040A automatically makes provision for deductions and family status.

The six simple steps required are shown by numbers in the illustration on the inside pages.

If you are not eligible to use Form 1040A, or do not choose to use it, then you should file on Form 1040.

Illustrations of the amount of tax on 1941 incomes for persons using Form 1040 are shown on the last page of this folder.

Just six items  
to fill in—

- 1 Your name, address, and occupation
- 2 Your dependents
- 3 List your income
- 4 Subtract your credit for dependents
- 5 Indicate your family status
- 6 Read your tax directly from the table

FORM 1040 A  
TREASURY DEPARTMENT  
OPTIONAL  
UNITED STATES  
INDIVIDUAL INCOME TAX RETURN  
1941

THIS RETURN MAY BE FILED INSTEAD OF FORM 1040 BY  
CITIZENS OR RESIDENT ALIENS IF GROSS INCOME  
IS NOT MORE THAN \$2,000 AND IS ONE-T  
FROM SOURCES STATED HEREON

YOUR NAME AND HOME OR RESIDENTIAL ADDRESS (FAMILY HOME)  
*John and Mary Doe*  
*100 Oak Street*  
*Denville, Doe Co., Doe*  
 Occupation *Machinist*

DEPENDENTS ON LAST DAY OF YEAR  
 List persons deriving their chief support from you (also their husband or wife) under 18 years of age or mentally or physically  
 incapable of self-support

Name of Dependent	Relationship	Age on last day of year, or date of death
<i>John Doe, Jr.</i>	<i>Son</i>	

GROSS INCOME LESS ALLOWANCE FOR DEPENDENTS

1. Salaries, wages, and compensation for personal services  
 2. Dividends, interest, rent, annuities, and royalties  
 3. Total  
 4. Less \$400 for each dependent  
 (If more than the head of a family (see instructions on other side) only because of dependent(s) filed first, add the extra  
 head dependent exemption)

INCOME SUBJECT TO TAX  
 TAX

6. Tax to be paid (from Column A or B of table on other side)

This return (or affidavit) that this return has been examined by me (and, to the best of my (our) knowledge and belief, it is  
 true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Internal Revenue Code and  
 regulations issued under authority thereof; and that I (we) had no income from sources other than stated herein

Subscribed and sworn to by \_\_\_\_\_  
 before me this \_\_\_\_\_ day of \_\_\_\_\_, 1941.

Notary Public (State and title of office) \_\_\_\_\_

Prepared by \_\_\_\_\_  
 (Do not check unless you are a professional preparer)

Prepared by \_\_\_\_\_  
 (Do not check unless you are a professional preparer)

10-5847-1

FORM 1040 A, FRONT

PLACE CHECK MARK (✓) IN THE APPLICABLE BLOCK □ BELOW

5

Single (and not head of family) on last day of year...

Married and living with husband or wife on last day of year and this return includes all income of husband and wife...

Married but not living with husband or wife (and not head of family) on last day of year...

Married and living with husband or wife on last day of year but each filing separate returns...

Head of family (a single person or married person not living with husband or wife who maintains family household and supports chiefly dependent relative(s) in one household) on last day of year...

IF YOU CHECKED ONE OF ABOVE, FILL IN COLUMN A

IF YOU CHECKED ONE OF ABOVE, FILL IN COLUMN B

Year	Column A		Column B	
	Rate	Amount	Rate	Amount
81	0.0200	\$1,000	0.0200	\$1,000
79	0.0200	\$1,000	0.0200	\$1,000
77	0.0200	\$1,000	0.0200	\$1,000
75	0.0200	\$1,000	0.0200	\$1,000
73	0.0200	\$1,000	0.0200	\$1,000
71	0.0200	\$1,000	0.0200	\$1,000
69	0.0200	\$1,000	0.0200	\$1,000
67	0.0200	\$1,000	0.0200	\$1,000
65	0.0200	\$1,000	0.0200	\$1,000
63	0.0200	\$1,000	0.0200	\$1,000
61	0.0200	\$1,000	0.0200	\$1,000
59	0.0200	\$1,000	0.0200	\$1,000
57	0.0200	\$1,000	0.0200	\$1,000
55	0.0200	\$1,000	0.0200	\$1,000
53	0.0200	\$1,000	0.0200	\$1,000
51	0.0200	\$1,000	0.0200	\$1,000
49	0.0200	\$1,000	0.0200	\$1,000
47	0.0200	\$1,000	0.0200	\$1,000
45	0.0200	\$1,000	0.0200	\$1,000
43	0.0200	\$1,000	0.0200	\$1,000
41	0.0200	\$1,000	0.0200	\$1,000
39	0.0200	\$1,000	0.0200	\$1,000
37	0.0200	\$1,000	0.0200	\$1,000
35	0.0200	\$1,000	0.0200	\$1,000
33	0.0200	\$1,000	0.0200	\$1,000
31	0.0200	\$1,000	0.0200	\$1,000
29	0.0200	\$1,000	0.0200	\$1,000
27	0.0200	\$1,000	0.0200	\$1,000
25	0.0200	\$1,000	0.0200	\$1,000
23	0.0200	\$1,000	0.0200	\$1,000
21	0.0200	\$1,000	0.0200	\$1,000
19	0.0200	\$1,000	0.0200	\$1,000
17	0.0200	\$1,000	0.0200	\$1,000
15	0.0200	\$1,000	0.0200	\$1,000
13	0.0200	\$1,000	0.0200	\$1,000
11	0.0200	\$1,000	0.0200	\$1,000
9	0.0200	\$1,000	0.0200	\$1,000
7	0.0200	\$1,000	0.0200	\$1,000
5	0.0200	\$1,000	0.0200	\$1,000
3	0.0200	\$1,000	0.0200	\$1,000
1	0.0200	\$1,000	0.0200	\$1,000

The income to be reported in this return is gross income (not including income which is wholly exempt from income tax) within any deductions. The taxes in the above table are such that they generally compensate for deductions and credits not allowable if this form is used.

FORM 1040 A, BACK

Regraded Unclassified



OFFICE OF THE CHIEF  
U. S. SECRET SERVICE

REFER TO FILE No.

311

TREASURY DEPARTMENT

WASHINGTON, D. C.

December 16, 1941

Memorandum for the Secretary

From: Chief, U. S. Secret Service

Attached is report dated December 16, 1941,  
relating to recommendations to be effected in order  
to assure a maximum of safety to occupants of the  
White House during an air raid or other unusual  
situations.

A handwritten signature in dark ink, appearing to be "J. M.", written in a cursive style.

OFFICE OF THE CHIEF  
U. S. SECRET SERVICE

## TREASURY DEPARTMENT

WASHINGTON, D. C.

December 16, 1941

Frank J. Wilson,  
Chief, U. S. Secret Service,  
Treasury Department,  
Washington, D. C.

SIR:

The following are the recommendations of the best expert opinion available as to immediate necessary precautions to be taken to insure a maximum of safety to the employees and occupants of the White House during an air raid and from other contingencies. The recommendations in this report were arrived at during a conference which was attended by the undersigned, A.S.A. Qualters, two experts recommended by General Marshall from the Engineering Corps of the U. S. Army, a representative of the U. S. Army Air Corps, the supervising architect of the White House, the foremost expert from the U. S. Bureau of Standards, the Chief Usher and Maintenance Superintendent at the White House, who were all present at my request.

RECOMMENDATIONS

Protection of roofs from incendiary bombs:-- The roofs of the Executive Mansion and Executive Offices which are constructed of 6" reinforced concrete were considered by the experts to be adequate protection against incendiary. It was recommended that the vertical and horizontal sky lights be covered with a 6" slab of reinforced concrete.

The roofs of the East and West Terraces are constructed of brick arches of a varying thickness, the maximum thickness being 12". It was decided these particular roofs were absolutely inadequate protection from incendiary bombs. It was decided it was impractical to adequately protect these roofs from these bombs, and it was recommended that the personnel be assigned to these roofs to combat these bombs. In the event of an air raid, these roofs would be commanded by anti-aircraft crews equipped with 30 caliber machine guns. The personnel manning these guns would be protected with sand bags. The mountings for the guns will be in place on these terraces within the next 24 hours and the guns will

be stored in readily accessible points within the same time limit.

It was recommended by a representative of the Office of Civilian Defense that a layer of 6" of sand with a top layer of tin be placed on the roofs of the terraces. It was decided this recommendation was impractical because the sand together with the normal amount of moisture it would absorb, would overload the supporting structures of these roofs and probably cause a collapse as they are part of the original executive mansion. In this connection serious consideration will have to be given to the frequent use of the swimming pool by the President ~~resides~~ the possibility of incendiary bombs falling on the terrace roof.

Glass:-- The experts present were unanimous in their opinion that shatter-proof glass preferably the product of the Libbey-Owen-Ford Glass Company, and definitely not a product of the American Glass Company, should be immediately installed in all windows in the White House. The greatest danger from shattered glass during an air raid would occur to the occupants on the ground floor and that it is vitally necessary that the shatter-proof glass be first installed in the lower floors.

It was strongly recommended that bullet-proof glass be installed in the windows of the President's office, study, bedroom and the cabinet room. In my opinion it should also be installed in the windows of the office of the President's physician and the windows of the bedroom and drawing room occupied by the first lady.

The experts were of the opinion that such bullet-proof glass would not protect the President or the first lady from bomb splinters, but would protect them from the danger of shattered glass caused by concussion. The windows of all rooms occupied by the President both in the Executive Offices and Executive Mansion are particularly vulnerable from a bullet from a high-powered rifle which could be easily fired from the roof of neighboring Government and privately-owned buildings, and I personally strongly recommend the installation of the bullet-proof glass. I strongly recommend that the north windows of the President's swimming pool be covered with 1/8" wire mesh screen to prevent rifle grenades or hand grenades from entering this particular area. It is recommended the underside of all glass skylights and the inside

of all windows which are not constructed of shatter-proof glass be covered with a wire netting or hardware cloth and that the mirrors in the lobby, corridors and foyers should be covered with hardware cloth. It is recommended that all unnecessary glass in the interior of the White House be removed and immediate steps have been taken to effect this.

The experts were of the opinion that the glass which is at present installed in the windows of the White House is of a particularly inferior quality and for this reason immediate action should be made to put the aforementioned recommendations into effect relative to the installation of shatter-proof and bullet-proof glass.

Protection from bomb splinters and concussion:-- It was the collective opinion of the experts present that sand bags were of little or no protection from bomb splinters or concussion. It was the recommendation of all the experts that the area to be protected from splinters from explosive bombs should be the basement and the area traversed by the President from the Executive Mansion to the Executive Office and return. Such protection would be achieved by the construction of a wall of reinforced concrete and brick 23" in thickness, which would follow the contour of the west terrace and the Executive Offices from the west end of the Executive Mansion to the west fence to the immediate south of the Executive Offices and the construction of similar walls outside all basement windows. This wall could be constructed of 15" thick concrete reinforced by steel rods, faced on each side with a single layer of brick, and such a wall would prevent penetration of steel splinters from a 2000# bomb exploded 50 feet away from the wall.

It was the opinion of the experts that steel splinters from a bomb explosion would probably penetrate the walls of the White House and would also penetrate steel shutters of a practical thickness, also that the safest position from splinters would be had by lying flat on the floor of the rooms behind the aforementioned wall. However, it was agreed that no protection would be obtained by doing this in the event of a direct hit as such a hit would cause the White House to collapse.

Refuge:-- It was the opinion of all experts that no part of the Executive Mansion or Executive Offices offers any adequate refuge in the event of a raid.

In the event of a collapse in the tunnel now under construction while being traveled by the President, experts

agreed that the safest place to take the President would be the semi-bomb-proof shelter to be constructed to house the Secret Service communication system which the Secret Service insisted upon for the protection of the President. I have made the following recommendations as precautionary measures in case the President should be trapped in the tunnel:

1. A complete two-way radio and direct telephone communication system operated from an emergency power plant both of which will be completely contained in the semi-bomb-proof shelter which the Secretary of the Treasury approved yesterday morning. Two-way radio and direct communication under the control of the Secret Service will be possible between this center and all police posts on the White House grounds; an emergency rescue squad organized by the U. S. Army Engineer Corps to be housed in the center of the Interior Building or the Lafayette Building; the District of Columbia civilian defense headquarters; the District of Columbia Police Department; the District of Columbia Fire Department; the Washington Provisional Brigade; Fort Myer, Virginia; the Office of the Chief of the Secret Service; the Secret Service Washington Field Office; the Uniformed Secret Service in the Bureau of Engraving and Printing; and the U. S. Naval Hospital.

The foregoing communication system will be independent of any other and was instituted by and will be under the control of the U. S. Secret Service. The radio communication system will operate on a frequency separate from Army and Navy channels. IT IS STRONGLY RECOMMENDED THAT THE FREQUENCY WHICH HAS BEEN ASSIGNED TO THE EXCLUSIVE USE OF THE SECRET SERVICE BY THE FEDERAL COMMUNICATIONS COMMISSION BE RETAINED REGARDLESS OF ANY DEMANDS ON THE PART OF MILITARY UNITS. An alternate frequency should also be assigned in order that it could be changed to a predetermined secret frequency in case messages were being intercepted.

2. I have insisted on two emergency exits in a north west direction from the main tunnel, an emergency exit to the direct north of the semi-bomb-proof communications room, and an emergency exit directly west of the communications room.



3. Automobiles suitable for the President's use will be permanently stationed at the terminal of each of these emergency exit tunnels in order that we can remove the President to: (a) Treasury vaults by the ramp entrance. (b) The Lafayette Building. (c) The center of the Interior Building. (d) To the Federal Warehouse. (e) To a secret predetermined place of safety.

Rehearsals of a plan of procedure of moving the President from the Executive Mansion and the Executive Offices to the Treasury vault and all the aforementioned buildings have been made. Changes in this procedure will be necessary when the tunnel is completed but for the present, there is no manner in which the President can be removed from the White House to a safer location excepting by automobile. The one exception to this is the possibility of carrying the President across East Executive Avenue to the Treasury Department or across West Executive Avenue to the State Department. The State Department Building was also considered by the experts to be unsafe in the event of an air raid.

We now have one sedan which is completely equipped with bullet-proof glass and armor plate with the exception in the top and bottom, and two armored Fords which are normally used by the Uniformed Force in convoying shipments of money. An order has been placed for a completely bullet-proof, armored 7-passenger Packard Sedan and a completely armored, bullet-proof 7-passenger Lincoln Sedan to be constructed according to specifications desired by the President in sedans he has previously used. Delivery of the Packard Sedan has been promised within 21 days. Construction of the Lincoln Sedan will take a longer period of time.

The President's open seven-passenger touring car, and the White House Secret Service seven-passenger Lincoln convertible sedan were rushed to Detroit Sunday night, December 14, and arrived there Monday morning, December 15, to be bullet-proofed as much as possible. Both of these cars will be assigned to exclusive use by the President.

I conferred with General Edwin M. Watson with reference to the cost of armor plating the touring cars and the purchase of the armored Packard car. He advised that we could obtain funds from the War Department appropriations to cover the cost of these items, as I have been informed that the purchase by the Treasury Department of an automobile costing over \$700 would be illegal. General Watson further stated that he would

confer with the Secretary of the Treasury relative to reimbursement for the cost of the cars by the Treasury Department to the War Department.

The cost of armor plating the Lincoln sedan will be absorbed by the Ford Motor Company and it is also possible that this company will absorb the cost of armor plating the Secret Service Lincoln convertible sedan.

Blackouts:-- Recommendations for blackout of the White House:

1. Installation at strategic points of suitable lights covered by shields would prevent visibility from the air of the reflection by such lights.
2. The experts could give no definite recommendations as to the color of the light to be used, but recommended with qualifications that blue lights of low candlepower be used. I am informed by Mr. Clark of the Procurement Division that such lights approved by Captain Evert of U. S. Army Camouflage Division and the General Electric Company are now on schedule and I recommended immediate purchase of 5000 bulbs and 50 shields.
3. The experts recommended that the inside of all windows be covered by a suitable black cloth. For your information all windows in the Executive Mansion and Executive Offices and the West and East Terraces have been measured, the required black cloth has been purchased, is now being tailored to fit the windows, and will be securely fastened to prevent the transmission of light. The windows of the East Terrace of the East Entrance have been painted black. The windows of the swimming pool and all of the windows under the West Terrace have been either painted black or will be covered on the inside by the recommended black cloth. The experts recommended a single ply cloth now on hand. However, to guard against the possibility of transmission of light, we are placing two layers of the cloth on the inside of each window not painted with black paint.

It has been recommended that the roof of the White House be painted with a dark paint and there was divided opinion as to whether it should be black or a color blending with the surrounding terrain, or painted at all, depending on what color the roofs of surrounding buildings are painted.

- 7 -

It was the opinion of the Air Corps Officer that the value of painting the white walls of the White House to blend with the terrain would be from a flyer's view point. However, his opinion was based on the presumption that the surrounding buildings would not be camouflaged.

A continuous watch by White House Policemen from sunset to daylight is being maintained in the main control room in order that all lights can be extinguished in the event of an air raid provided, of course, surrounding buildings do likewise.

The experts are of the opinion that a blackout of the city of Washington would be of negligible value because of its structures, such as the Lincoln Memorial, Jefferson Memorial, which are perfect landmarks; the Washington Monument and the expansive length and width of 16th Street would provide perfect bearings for any Axis pilot.

In connection with blackouts serious consideration should be given to the realization that flares would probably be dropped by hostile flyers and bombs released at least 1/4 mile away from the objective. The Air Corps Officer was of the opinion that such flares would provide the Axis flyers with all the light needed to accurately operate their bomb sights.

Past experience indicates that enemy procedure would probably be a token raid; that is, a squadron of bombers attempting to drop heavy bombs to terrify and demoralize the citizenry. At the present, the possibility of any other than a long range bombing plane of reaching Washington is negligible, which precludes to a large extent the possibility of strafing and dive-bombing attacks. The possibility of a flyer deliberately crashing his aircraft loaded with explosives into an object also has to be considered. In discussing objectives, it was the opinion of most of those present that the White House would probably be one of the first attacked.

Gas Attacks:-- The experts were of the opinion that gas locks in the entrances to the Executive Mansion and Executive Offices would be of little value as these buildings are not and can not be made gas-proof.

A continuous watch by a competent engineer is being maintained to shut off the air conditioning system in the event of an air raid, thus preventing flames or gas from spreading through the White House.

The experts strenuously protested against the occupancy of the Executive Mansion and Executive Offices during a gas attack.

I have designated Lieut. Martin of the U. S. Army Chemical Warfare Service and Secret Service Agent Anderson of the White House Detail (who attended the two-week Chemical Warfare School at Edgewood, Maryland) to work out the details of instruction of White House personnel and occupants in the use of their gas masks; to organize protective personnel at the White House into competent units to cope with the use of chemical warfare gases and incendiary bombs. As previously reported to you, all agents assigned to the White House Secret Service Detail prior to December 7, were given actual demonstrations of chemical warfare gases and were enabled during such instruction to familiarize themselves with the various characteristics of all known chemical gases used in warfare.

Bombs:-- Fire from incendiary bombs or other causes at the White House.

1. Personnel - All Secret Service Agents assigned to the White House prior to December 7, and all White House Policemen have received complete instructions in life saving and fire fighting methods taught by the District of Columbia Fire Department training school.
2. Secret Service Agents assigned to the White House Detail prior to December 7, and all White House Policemen have been awarded certificates of merit by the American Red Cross for the completion of advanced first aid training.
3. The District of Columbia Fire Department maintains a continuous watch at the White House with three firemen on duty at all times.
4. The U. S. Army Chemical Warfare Service maintains a continuous watch at the White House with four men on duty at all times. These units have received intensified training in combating chemical warfare gases and incendiary bombs.

All Executive Office and Executive Mansion personnel and probably some of the occupants will be given thorough instruction and designated assignments in the event of fire at the White House. The details of organization have been assigned to Lieut. Martin and Agent Anderson, and when completed will be put into immediate effect.

- 9 -

Equipment:-- An "E-E" evacuator chute has been obtained and is placed in a strategic position for the removal of the President and other occupants of the White House from any window on the second and third floors. This chute is simple in operation and can, if necessary, be operated by as few as two men. This apparatus can be used by any occupant without fear of mishap or discomfort.

Fire ladders are being obtained from the District of Columbia Fire Department for use in removing the occupants of the Executive Mansion from the roof to that part of the terrace which has already been covered with 6" concrete slab, and drills on this procedure will be held.

Miscellaneous equipment to combat any type of gas and incendiary bomb is now immediately available at strategic points within the White House. Such equipment includes all necessary paraphernalia such as decontamination materials, small spray hoses, fire extinguishers, etc.

Two stand pipes, one at each end of the Executive Mansion, with outlets on each floor and on the roofs have been ordered installed. These standpipes will provide sufficient pressure to combat any normal fire and will be a great aid in extinguishing incendiary bombs.

A piece of fire apparatus is permanently stationed near the Treasury ramp to preclude the possibility of having no apparatus in the event the streets leading to the White House are blocked by any one of numerous emergencies which might arise.

The White House is completely equipped with 1½" fire hose on each floor and sufficient CO<sup>2</sup> extinguishers to combat any normal fire.

We have been advised by the engineers stationed at the White House at all times that the steam heating system could be immediately shut off to protect against this system doing damage in case of fire or air raids.

The experts were informed of the equipment and protective arrangements now in effect and they advised me we were far in advance of anything that has been previously done, and have all the necessary equipment and trained personnel to combat incendiary bombs and normal fires until reinforcements arrive.

On the basis of the considered thought given the foregoing recommendations by the foremost experts available from military and civilian life, and whose experience and/or research cause them to make such recommendations as appear in this report, I join them in their conclusions and strongly urge immediate action on all these suggestions, which have not been already instituted. I also strongly urge that relative measures be taken with reference to the President's home at Hyde Park, New York.

Respectfully submitted,

*Michael F. Reilly*

Michael F. Reilly  
Supervising Agent.

December 16, 1941

Dear Mr. Iturbi:

I appreciate very much your fine letter of December 15. Your spirit of service will be an example and an encouragement to all of us.

It will be a privilege to call upon you for help on one of our radio programs during the Winter, and you will hear from us as soon as we have a date to suggest.

Sincerely,

(Signed) E. Sargent Snow

Mr. Jose Iturbi,  
Hotel Great Northern,  
118 West 57th Street,  
New York, N. Y.

FK/hkb

12/16/41

*File to Ksh  
N.M.C.*



HOTEL GREAT NORTHERN

118 WEST 57TH STREET  
111 WEST 56TH STREET  
NEW YORK CITY

TELEPHONE CIRCLE 7-1900

Dec. 15th, 1941.

Hon. Henry Morgenthau  
Secretary of the Treasury  
Washington, D.C.

Dear Mr. Morgenthau:

This letter is to let you know that I should like to render whatever service or assistance I can to the country, and that I shall be happy to be at your disposal at any time.

Sincerely yours,

*Jose Iturbi*

Jose Iturbi



December 16, 1941

Dear Mme. Lehmann:

I appreciate very much your fine letter of December 13th and also the spirit that prompted you to send it. It should be an example and an encouragement to all of us.

You have already been more than generous in helping the Treasury with your art, but in view of your offer, I shall not hesitate to call on you again. We shall try to arrange a suitable program for January or February.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mme. Lotte Lehmann,  
5025 Waldo Avenue,  
Riverdale, New York.

*File to Kubo  
Copies to Thompson  
N.M.C.*

FK/cgk

LOTTE LEHMANN  
8025 WALDO AVENUE  
RIVERDALE, NEW YORK

*Kulsh  
y  
H. G. S.  
an*

December 13th, 1941.

Hon. Henry W. Morgenthau,  
Treasury Department,  
Washington, D.C.

My dear Mr. Morgenthau:

Now that war has come to The United States, I want especially to assure you of my desire to help in any possible way. Should you need me to sing on any government program again I shall be only too happy to do so in so far as my schedule permits. Due to illness I have been forced to cancel engagements during December but shall be active again in January and could fit in a radio broadcast in January or February. After the middle of March, I expect to be in California and will be quite free to stop in Hollywood at any time.

My gratitude to you for this country is so great that I shall always consider it a privilege to serve her.

May I take this opportunity to thank you for your citation which I so much appreciate. Also I want to thank you for your great assistance in making arrangements for my trip. I appreciate your efforts and I am sure that it is today it is understandable that such cases must be delayed, but my father and I are looking forward to the time when he may become an American citizen, however distant it may be.

Yours very sincerely,

*Lotte Lehmann*

December 16, 1941

Dear Lowell:

In view of your letter of December 11th I think you may be interested to know of what we have been doing with the foreign language press and radio since the outbreak of war.

Foreign Language Press. Ten brief messages illustrated with line drawings, explaining the urgent need of money to support the armed forces, are now in the mail to the 850 foreign language newspapers. These messages have been sent out in mat form. Forty comic cartoons by the nation's leading artists in this field will be mailed for first appearance the week of December 29th, and will be sufficient to supply the foreign language weeklies for more than six months. We are told that since the declaration of war the foreign language newspapers are giving more prominent display to cuts of the Minute Man and to the Defense Bond quiz, and have published editorials urging immediate purchase of Bonds and Stamps. Since last June, as you know, the foreign language press has been cooperating splendidly by using Minute Man cuts, the Defense Bond quiz, and also many releases and special features on the subject of Defense Bonds.

Foreign Language Broadcasting. On December 3th we wired new Defense Bond announcements to the 174 foreign language stations in the United States, and urged them to broadcast translations of these messages ten times daily. Incomplete returns show that these announcements have been broadcast more than 2,000 times every day. Still another set of announcements was wired to the same stations on December 11th, and on the same day we began translating 14 announcements into the 11 most important foreign languages.

With the help of Joseph Lang, Chairman of the Foreign Language Division of the National Association of Broadcasters, we are now arranging with outstanding speakers in all major foreign language fields to broadcast personally, ten times daily, from every foreign language station in the country, and thus to lend their personal prestige to the Defense Bond program.

I appreciate your letter very much, and I shall see that our people keep you fully informed, week by week, of what they are doing in the Defense Savings effort.

Sincerely,

(Signed) *Keary*

Mr. Lowell Mellett,  
Director, Office of Government Reports,  
Executive Office of the President,  
Washington, D. C.

*W/ck*

By Messenger *Brown* 3:25 pm

*A.M.C.*

*Copies to Langdon*

FOREIGN LANGUAGE PRESS  
PARTICIPATION IN FIRST WEEK OF WAR

A series of ten, brief, ~~line-drawing~~ <sup>illustrated with line drawings,</sup> illustrated messages, explaining the urgent need of money to support the armed forces, ~~are~~ <sup>is</sup> now in the mail to the 350 foreign language newspapers. These messages have been sent out in mat form.

Forty comic cartoons by the nation's leading artists <sup>in the field</sup> — sufficient to supply the foreign language weekly papers for more than six months — are now in production and will be mailed ~~the~~ <sup>— for first appearance —</sup> week of December 29.

A representative of the Jewish Daily Forward in New York, who surveyed use of Defense Savings material in the foreign language press, reports that since ~~the~~ outbreak of hostilities, foreign language newspapers are giving more prominent display to cuts of the Minute Man <sup>and</sup>, to the Defense Bond Quiz, and have published editorials urging immediate purchase of Bonds and Stamps. Most foreign language daily papers published the "War Needs Money" message which the Treasury sent out over wires of the press associations.

Minute Man mats, the Defense Bond Quiz, releases and special features have been mailed regularly to the entire foreign language press since last June.

FOREIGN LANGUAGE BROADCASTING PARTICIPATION  
IN FIRST YEAR OF WAR EMERGENCY.

1. Tuesday, December 9, 1941, new style of war emergency announcements (approved night before) were telegraphed to all foreign language stations in United States, total of 174. We urged them to translate these into as many foreign languages possible, broadcast them ten times daily.  
 Incomplete returns -- telegrams, letters -- reveal announcements broadcast more than 2,000 times daily.
2. Thursday, December 11, telegraphed new set of approved war emergency announcements to foreign language stations. Additional telegrams, letters indicate daily broadcast of 2,500 announcements.
3. Also, December 11, got approval of Treasury Department to have translated and printed 14 announcements, into eleven most important foreign languages (German, Italian, Polish, Spanish, Jewish, Greek, Norwegian, Czech, Portuguese, Lithuanian, Hungarian). In process of completion.
4. Telephoned Joe Long, chairman of foreign language division of National Association of Broadcasters, Wednesday, December 10. He now arranging with outstanding speakers, personages in all major foreign language fields, to broadcast personally, ten times daily from every foreign language station in United States, lending personal prestige to Defense Bond-Stamp Drive.
5. Outside of war emergency, in general, foreign language broadcasting for Defense Bonds/Stamp has consisted of playing of Treasury Department transcriptions by foreign language stations; regular broadcasting of printed announcements by foreign language stations in all major languages.

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF GOVERNMENT REPORTS  
WASHINGTON, D. C.

THE DIRECTOR

December 11, 1941

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

Dear Henry:

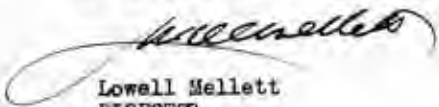
I was very much impressed by the promotion program, outlined in your letter today, for the sale of defense bonds.

One possibility not mentioned - due no doubt to the fact that you were not attempting to report every detail - is the use of foreign language newspapers.

If these newspapers are not being used I am certain that most of them would carry any brief message that might be presented to them in their own language. A simple method of distribution would be through the Common Council for American Unity, headed by Read Lewis, located at 222 Fourth Avenue, New York City. This organization, which was known as the Foreign Language Information Service when it was part of the Creel Committee during the last war, functions pretty efficiently and has the confidence of the foreign language press.

Ran into Larry Houghteling today and he told me of the project afoot whereby railroad labor may turn into defense bonds the whole amount of pay awarded them retroactively last week. That would be an inspiring gesture on the part of the railroad men.

Best regards,



Lowell Mellett  
DIRECTOR

TREASURY DEPARTMENT

331

INTER OFFICE COMMUNICATION

DATE December 16, 1941

TO The Secretary

FROM E. W. Sloan

The difficulty with the radio program in connection with the dedication of the mural in Grand Central Station on Sunday was "too many cooks".

Due to the fact that most of our people are out in Chicago now I have been unable to discuss the situation with Messrs. Odegard, Mahan or Callahan.

This morning I gave Ferddie Kuhn all available information and doubtless he and Mr. Graves will discuss the matter with you while in Chicago.



TREASURY DEPARTMENT

332

INTER OFFICE COMMUNICATION

DATE December 16, 1941

to The Secretary

FROM E. W. Sloan

There is some slight shortage in the \$25 denomination Series E Bond in some post offices. There is no shortage on blank bonds in other denominations of Series E. Nor, is there any shortage in any denomination of Series F or G. Supplies of blank bonds at Federal Reserve banks and qualified agencies operating through them are entirely adequate.

The Bureau of Printing and Engraving is operating 24 hours a day on a 7 day week basis, producing 1,400,000 Series E Defense Savings Bonds during such period. The break down is as follows:

125,000	-	\$25 denomination ;	This is on 24 hour basis
30,000	-	\$50 denomination ;	
30,000	-	\$100 denomination ;	
10,000	-	\$500 denomination ;	
10,000	-	\$1000 denomination ;	

Attached is a report prepared by Spencer Thompson for Ed Kilby just before he left for Chicago last night.

The information which you wished with reference to the bright young men with the radio station in Fredericksburg, Virginia, is set out in the attached memorandum to me from Charlie Gilchrest of our Radio Section. I met these two boys and told them how much we appreciated what they are

-2-

doing, but I agree with Charlie that we could not use them to advantage on our Staff.

This morning I left home rather early, as usual, because I like to take a long walk before coming to the office. This was the reason that I missed your call. Sorry.

POST OFFICE

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Post Office as of October 31 - Old Type	540,867	335,592	377,984	196,445	175,111	1,675,799
Stock issued during November, 1941 - Old Type	1,000	10,000	80,000	---	---	91,000
- Type A	854,500	180,000	180,000	35,000	25,000	984,500
Total stock issued to Nov. 30, 1941	<u>1,096,187</u>	<u>575,592</u>	<u>617,984</u>	<u>251,445</u>	<u>210,111</u>	<u>2,781,299</u>
Estimated November sales	<u>326,875</u>	<u>114,745</u>	<u>140,308</u>	<u>17,774</u>	<u>15,069</u>	<u>614,771</u>
Estimated stock on hand December 1	<u>769,292</u>	<u>460,848</u>	<u>477,576</u>	<u>215,671</u>	<u>195,042</u>	<u>2,118,531</u>
Stock shipped December 1 through 15 - Type A	232,500	85,000	85,000	10,000	10,000	442,500

DEC 15 1941

FEDERAL RESERVE SYSTEM

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve System as of Oct. 31						
- Old Type	775,629	527,487	457,105	147,982	133,428	2,009,631
Stock issued during November, 1941						
- Old Type	7,996	57,355	157,615	34,975	21,998	280,039
- Type A	480,435	101,000	22,000	7,500	7,500	618,435
- Type B	55,000	35,000	5,000	—	—	95,000
Total stock issued to Nov. 30, 1941	1,297,080	700,642	641,921	190,256	162,928	2,995,106
Estimated November sales	265,000	124,000	202,000	42,500	38,500	672,000
Estimated stock on hand December 1	1,032,080	576,642	439,921	147,756	124,428	2,320,806
Stock shipped December 1 through 15						
- Old Type	—	35,080	33,078	2,611	17	35,784
- Type A	496,480	244,505	425,520	99,155	92,678	1,468,318
- Type B	57,000	33,000	26,000	16,200	1,300	135,500

BOSTON FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31						
- Old Type	52,976	32,626	26,608	6,911	8,341	126,460
Stock issued during November, 1941						
- Old Type	4,500	8,000	16,000	3,000	3,000	34,500
- Type A	31,500	5,000	5,000	1,500	2,800	46,800
- Type B	5,000	5,000	5,000	---	---	15,000
Total stock issued to Nov. 30, 1941	<u>41,000</u>	<u>18,000</u>	<u>26,000</u>	<u>4,500</u>	<u>5,800</u>	<u>95,300</u>
Estimated November sales	<u>25,000</u>	<u>12,000</u>	<u>17,000</u>	<u>3,000</u>	<u>3,000</u>	<u>60,000</u>
Estimated stock on hand December 1	<u>66,976</u>	<u>38,626</u>	<u>38,608</u>	<u>9,411</u>	<u>7,341</u>	<u>160,460</u>
Stock shipped December 1 through 15						
- Old Type	---	---	---	---	---	---
- Type A	45,000	35,000	35,000	5,000	5,000	125,000
- Type B	20,000	5,000	5,000	1,000	1,000	32,000

NEW YORK FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31 - Old Type	138,848	92,482	97,898	23,888	22,484	396,300
Stock issued during November, 1941						
- Old Type	---	10,000	20,000	10,000	---	70,000
- Type A	95,000	20,000	---	5,000	5,000	125,000
- Type B	40,000	20,000	---	---	---	60,000
Total stock issued to Nov. 30, 1941	<u>275,000</u>	<u>150,000</u>	<u>147,898</u>	<u>45,888</u>	<u>27,484</u>	<u>646,300</u>
Estimated November sales	<u>80,000</u>	<u>20,000</u>	<u>22,000</u>	<u>12,000</u>	<u>12,000</u>	<u>146,000</u>
Estimated stock on hand December 1	<u>215,848</u>	<u>122,482</u>	<u>95,898</u>	<u>36,888</u>	<u>25,484</u>	<u>496,300</u>
Stock shipped December 1 through 15						
- Old Type	---	---	10,000	---	---	10,000
- Type A	90,000	70,000	75,000	15,000	15,000	265,000
- Type B	15,000	17,000	10,000	10,000	---	52,000

PHILADELPHIA FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31						
- Old Type	54,728	57,215	48,152	8,210	18,381	181,686
Stock issued during November, 1941						
- Old Type	---	---	---	3,000	---	3,000
- Type A	35,000	15,000	10,000	---	---	60,000
- Type B	10,000	10,000	---	---	---	20,000
Total stock issued to Nov. 30, 1941	<u>45,000</u>	<u>25,000</u>	<u>10,000</u>	<u>3,000</u>	<u>---</u>	<u>83,000</u>
Estimated November sales	<u>15,000</u>	<u>8,000</u>	<u>15,000</u>	<u>3,000</u>	<u>2,000</u>	<u>43,000</u>
Estimated stock on hand December 1	<u>30,728</u>	<u>49,215</u>	<u>33,152</u>	<u>5,210</u>	<u>16,381</u>	<u>138,686</u>
Stock shipped December 1 through 15						
- Old Type	---	---	---	---	---	---
- Type A	20,000	25,000	35,000	15,000	15,000	110,000
- Type B	20,000	10,000	10,000	5,000	---	45,000

CLEVELAND FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31						
- Old Type	70,921	41,184	34,534	9,125	8,396	162,610
Stock issued during November, 1941						
- Old Type	---	5,000	20,000	6,000	4,800	35,800
- Type A	30,000	20,000	---	---	---	50,000
Total stock issued to Nov. 30, 1941	100,921	66,184	54,534	15,125	11,396	248,110
Estimated November sales	23,000	11,000	17,000	3,000	3,000	57,000
Estimated stock on hand December 1	77,921	55,184	37,534	12,125	8,396	191,110
Stock shipped December 1 through 15						
- Type A	65,000	30,000	35,000	12,000	9,000	171,000



RICHMOND FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$200	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31						
- Old Type	55,608	47,808	31,245	14,835	9,344	158,738
Stock issued during November, 1941						
- Old Type	498	855	10,815	375	2,498	15,057
- Type A	<u>37,245</u>	---	---	---	---	<u>37,245</u>
Total stock issued to Nov. 30, 1941	<u>37,743</u>	<u>855</u>	<u>10,815</u>	<u>375</u>	<u>2,498</u>	<u>52,286</u>
Estimated November sales	<u>17,000</u>	<u>7,000</u>	<u>12,000</u>	<u>2,500</u>	<u>2,500</u>	<u>41,000</u>
Estimated stock on hand December 1	<u>77,040</u>	<u>41,658</u>	<u>20,430</u>	<u>12,335</u>	<u>6,844</u>	<u>178,307</u>
Stock shipped December 1 through 15						
- Old Type	---	80	75	111	17	283
- Type A	5,480	5,480	20,508	31,020	4,055	66,543

## ATLANTA FEDERAL RESERVE DISTRICT\*

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31						
- Old Type	23,249	22,126	14,861	5,085	5,088	70,399
Stock issued during November, 1941						
- Old Type	---	5,000	7,000	1,000	1,000	14,000
- Type A	10,000	---	---	---	---	10,000
Total stock issued to Nov. 30, 1941	43,249	27,126	21,861	6,085	4,088	102,399
Estimated November sales	8,000	4,000	6,000	1,500	1,000	20,500
Estimated stock on hand December 1	35,249	23,126	15,861	4,585	3,088	81,899
Stock shipped December 1 through 15						
- Type A	25,000	12,000	18,000	6,000	5,000	66,000
- Type B	2,000	1,000	1,000	200	300	4,500

\* See separate sheet for New Orleans

## NEW ORLEANS BRANCH FEDERAL RESERVE BANK

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31 - Old Type	9,750	5,510	4,675	4,045	4,350	26,330
Stock issued during November, 1941 - Old Type	---	2,500	5,000	---	---	7,500
- Type A	5,000	---	---	---	---	5,000
Total stock issued to Nov. 30, 1941	14,750	5,510	9,675	4,045	4,350	41,130
Estimated November sales	4,000	2,000	2,500	500	400	9,400
Estimated stock on hand December 1	10,750	6,510	7,175	3,545	3,950	31,730
Stock shipped December 1 through 15 - Type A	10,000	5,000	7,500	5,000	7,500	35,000

CHICAGO FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31						
- Old Type	94,804	80,743	74,803	20,437	15,273	285,460
Stock issued during November, 1941						
- Old Type	---	---	10,000	5,000	5,000	20,000
- Type A	80,000	10,000	---	---	---	90,000
Total stock issued to Nov. 30, 1941	174,804	90,743	84,803	25,437	25,273	399,460
Estimated November sales	40,000	18,000	35,000	7,000	5,500	105,500
Estimated stock on hand December 1	154,804	72,743	51,803	18,437	17,773	294,960
Stock shipped December 1 through 15						
- Old Type	---	---	20,000	2,000	---	22,000
- Type A	80,000	25,000	45,000	7,000	5,000	162,000

ST. LOUIS FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Waived stock on hand in Federal Reserve District as of Oct. 31. - Old Type	45,429	24,204	21,039	5,302	4,840	98,814
Stock issued during November, 1941 - Old Type	3,000	2,000	8,000	1,000	1,000	15,000
- Type A	21,000	5,000	---	---	---	26,000
Total stock issued to Nov. 30, 1941	<u>67,429</u>	<u>31,204</u>	<u>29,039</u>	<u>6,302</u>	<u>5,840</u>	<u>129,814</u>
Estimated November sales	<u>12,000</u>	<u>5,000</u>	<u>9,000</u>	<u>2,000</u>	<u>1,700</u>	<u>29,700</u>
Estimated stock on hand December 1	<u>55,429</u>	<u>26,204</u>	<u>20,039</u>	<u>4,302</u>	<u>4,140</u>	<u>110,114</u>
Stock shipped December 1 through 15 - Type A	28,000	20,000	24,000	5,000	4,500	91,500

## MINNEAPOLIS FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31 - Old Type	41,825	21,124	25,968	7,025	5,895	100,837
Stock issued during November, 1941 - Old Type	—	—	2,000	2,000	—	4,000
- Type A	20,000	2,000	2,000	—	—	24,000
Total stock issued during and to November 30, 1941	20,000	2,000	2,000	—	—	24,000
Estimated November sales	7,500	4,000	7,000	1,500	1,100	21,100
Estimated stock on hand December 1	24,325	20,124	21,968	7,525	4,795	117,737
Stock shipped December 1 through 15 - Type A	10,000	15,000	20,000	5,000	4,000	54,000

KANSAS CITY FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31						
- Old Type	51,977	36,430	28,880	8,108	5,801	130,796
Stock issued during November, 1941						
- Old Type	---	3,000	3,000	1,500	1,000	13,500
- Type A	22,000	3,000	---	---	---	29,000
Total stock issued to Nov. 30, 1941	77,977	42,430	36,880	9,608	6,801	173,296
Estimated November sales	11,000	5,000	3,800	2,000	1,600	23,100
Estimated stock on hand December 1	66,977	37,430	27,880	7,608	5,201	148,196
Stock shipped December 1 through 15						
- Type A	12,000	7,000	10,000	3,100	3,000	35,100

DALLAS FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31						
- Old Type	28,951	25,125	20,147	4,432	5,535	82,210
Stock issued during November, 1941						
- Old Type	---	1,000	5,000	2,000	1,000	9,000
- Type A	24,000	8,000	---	---	---	32,000
Total stock issued to Nov. 30, 1941	24,000	9,000	5,000	2,000	1,000	41,000
Estimated November sales	14,000	5,500	8,000	1,500	1,500	30,500
Estimated stock on hand December 1	45,951	29,625	17,147	4,932	5,035	102,710
Stock shipped December 1 through 15						
- Old Type	---	---	3,000	500	---	3,500
- Type A	25,000	20,000	25,000	7,000	4,500	101,500



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SAN FRANCISCO FEDERAL RESERVE DISTRICT

	\$25	\$50	\$100	\$500	\$1,000	Total
Unissued stock on hand in Federal Reserve District as of Oct. 31 - Old Type	86,884	50,657	38,108	20,863	18,182	212,694
Stock issued during November, 1941 - Old Type	---	---	15,000	---	---	15,000
- Type A	45,000	5,000	5,000	---	---	55,000
Total stock issued to Nov. 30, 1941	<u>131,884</u>	<u>55,657</u>	<u>53,108</u>	<u>20,863</u>	<u>18,182</u>	<u>282,694</u>
Estimated November sales	<u>27,500</u>	<u>12,500</u>	<u>17,000</u>	<u>3,000</u>	<u>5,000</u>	<u>65,000</u>
Estimated stock on hand December 1	<u>104,384</u>	<u>43,157</u>	<u>39,108</u>	<u>17,863</u>	<u>15,182</u>	<u>219,694</u>
Stock shipped December 1 through 15 - Type A	60,000	30,000	35,000	10,000	10,000	145,000

## TREASURY DEPARTMENT

349

## INTER OFFICE COMMUNICATION

DATE Dec. 16, 1941

TO Mr. Sloan

FROM Mr. Gilchrest *gg*

Report on Radio Station WFVA-Fredericksburg, Virginia,  
as per Secretary's request.

1. Mr. Seth, Assistant Manager, and Mr. Fell, Announcer, who conceived and produced WFVA's highly successful program "Any Bonds Today", were brought to Washington, Monday, to meet Mr. Sloan and to give a full report on their activities. This report was my memo of yesterday to Mrs. Slotz.

2. Two special stories concerning WFVA's Defense Savings program will be heard and placed in radio trade journal, Radio Daily, with the urge from both the Treasury Department and the magazine that other stations duplicate throughout the nation.

3. Wide variety of display material was given Mr. Seth for use in the studio and store window used for the Any Bonds Today broadcasts.

4. Form letters describing the program and its method of operation are being prepared to be sent to all radio stations by the Treasury urging every station to do the same thing.

5. Official letters of congratulation and thanks, on Treasury stationery sent to Mr. Seth.

(The amount of money, \$41,000, raised on the first day's program is misleading, since one large investor accounted for the majority of this money. The actual day to day average for the half-hour program was \$600.00 per day, which in a town of 10,000 people, still is a fine average).

If you desire any further information, please call on me.

TREASURY DEPARTMENT  
BUREAU OF ENGRAVING AND PRINTING  
OFFICE OF THE DIRECTOR  
MEMORANDUM

350

December 16, 1941.

For Secretary Morgenthau:

This memorandum answers yours of today.

The Post Office Department reports that there are no commemorative stamps scheduled for the next six months. Several requests have been received at the Department asking for the issuance of a stamp to commemorate the Statehood of Kentucky on June 1, 1942. These requests have not yet been presented to the Postmaster General.

The provisions of Title 44, of the Federal Code, Section 111, is as follows:

"All printing, binding, and blank-book work for congress, the Executive office, the judiciary, and every executive department, independent office, and establishment of the Government shall be done at the Government Printing Office, except such cases of work as shall be deemed by the Joint Committee on Printing to be urgent or necessary to have done elsewhere than in the District of Columbia for the exclusive use of any field service outside the said District."

Owing to the foregoing law the Bureau of Engraving and Printing has installed only sufficient job-printing machinery to meet the needs of the security printing required by the Department and other agencies.

I am inclined to believe that it would be extremely difficult to get immediate delivery on any additional equipment in the event the bureau is authorized to take over Defense Savings printing.

Notwithstanding legal restrictions this bureau has been aiding the Defense Savings group from time to time, and will continue to do so as long as the emergency lasts.

*Approved*

TENSE

BEV  
UNITED STATES  
GOVERNMENT

J. .... 12/18/41 ✓

351

Original letter given to Mr. Thompson  
today on instructions from Mrs. Klotz.

THE WHITE HOUSE  
WASHINGTON

December 16, 1941

MEMORANDUM TO THE HEADS OF THE EXECUTIVE DEPARTMENTS  
AND INDEPENDENT AGENCIES OF THE GOVERNMENT:

In order to expedite the return of papers submitted for the President's signature or approval and for the convenience of the Executive Office, all such papers should be submitted in duplicate.

In cases where papers are brought in personally by Departmental heads and are signed or approved by the President, copies should be left in order that the Executive Office files can be kept up to the minute.

In the rare exceptions where such procedure is not practicable or possible, a copy should be forwarded to the Executive Office without delay.

*M. H. McIntire*  
M. H. McINTIRE  
Secretary to the President

~~TO:~~

The Secretary

12/16/41

An export control order of yesterday releases lease-lend shipments of airplanes and parts when approved by Navy.



FROM: MR. GASTON

DEC 16 1941

My dear Mr. President:

I am enclosing report on our exports to some selected countries during the week ending December 6, 1941.

Faithfully,

(Signed) H. Morgenthau, Jr.  
Secretary of the Treasury

The President,  
The White House.

Enclosure

*Secret Service 4:10*

HDW:lem  
12/15/41.

*Ret. to Secy's Office*

DEC 16 1941

My dear Mr. Vice President:

I am enclosing copy of report on our  
exports to some selected countries during  
the week ending December 6, 1941.

Sincerely yours,

(Signed) H. Hergenthas, Jr.  
Secretary of the Treasury

The Vice President,  
United States Senate,  
Washington, D.C.

Enclosure

P. S. please let me know whether you would  
like to have me continue to send these reports  
to you.

By Message Dixon 4:50  
Copies to White

HHS:iam  
12/19/41.

Ret. to Secy's office



DEC 16 1941

My dear Mr. Secretary:

I am enclosing copy of report on our experts to some selected countries during the week ending December 6, 1941.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State,  
Washington, D.C.

~~Enclosure~~  
Please let me know whether you would like to have me continue to send these reports to you.

HDW:ien  
12/15/41.

By hand Dixon 4.50  
Copies to White

Ret to Secy's Office

DEC 16 1941

My dear Colonel Donovan:

I am enclosing copy of report on our experts to some selected countries during the week ending December 6, 1941.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Colonel William J. Donovan,  
Coordinator,  
Office of Coordinator of Information,  
Old National Institute of Health Building,  
25th & E Streets, N. W.,  
Washington, D. C.

Enclosure

P. S. Please let me know whether you would like to have me continue to send these reports to you.

HDS:uech  
12/15/41

By Messenger Dixon 4:50  
Copies to White

Ret. to Secy's office

December 13, 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 6, 1941.

1. Exports to Russia

Exports to Russia as reported to the Treasury during the week ending December 6, 1941 amounted to \$3,609,000 as compared with \$2,436,000 during the previous week. The principal item was landplanes which accounted for about fifty percent of the total. (See Appendix G.)

2. Exports to China, Burma and Hong Kong

Exports to Free China were valued at \$791,000, the lowest figure for any single week since October 25. (See Appendix D.) Exports to Occupied China amounted to \$61,000. (See Appendix E.)

Exports to Burma totalled only \$64,000 as compared with \$1,364,000 during the previous week. A large percentage of these exports may be destined for Free China. (See Appendix F.)

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

3. Exports to Japan

Exports to Japan were negligible, amounting to less than \$500.

4. Exports to France

No exports to France were reported during the week ending December 6, 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 SUSPECTED COUNTRIES  
AS REPORTED TO THE TREASURY DEPARTMENT  
FROM EXPORT DECLARATIONS RECEIVED  
DURING THE PERIOD INDICATED 1/**

**July 28 to December 6, 1941.**

(In thousands of dollars)

	July 28 to Nov. 22	Week ended November 29	Week ended December 6	Total Domestic Exports
U. S. S. R.	\$52,061	\$ 2,436	\$ 3,609	\$58,106
Occupied China	10,408	120	61	10,589
Free China	21,962	3,299	791	25,992
Japan	1,870 2/	-	5/	1,875
Burma 1/	5,354	1,362	64	6,780
France 4/	6	-	-	6
Occupied France	2	-	-	2
Free France	.4	-	-	.4
Spain	2,216	5/	-	2,221
Switzerland	4,608	11	237	4,856
Sweden	9,502	690	188	10,380
French Indochina	305	48	24	377

Treasury Department, Division of Monetary Research

December 10, 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 Nov. 22, 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:maf 12/10/41

## 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 26, 1941 - November 29, 1941

(Thousands of Dollars) 1/

	Total	Exports to China		Exports to Burma 1/	Exports to Hong Kong	Exports to Japan	Exports to U.S.S.R.
		To Japanese controlled ports	To Chinese controlled ports				
July 26 - Aug. 2	937	542	395		664	1,057	
Aug. 3 - Aug. 10	2,794	2,794	-		2,794	1,057	
Aug. 11 - Aug. 18	1,278	969	309		1,278	1,057	
Aug. 19 - Aug. 25	1,352	1,352	2		1,352	1,057	
Aug. 26 - Aug. 30	756	756	1		756	1,057	
Sept. 1 - Sept. 6	897	693	204		897	1,057	
Sept. 7 - Sept. 13	3,036	757	2,281		3,036	1,057	
Sept. 14 - Sept. 20	5,978	156	3,822		5,978	1,057	
Sept. 21 - Sept. 27	462	352	110		462	1,057	
Sept. 28 - Oct. 4	1,385	80	1,305		1,385	1,057	
Oct. 5 - Oct. 11	5,664	552	5,112	1,157	5,664	1,057	
Oct. 12 - Oct. 18	272	267	5	272	272	1,057	
Oct. 19 - Oct. 25	666	399	267	666	666	1,057	
Oct. 26 - Nov. 1	5,210	678	4,532	5,210	5,210	1,057	
Nov. 2 - Nov. 8	1,836	164	1,672	1,836	1,836	1,057	
Nov. 9 - Nov. 15	3,069	158	2,911	3,069	3,069	1,057	
Nov. 16 - Nov. 22	1,701	473	1,228	1,701	1,701	1,057	
Nov. 23 - Nov. 29	3,339	120	3,219	3,339	3,339	1,057	
Dec. 1 - Dec. 6	858	61	797	858	858	1,057	
Total	39,546	11,060	28,486	5,665	11,629	1,069	98,434

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.

STRICTLY CONFIDENTIAL

## APPENDIX C

Principal Exports from U.S. to U.S.S.R.  
as reported to the Treasury Department  
during the week ending December 6, 1941

(Thousands of Dollars)

TOTAL EXPORTS

\$ 3,609

## Principal Items:

Landplanes, powered	1,612
Military tanks	612
Motor trucks and chassis	466
Searchlights and airport beacons	224
Refined copper	117
Electric motors and bases	78
Tires and tubes	44
Cotton duck	40
Auto replacement parts	28
Telephone instruments	24
Gun parts	19

Treasury Department, Division of Monetary Research December 12, 1941

STRICTLY CONFIDENTIAL

## APPENDIX D

Principal Exports from U.S. to Free China,  
as reported to the Treasury Department  
during the week ending December 6, 1941

(Thousands of Dollars)

## TOTAL EXPORTS TO FREE CHINA

\$ 791

## Principal Items:

Landplanes and parts	300
Motor trucks and chassis	203
Zinc castings	104
Petroleum asphalt	51
Metallic cartridges	42
Brass and bronze bars and rods	38
Steel bars	23

STRICTLY CONFIDENTIAL

## APPENDIX E

Principal Exports from U.S. to Occupied  
China as Reported to the Treasury Department  
During the week ending December 6, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO OCCUPIED CHINA \$ 61

## Principal Items:

Leaf tobacco	36
Medicinal preparations	17
Silk hosiery	2
Fountain pens	1

Navy Department, Division of Monetary Research December 13, 1941

STRICTLY CONFIDENTIAL



## APPENDIX F

Principal Exports from U.S. to Burma  
as reported to the Treasury Department  
during the week ending December 6, 1941

(Thousands of Dollars)

## TOTAL EXPORTS

\$ 6

## Principal Items:

Steel sheets	21
Motor trucks and chassis	14
Well and refining machinery	10
Relief supplies - hospital	7
Wall board	6
Box sheels	3
Auto replacement parts	2

Treasury Department, Division of Monetary Research December 13, 1941

STRICTLY CONFIDENTIAL

December 16, 1941

My dear Mr. President:

Count R. N. Coudenhove-Kalergi dictated the inclosed memorandum in my office. I thought his idea was of sufficient importance to send it to you for your information. The only other person to whom I have given a copy is Frank Knox.

Sincerely yours,

*15/ H. Morgenthau, Jr. -*

The President,

The White House.

Dictated by Count R. N. Coudenhove-Kalergi

December 15, 1941

Wars cannot be won by defensives but only by bold offensives. In a war against three great powers, the principle of Horatius in his fight with the three Croatsians must be followed - to strike the enemies one by one. Among our three great enemies, Japan is the strongest by its geographical situation; then comes Germany, and then finally Italy. The three naval battlefields of the three wars are the Pacific, the Atlantic and the Mediterranean. For the moment no decision in the Pacific and in the Atlantic is possible. The only point where a decisive naval offensive is possible is the Mediterranean.

If the war goes on with America fighting Japan, Russia fighting Germany, and Britain fighting Italy, the war will be lost. It is obviously the plan of the Axis to attack Russia in the West and in the East as soon as the weather makes such a double offensive possible. If Russia is smashed and the Axis joins hands across the Urals, the Democracies cannot any more win the war. This evolution can only be prevented by a joint offensive knocking out by

- 2 -

decisive blows, first Italy, then Germany, and then Japan. We must follow the example of Germany which, when encircled by France and Poland in 1939, first took a defensive attitude in the West whilst striking in the East, and only after having smashed Poland turned towards the West to smash France.

Italy can be smashed in the course of this winter if the Allies establish a naval supremacy in the Mediterranean that would prevail even if the French and Spanish Navies would be turned over to Germany. This can only be achieved if the United States sends a part of the Atlantic Fleet into the Mediterranean before Germany has the time to close the Straits of Gibraltar with the help of Spain. Simultaneously, by surprising action, the Allies would have to seize the French Island of Corsica. This Island, which has been demilitarized following stipulations of the Armistice between France and the Axis, is the only undefended Island in the Mediterranean and the only leak in the defensive system of Italy. It could be seized without difficulty as soon as the naval supremacy of the Allies in the Mediterranean is assured and the Allies do not need to fear the seizure of the French Fleet by Hitler.

- 8 -

Such a seizure of Corsica can only be effectuated by an action of complete secrecy and speed. If the secrecy is not guarded, it would become a failure just like the British attempt to seize Dakar. If the action is not speedy, Germany would close the Straits of Gibraltar and mobilize the French Fleet for the defense of Corsica which would be supplied with German garrisons. This secrecy could be achieved if the whole expeditionary force would believe that the expedition is directed against Martinique and would only be informed at sea that the aim is Corsica. Corsica ought to be taken over by Free France. The man who ought to be taken in confidence would be the Free French Admiral, Musilier, who is now in Canada. It would be the best thing if he could accompany the expedition.

If Corsica is seized, Italy can be bombed out of the war from Turin and Milano to Genoa, Rome and Naples. Italy would probably very soon accept an armistice modelled after the French Armistice and granting the Allies the occupation of Northern Italy. Northern Italy, protected by the Alps and the sea, is an impregnable natural fortress. It would

be backed in the North by the Swiss Confederation with its excellent 600,000 soldiers and its whole heart and sympathy for the cause of the Allies.

During the whole winter, Allied troops could land in this fortress and consolidate their positions whilst the snow in the Alps would make any attempt of German invasion impossible. In the spring, this invasion army could begin an offensive in cooperation with a Russian offensive in the East, and eventually with a Turkish offensive in Thrace. The Allies would control the Italian footholds on the Balkans from Croatia to Albania and could, with the help of Greek and Yugoslav guerillas, liberate the Balkans from German occupation. Then a concentrated offensive against Germany could start from the East and from the South, driving Germany into capitulation.

Only after the Axis is broken in Europe, can Russia think of taking the offensive in the Far East. The Democracies would, in this moment, have a ten-fold aerial and three-fold naval supremacy over Japan, who would have to choose between surrender or annihilation.

- 5 -

It is quite unusual that a foreigner brings such a far-reaching suggestion in wartime. History brings two precedents. During the Peloponnesian War, Alcibiades brought to the King of Sparta the suggestion to smash Athens by attacking its invasion forces in Sicily, and in the Great War between France and England, the Maid of Orleans brought to the King of France the suggestion of taking Orleans and of crowning the King in Reims, as necessary steps to overthrow the British domination.

Unusual times demand unusual ways, and I consider it as the highest duty of any citizen of any country to contribute with all his means to the victory of civilization over barbarism.

December 16, 1941

Dear Frances:

I wonder if you can have someone in your Department help Count Richard N. Coudenhove-Kalergi who is seeking a labor permit for his stepdaughter to work at the New York Botanical Gardens.

The stepdaughter, Miss Erika Coudenhove-Kalergi, has been working for one year as a volunteer at the Botanical Gardens. The authorities there now wish to employ her as a regular member of their staff, but as she is the holder of a French passport, on a visitor's visa to this country, she will require a special permit in order to start regular work.

No doubt you have heard of Count Coudenhove as a brilliant student of international affairs and as the founder of the Pan-Europa movement. I shall appreciate it if you can be of assistance to him in this matter.

Sincerely,

Honorable Frances Perkins,  
Secretary of Labor,  
Washington, D. C.

FK/hkb  
12/16/41



December 16, 1941

CONFIDENTIAL

Dear Mr. Knock:

Permit me to acknowledge for the Secretary the receipt of your letter of December 11, 1941, enclosing your compilation for the week ended December 3, 1941, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Faithfully yours,

*Signed - H. D. White*

H. D. White,  
Assistant to the Secretary.

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

*Initialed: FD - GAD*

WV 12-16-41

TREASURY DEPARTMENT

373

INTER OFFICE COMMUNICATION

DATE December 16, 1941

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Plane Shipments to British Forces

1. In the week ending December 10, a total of 79 planes (59 combat planes) were shipped.

2. The British, in the last eleven months, have received over one hundred (103) heavy bombers from the United States.

3. The total number of planes sent to the British since February 1 has now passed the 4,000 mark. The distribution by types of this total is as follows:

	<u>Percent of Total</u>	
Light and medium bombers	35	
Trainers	31	
Pursuit	27	
Naval patrol bombers	3	
Heavy bombers	3	
Army cooperation	<u>1</u>	
Total		100

Table A - Shipments by Area  
(From February 1, 1941)

374

	<u>Week ending December 9</u>	<u>Total Reported to Date</u>
<u>To the United Kingdom</u>		
Light and medium bombers	0	1,022
Heavy bombers	4	98
Naval patrol bombers	0	82
Pursuit	13	235
Army Cooperation	6	21
	<hr/>	<hr/>
Total to the United Kingdom	23	1,458
<u>To the Middle East</u>		
Light and medium bombers	17	296
Heavy bombers	1	5
Pursuit	0	739
Trainers	0	80
	<hr/>	<hr/>
Total to the Middle East	18	1,120
<u>To the British Pacific Forces</u>		
Light and medium bombers	0	36
Naval patrol bombers	0	12
Pursuit	0	119
Trainers	0	93
	<hr/>	<hr/>
Total to Pacific Forces	0	260
<u>To the Forces in Russia</u>		
Light and medium bombers	17	21
	<hr/>	<hr/>
Total to Russian Forces	17	21
<u>To the Canadian Forces</u>		
Light and medium bombers	0	38
Naval patrol bombers	0	13
Pursuit	1	34
Trainers	20	1,086
	<hr/>	<hr/>
Total to Canadian Forces	21	1,171
<u>Totals</u>		
Light and medium bombers	34	1,413
Heavy bombers	5	103
Naval patrol bombers	0	107
Pursuit	14	1,127
Army Cooperation	6	21
Trainers	20	1,259
	<hr/>	<hr/>
Total	79	4,030

Table B - Shipments by Types  
(From February 1, 1941)

375

	Week ending December 9	Total Reported to Date
Bell Airacobra	0	154
Boeing B-17	0	21
Boston III	0	24
Brewster Buffalo	0	119
Cessna T-50	20	533
Consolidated Catalina	0	107
Liberator I	0	22
Liberator II	5	60
Curtiss Kittyhawk	1	365
Tomahawk	0	416
Douglas Boston II	0	29
Boston III	21	441
Fairchild-24	6	12
Glenn Martin Baltimore	13	65
Maryland I	0	114
Maryland II	0	1
Grumman Martlet II	0	9
Lockheed Hudson II	0	1
Hudson III	0	297
Hudson IV	0	9
Hudson V	0	380
North American Harvard II	0	726
Mustang	13	64
Pitcairn Autogiro	0	5
United Chesapeake	0	52
Vultee Stinson-049	0	4
Grand Total-All Types	79	4,030

Table C - Plane Shipments to the British by Weeks\*  
(From February 1, 1941)

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy Bombers</u>	<u>Naval Patrol Bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
35 Weeks (February 1-October 7) TOTAL	1,241	47	95	741	6	916	3,046
35 Weeks (February 1-October 7)							
WEEKLY AVERAGE	35	1	3	21	0.2	26	87
October 14, 1941	45	9	1	68	0	44	167
October 21, 1941	21	9	1	50	0	57	138
October 28, 1941	10	12	3	38	4	19	86
November 4, 1941	19	2	3	45	0	31	100
November 11, 1941	13	1	2	34	2	42	94
November 18, 1941	5	7	1	67	0	38	118
November 25, 1941	6	5	0	23	3	28	65
December 2, 1941	19	6	1	47	0	64	137
December 9, 1941	34	5	0	14	6	20	79
February 1-December 9, 1941 - Total	1,413	103	107	1,127	21	1,259	4,030

\* Since we do not have a breakdown by weeks of the deliveries to Canadian forces prior to October, no statement of deliveries by weeks is given for this period.

377



**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. \_\_\_\_\_

With the compliments of British Air Commission,  
who enclose Statement No. 11 - Aircraft Shipped -  
for the week ended December 16, 1941.

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

December 19, 1941

STATEMENT NO. 11

*Most Secret*  
378

AIRCRAFT DESPATCHED FROM THE UNITED STATES  
WEEK ENDED DECEMBER 16, 1941.

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>KING</u> Boston III	Russia	Basrah	15	—	—
<u>SSNA</u> T-50	Canada	—	—	—	11
<u>PTISS</u> Kittyhawk	Middle East Canada	Port Sudan —	9 —	— —	— 8
<u>GLAS</u> Boston III	Russia	Basrah	8	—	—
<u>BENN MARTIN</u> Baltimore	Middle East	Port Sudan	3	—	—
<u>ETH AMERICAN</u> Harvard II	*** S. Rhodesia	Durban	8	—	—
<u>TOTAL</u>			43	—	19

\*\*\* Details of shipments of Harvard II aircraft to Southern Rhodesia were inadvertently omitted from previous lists. These were shipped as follows:-

Week ended August 23	18
Week ended September 6	24
Week ended September 13	12
	—
	<u>54</u>

British Air Commission,  
December 18, 1941.

December 16, 1941

Mr. Mivsey

Mr. Dietrich

Will you please send the following cable:

American Embassy,

Chungking, China.

For Fox from the Secretary of the Treasury.

1. For your information the following is a brief resume of the Treasury Department's action since December 7, 1941 under the Freezing Order with respect to Japan and her nationals.

On the outbreak of war the Treasury Department, as a precautionary measure, revoked all general and specific licenses in so far as they benefited Japan or her nationals, and took custody of many Japanese enterprises. On December 11, the Department issued General License No. 11A authorizing living expenses and wages for Japanese nationals in the United States and General License No. 77 authorizing transactions by them incidental to the producing, marketing and distributing of food and agricultural products within the United States. On December 15, the Department issued General License No. 65A unblocking the accounts of Japanese residing continuously in the United States since June 17, 1940 and permitting businesses run by them to continue to operate, except those still in Treasury custody. The present policy of the Department is to retain custody of large sized enterprises and also of enterprises whose existence or operation is dangerous to the national interest.

2. In view of the new situation it is probable that the general licenses issued in connection with the China program will have to be amended. We should like to have your views and recommendations concerning such amendments. In so far as practicable we shall also forward to you for your comments any amendments along these lines drafted by the Treasury Department.

3. The Treasury will keep the Board informed of all significant actions taken by the Treasury in which the Board would have an interest and would appreciate very much if the Board would supply as much information as possible which it feels would be of help to the United States Government in the present emergency.



- 2 -

4. The Secretary requests that you convey to Dr. Sung his regrets for not having had, as yet, the time and opportunity to focus on the additional proposals which Dr. Sung made to Mr. Cochran. Dr. Sung may be assured, however, that any proposals which he or the Generalissimo may make will be received with the attention and respect due to a nation which has so courageously and successfully resisted Japanese militarism. We are proud to take our place beside China in a struggle that can only end in a complete and lasting victory for the free peoples of the world.\*

FD:lap-12/16/41

TELEGRAM SENT

381

WM

GRAY

December 16, 1941

9 p.m.

AMERICAN EMBASSY,

CHONGKING, (CHINA) VIA N.R.

304

FOR FOX FROM THE SECRETARY OF THE TREASURY.

QUOTE. 1. For your information the following is a brief resume of the Treasury Department's action since December 7, 1941 under the Freezing Order with respect to Japan and her nationals.

On the outbreak of war the Treasury Department, as a precautionary measure, revoked all general and specific licenses in so far as they benefited Japan or her nationals, and took custody of many Japanese enterprises. On December 11, the Department issued General License No. 11A authorizing living expenses and wages for Japanese nationals in the United States and General License No. 77 authorizing transactions by them incidental to the producing, marketing and distributing of food and agricultural products within the United States. On December 15 the Department issued General License No. 68A unblocking the accounts of Japanese residing continuously in the United States since June 17, 1940 and permitting businesses run by them to continue to operate, except those

-2- #304, December 16, 9 p.m., to Chungking via N. R.

those still in Treasury custody. The present policy of the Department is to retain custody of large sized enterprises and also of enterprises whose existence or operation is dangerous to the national interest.

2. In view of the new situation it is probable that the general licenses issued in connection with the China program will have to be amended. We should like to have your views and recommendations concerning such amendments. In so far as practicable we shall also forward to you for your comments any amendments along these lines drafted by the Treasury Department.

3. The Treasury will keep the Board informed of all significant actions taken by the Treasury in which the Board would have an interest and would appreciate very much if the Board would supply as much information as possible which it feels would be of help to the United States Government in the present emergency.

4. The Secretary requests that you convey to Dr. Kung his regrets for not having had, as yet, the time and opportunity to focus on the additional proposals which Dr. Kung made to Mr. Cochran. Dr. Kung may be assured, however, that any proposals which he or the Generalissimo may make will be received with the attention and respect due to a nation which has  
so courageously

-3- #894, DECEMBER 16, 9 p.m., to Chungking via N. R.

so courageously and successfully resisted Japanese militarism. We are proud to take our place beside China in a struggle that can only end in a complete and lasting victory for the free peoples of the world.

HULL  
(FL)

FD:FL:EMcB

C A B L E

From: London  
Date: December 16, 1941

SPROUL  
FEDERAL RESERVE BANK OF NEW YORK

#1243/41

## PARAGRAPH ONE

Because of difficulty of communication with the colony of Hong Kong the London office of the Hong Kong and Shanghai Banking Corporation has now been established as the legal head office of the bank and Arthur Morse the London manager has been appointed acting chief manager

## PARAGRAPH TWO

All branches of the bank must until further notice look to London as their head office which has assumed control over all the assets of the Hong Kong office outside the colony of Hong Kong

## PARAGRAPH THREE

Please inform your market and branch of the Hong Kong and Shanghai Banking Corporation accordingly and cable me if any difficulties arise

SGD. NORMAN

Rec'd by phone from Mr. Cameron's Secy. - 12/17/41 - kms

FEDERAL RESERVE BANK  
OF NEW YORK

December 16, 1941.

S i r :                    Attention: Mr. Frank Dietrich

We have received the following tested telegram dated December 12, 1941 from the Federal Reserve Bank of San Francisco:

"CREDITING TOMORROW \$6,645,723.40 FOR CREDIT OF THE SECRETARY OF THE TREASURY SPECIAL ACCOUNT REPRESENTING PROCEEDS OF GOLD SHIPMENT RECEIVED DEC 5, BY S. S. "DOMBASS" FOR ACCOUNT OF THE STATE BANK OF THE U. S. S. R. MOSCOW. FINE OUNCES 189,883.240 DOLLAR VALUE \$6,645,913.40 MINT CHARGES \$190.00 MINT HANDLING CHARGE WHICH WAS NOT DEDUCTED \$16,614.78"

In accordance with the above telegram and pursuant to our telephone conversation, we have credited the Secretary of the Treasury, Special Account on our books \$6,645,723.40 on December 13, 1941, and have made the appropriate entries in the transcript of the Secretary of the Treasury Special Account to reflect the 1/4 of one per cent charge of \$16,614.78 as a handling charge on gold.

Respectfully,

(Signed)            D. J. Cameron

D. J. Cameron,  
Manager, Foreign Department.

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

Copy:ec:12-17-41

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386

DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
WF 840.51 Frozen Credits/4653

December 16, 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 8, 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>
1461	Buenos Aires	12/13/41
371	La Paz	12/13/41
368	La Paz	12/12/41
364	La Paz	12/11/41

The Secretary of State also transmits herewith copies of certain other telegrams with reference to the Department's circular telegram of December 8, 1941. These are as follows:

<u>Number</u>	<u>From</u>	<u>Date</u>
507	Panama	12/14/41
296	Caracas	12/12/41
294	Caracas	12/12/41
545	Montevideo	12/12/41

Enclosures:

As stated.

Copy:bj:12-18-41

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PARAPHRASE OF TELEGRAM RECEIVED

387

FROM: AMEMBASSY, Buenos Aires  
TO: Secretary of State, Washington  
DATED: December 13, 1941, 5 p.m.  
NUMBER: 1461

The Central Bank this morning stated that the question of blocking German and Italian funds as in the case of Japanese funds, was a question to be taken up with the Government. The Embassy requests instructions as to approaching the Foreign Office in this manner. The Embassy has learned that a division of opinion exists within the Government, and the Foreign Minister is reluctant to take any new action with a view to blocking German and Italian funds. Circulars 244 and 246 of September 1 and 12 provide a certain degree of blockage but further measures are necessary without delay, and regardless of such announcement any new measure against Italy and Germany would cause a good psychological effect.

Copy:es:12-18-41



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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, La Paz  
TO: Secretary of State, Washington  
DATED: December 13, 1941, 4 p.m.  
NUMBER: 371

Former decree blocking German, Italian and Japanese funds was clarified by decree issued yesterday afternoon.

ARTICLE ONE. Only Japanese, German and Italian persons and firms on the black lists of American countries are affected by the freezing order. Lists may locally be extended to include persons engaged in totalitarian propaganda.

ARTICLE TWO. The operation of industrial and commercial organizations owned by listed persons are to be operated under Government interventors' supervision.

ARTICLE THREE. The Banco Central will hold all blocked funds and unfreezing will be effected only by Minister of Finance order.

ARTICLE FOUR. Checks of listed firms or persons will not be honored, and checks payable to them are to be deposited in blocked account of Banco Central.

ARTICLE FIVE. Collections made by blocked firms will be turned over for deposit in blocked accounts with Banco Central.

-2-

ARTICLE SIX. The use of blocked funds to pay discounts and loans owed to local banks or to service obligations of the Government by blocked concerns may be authorized by the Minister of Finance.

ARTICLE SEVEN. Firms or persons not on the list may make application to the Minister of Finance for release of funds to pay debts which listed firms owe them.

The transaction is declared void in cases where listed firms may have collected in whole or in part for goods sold but not delivered; the collected funds are to be blocked and the responsibility for merchandise sales is placed with the Minister of Economy.

ARTICLE EIGHT. 30,000 bolivianos is the minimum account which will be frozen. A maximum of 10,000 bolivianos monthly will be allowed to listed persons without other resources from their blocked accounts.

ARTICLE NINE. The transfers of goods or funds owned by listed persons will be subject to authorization by the Government.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, La Paz  
TO: Secretary of State, Washington  
DATED: December 12, 1941, 2 p.m.  
NUMBER: 368

A decree was issued last night freezing Italian and German funds.

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, La Paz  
TO: Secretary of State, Washington  
DATED: December 11, 1941  
NUMBER: 364

Minister of Finance has notified local banks to extend Article 4 of decree blocking Japanese funds, German entities applicable to both German and Italian firms and persons. Banks were instructed that no more collections would be made and that no documents covering shipments to any Axis concerns from any foreign country were to be delivered.

The Government contemplates the use of all funds so blocked estimated to be between \$300,000 and \$400,000 for its own purposes, it is understood. The Government also is considering the possibility of taking over Axis merchandise and firms for operation. Bolivia thereby hopes to avoid the crippling effects which otherwise might result to its economy.

Banks are believed to be extending full cooperation and an official decree is expected to be issued soon.

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EJ

PLAIN

Panama

Dated December 14, 1941

Rec'd 2:21 p.m.

Secretary of State,  
Washington.

507, Fourteenth.

Government issued decree yesterday freezing  
Japanese, German, Italian funds and creating alien  
property custodian administer properties belonging  
persons those nationalities.

WILSON

ALC

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WM

PLAIN

Caracas

Dated December 12, 1941

Rec'd 11:51 p.m.

Secretary of State,

Washington.

RUSH

296, twelfth.

My 294, twelfth.

Full translation of decree follows:

"Isias Medina A. President of the United States of Venezuela.

Whereas a state of war exists between American Republics and non-American states, which affects the political and economic interests of the whole continent and demands the adoption of measures for the defense and security of the nation: In accordance with Resolution XV adopted in the second meeting of Foreign Ministers of the American Republics: In the use of attribute 23 of Article 100 of the National Constitution: In conformity with Article 36 and of the first numeral of paragraph 2 of numeral 13 of article 15 of the said Constitution, with the Cabinet in Council: Decree:

Article 1. The exercise of individual guarantees specified in numerals 2, 8 and 9 of Article 32 of the National Constitution is restricted throughout the territory of the Republic in the terms of the present decree.

Article 2. The exportation of merchandise or securities and the transmission of remittances, drafts, or money transfers is prohibited to states at war with any American nation or occupied by them or which might be intended for one consigned to nationals by such states whatever the place might be of the addressee, consignee or beneficiary of such exports, drafts, transfers or remittances. In the case of exports, drafts, transfers or remittances not covered by the prohibition referred to in this article but which are intended for non-American countries a special authorization of the Federal Executive will be required.

Article 3. With obtaining a permit from the Federal Executive the withdrawal of funds from banking and savings accounts, the moving of said accounts and the withdrawal of articles on deposit or securities under custody is prohibited from any institution of credit established in Venezuela which belong, are subject to the order of or in which there is an interest of the governments or nationals of states at war with any American country or of persons or entities domiciled or resident in territories occupied by such states. The Federal Executive, for the purpose of avoiding a reactivation of normal and legitimate economic activities, may grant the said permits, on the request of the respective institutions which should make proper payments provided the following conditions are met:

(A) That the beneficiary of such permit undertakes to separate nationals of states at war with an American nation from every interference, employment or activity in the enterprise at the earliest possible moment,

(B) That the sums applicable to the permit correspond to the bulk of business considered as normal for the enterprise, or to special operations properly justified,

(C) That the beneficiary binds himself to afford all facilities that the Federal Executive may deem necessary in order to inspect the operations properly,

Any other formality or requirement which the Federal Executive may call for through the issuance of executive orders:

Article 4. The permits referred to in this decree will be granted through the Ministry of Hacienda which may, through the issuance of special orders, delegate this function to the Banco Central de Venezuela and to other entities which it may deem proper to choose: and it may also establish regulations and formalities for the functioning of this service. Through orders and special instructions of the Federal Executive a list of persons or entities included in the restrictions which this decree establishes may be drawn up: and the necessary measures will be adopted to inspect the bulk of business and operations of those enterprises or entities to the end that their activities may not be exercised in a manner detrimental to the National or continental security or economy.

Article 5. Banks, credit institutions and houses authorized to receive deposits established in the country, must declare to the Ministry of Hacienda, within the maximum period of fifteen days, counting from the publication of the present decree, the accounts, credits and funds referred to in Articles 2 and 3 of this decree.



Article 6. Infractions against the provisions of the present decree will be penalized with fines imposed by the Ministry of Hacienda of not less than one hundred bolivares and not in excess of the amount of the operation with respect to which an infraction has been committed.

Article 7. The present decree does not affect in any way the provisions of the existing decrees concerning restrictions on the exercise of constitutional guarantees.

Article 8. The Minister of Foreign Relations and of Hacienda are especially charged with the execution of the present decree. Issued, signed, sealed with the seal of the Federal Executive and countersigned by the Ministers of the Executive Branch in the Federal Palace in Caracas on the Eleventh Day of the Month of December Nineteen Hundred Forty One. 132nd Year of Independence and 83rd of Federation."

Here follow signatures of the President and all of the members of the Cabinet.

CORRIGAN

KLP

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PLAIN

Caracas

Dated December 12, 1941

Rec'd 3:12 p.m.

Secretary of State,  
Washington.

TRIPLE PRIORITY

294, twelfth.

Department's circular December 7, 7 p.m.

Action taken as requested on December 8. Today's official GAZETTE contains Presidential decree providing that the exportation of merchandise or securities and the transmission of remittances, drafts, or money transfers is prohibited to states at war with any American nation or occupied by them or which might be intended for or consigned to nationals of such states whatever the place might be of the addressee, consignee or beneficiary of such exports drafts, transfers or remittances and for the freezing of funds of Governments and nationals of states at war with any American nation or of persons or entities domiciled or resident in territories occupied by such states for enforcement of this decree. Foreign Office has orally requested the names of the countries occupied by forces of the countries at war with the United States. Please instruct. Translation of decree will be telegraphed.

CORRIGAN

DD

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C O P Y

AMT

PLAIN

Montevideo

Dated December 12, 1941

Rec'd 10:05 p.m.

Secretary of State,

Washington.

545, December 12.

The following decree was issued today. "In view of the international situation resulting from the state of war existing between the United States of America and Germany and Italy, and with a view to avoiding disturbances of a domestic economic character which might result as a consequence of the situation referred to above the President of the Republic decrees:

Article one. There is prohibited until further order the transfer of funds abroad in general, belonging to German and Italian persons or entities. The present prohibition is extended to the export of merchandise and the transfer of bonds or securities of whatever nature.

Article two. Likewise there is suspended until further order transactions in Uruguayan or foreign money which may imply or originate debits in accounts already opened or which may be opened in the name of Italian or German persons or entities whose head offices are located abroad or those which in the judgement of the executive power may be considered as having connections which might render it possible to evade the provisions of this decree.

Article three. Qualified banks are authorized to carry on exchange transactions, to sell exchange for the currencies in which may have been drawn the drafts originating in Germany or Italy or from German or Italian firms in general with the sole purpose of cancelling the same as respects the debtor. The corresponding settlements will be effected at the rates which the Bank of the Oriental Republic of Uruguay shall fix and the banks shall collect the respective amounts holding in suspense the respective reimbursements and debiting these amounts in the Bank of the Oriental Republic of Uruguay.

Article four. The Bank of the Oriental Republic of Uruguay until further order will exercise a strict control of a permanent character over the Banco Aleman Transatlantico and the Banco Francaise Italiano para La America Del Sur with a view to preventing the transfer of capital abroad and the application of their assets and deposits to operations which may affect this country or those countries with whose international situation this country has proclaimed its solidarity.

Article five. The Bank of The Oriental Republic of Uruguay is empowered to authorize wholly or in part according to circumstances of the individual case and time as it may judge necessary or convenient transactions which are prohibited or suspended by the present decree.

Article six. The customs houses of the Republic, the posts, the comptroller of imports and exports, the banks, savings banks, private banks and exchange houses established in the country are charged with strict enforcement of this decree.

Article seven. To be communicated etc."

CSB  
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DAWSON

## TREASURY DEPARTMENT

400

## INTER OFFICE COMMUNICATION

DATE December 16, 1941

TO Secretary Morgenthau  
FROM Mr. Dietrich

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£78,000
Purchased from commercial concerns	£ 1,000

Open market sterling remained at 4.03-3/4, and there were no reported transactions.

The Canadian dollar continued to show a weak tendency. The final quotation today was 12-1/4% discount, as against 12% last night.

The Cuban peso improved slightly to close approximately at par.

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

Argentine peso (free)	.2390
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5310
Venezuelan bolivar	.2670

We sold \$4,000,000 in gold to the Central Bank of the Argentine Republic, which was added to its earmarked account.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped \$176,000 in gold from Mexico to the Federal, for sale to the New York Assay Office.

In London, spot and forward silver were again fixed at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

BRITISH EMBASSY  
WASHINGTON, D.C.

December 16th, 1941.

Personal and Secret.

Dear Mr. Secretary,

=====  
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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,

*Halifax*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

BRITISH MOST SECRET

(U.S. SECRET)

CFTEL No. 35

Information received up to 7 a.m., 14 December, 1941.

(I) NAVAL

A British destroyer was disabled by bombs west of MILFORD HAVEN and has been towed to port. 18 fatal casualties. A British submarine has sunk an enemy merchant vessel east of NORTH CAPE. Further information regarding the action off CAPE BON shows that two cruisers and one torpedo boat were sunk and torpedo boat badly damaged by 3 British destroyers and a Dutch destroyer. A British submarine reports having attacked two large unidentified ships and a destroyer South of TARANTO. Four hits were obtained.

MALAYA. 12th. A Dutch submarine sank four laden Japanese troop ships off PATANI. A naval auxiliary minesweeper has failed to return from the East coast of MALAYA and is considered lost. A small British tanker was torpedoed yesterday west of ALEXANDRIA but is returning to port under her own power.

(II) MILITARY

LIBYA. 11th. The enemy strong-point between SOILUM and SIDI OLIAN was occupied without resistance and much equipment captured.

12th. The enemy endeavouring to cover his withdrawal was still holding GAZALA. He was being contained by our troops who engaged his tanks, apparently with good results, South-West and South of GAZALA, capturing prisoners and guns. The remains of the Italian Ariete Division are some thirty miles South of EL TUMI and are being engaged by our troops. During the 11th and 12th four enemy aircraft were shot down by our ground defences.

MALAYA. No further report received. A Japanese convoy large enough to be carrying two to three Divisions was reported on 12th December steaming South-West off CAMBODIA POINT.

HONG KONG. 12th. Withdrawal from KOWLOON carefully prepared and carried out at dusk 11th, has been carried out with some difficulty owing to constant pressure by superior numbers. Field and Medium Howitzers evacuated without loss. 10 M.T., all Carriers and all armoured cars evacuated. Scale of enemy air raids increased during last 24 hours. Continuous shelling of Island represents no real value only counter battery and harassing fire by our coast defence guns landwards reported effective.

PHILIPPINES. Activity continues with further landings in the North of LUZON.

RUSSIA. The Russian counter offensive is continuing on the whole MOSCOW front and is particularly effective in the KLIN and TULA Sectors. The Russian claims to have encircled KLIN and to have recaptured IAKHROMA, VENEV, MIKLAILOV and STALINGORSE are likely to be substantially correct.

(III) AIR OPERATIONS

12th/13th. 15 R.N.Z.A.F. Aircraft took part without casualties, BREST. 22 tons of bombs were aimed at the German ships but owing to cloud and ground defences bursts could not be accurately located, 23 tons were dropped on searchlights and anti-aircraft positions, some heavy guns being silenced.

DUNKIRK. Visibility was good and 16 tons of bombs were dropped in the docks area starting fires. 13th. 16 Hampdens were sent to the BREST area. Four of them laid mines, ten abandoned task and two are missing. Spitfires damaged a Distillery in Northern FRANCE. 13th/14th. Operations cancelled.

LIBYA. 12th. 14 Marylands and six Beaufighters patrolled North of DERNÄ on the supply route from CRETE and destroyed four transport aircraft and damaged twelve. Five Marylands are missing. Of five Blenheims which unsuccessfully searched for shipping North-East of BENGHAZI two were shot down by Messerschmidts 110. Two squadrons of Blenheims with fighter escort attacked vehicles in the TMDI area.

MEDITERRANEAN. 13th. 11 Blenheims attacked a tanker and two destroyers in ARGOSTOLION HARBOUR with unobserved results. Three Blenheims are missing and one Messerschmidt 109 was shot down.

CRETE. 11th/12th. 20 Wellingtons bombed PALEME aerodrome causing large fires and igniting a petrol dump.

(IV) ENEMY ACTIVITY

13th/14th. About 25 aircraft operated off the East Coast.

BURMA. 11th. 23 Japanese aircraft renewed the attack on TAVOY aerodrome. The aerodrome at VICTORIA POINT is prepared for demolition.

(V) AIRCRAFT CASUALTIES in Operations Over and from the British Isles: British - two bombers missing.

(VI) RUSSIA. Our Mission reports 8/12 our Valentines tanks have done well in the MOSCOW sector. It is reported that 90 had been in action and only three knocked out to date. The Germans on the MOSCOW Front appear to have no lack of ammunition. More and more evidence is accumulating of the great difficulties experienced by the Germans in mechanical transport maintenance.



(VII) GERMAN AIR FORCE

The German Messerschmidts 110 have suffered such severe losses both in RUSSIA and LIBYA that two Gruppen (about 60 aircraft) of these twin-engined fighters are believed to have been disbanded in order to keep other units up to strength.

(VIII) GERMAN WOOL SHORTAGE

A German offer was made to TURKEY of 30 locomotives and of rolling stock including tank wagons in exchange for woollen blankets. The Turks refused. An increasing proportion of substitute materials is being used in uniforms. The most recent uniform examined contained 35 per cent of synthetic fibre (the highest proportion yet found) and was of poor quality.

(U.S. SECRET)

OPTCL (Unnumbered)

Information received up to 7 a.m., 15 December, 1941.

(I) NAVAL

A British submarine attacked two Italian battleships screened by destroyers eight miles south of NESSINA on the morning of the fourteenth and obtained two hits on one Cavour class battleship.

A British light cruiser was sunk by U-boat last night thirty miles west of ALEXANDRIA. No further details yet.

A medium sized British merchant vessel was sunk by U-boat on fourteenth to fifteenth about fifty miles South-West of GIBRALTAR. Another British ship of similar tonnage in an outward convoy sank six hundred miles North-East of NEWFOUNDLAND on the eleventh after a fire. Sabotage is suspected. All crew were saved.

(II) MILITARY

LIBYA. 13th. It now appears that practically all the enemy forces in CYRENAICA which remain fit for battle are facing the eighth army between GAZALA and the EL GOBI - MEKILI road. Fourth Indian Division, advancing North-Westwards South of GAZALA, was twice counter attacked by about forty tanks. Both attacks were repulsed with loss to the enemy of sixteen tanks destroyed and twenty-one officers and three hundred and fifty men captured, this division also shot down four dive-bombers.

The pressure of our armoured formation on the enemy's Southern point, some twenty-five miles South of GAZALA continues. Twenty-five guns, four hundred prisoners and 70,000 gallons of petrol and oil have been captured in this area.

BURMA. A Japanese force landed at CHELPOIN has penetrated into BURMA North of VICTORIA POINT. The demolition plan for VICTORIA POINT aerodrome and wireless station has been put into effect and the garrison are being withdrawn.

Reported that the Japanese have advanced beyond CHIENGRAL, about four hundred miles north of BANGOK, towards the Burmese border.

CHINA. Withdrawals of Japanese forces from ICHANG on the YANGTZE River are reported, this would relieve about another two divisions for operations elsewhere.

RUSSIA. Leningrad Sector. The recapture of TIKHVIN has eliminated the danger of the German forces in that sector linking up with those on the River SVIR.

Central Sector. The Russians have had marked successes against the Northern and Southern arms of the German enveloping movement around MOSCOW, and the Germans have been obliged to withdraw both in the KLIV and TULA areas with heavy casualties and much loss of equipment. The withdrawal in the latter area has been considerable. Between these two sectors the Germans have made a slight withdrawal in the TRENTOVO area, due east of MOSCOW, in order to conform with their retirement in the KLIV area. Troops in the German Salient East of TULA, which originally extended as far as SKOPIN, have been withdrawn and the line now runs approximately South from TULA to a point West of TRENTOVO and thence to LIVNI which the Russians now claim to have recaptured. The Russians are attacking along the whole of this line.

OPERATIVE. No change. Despite heavy casualties the Germans continue to hold the line of TRENTOVO and TOLBINO.

STATUS. Pressure on SEVASTOPOL has probably further eased. No German attempt to cross the KERCH STRAIT is likely at present.

Conclusions. After trying for over two months to capture MOSCOW the Germans decided to stabilize and withdraw to a shorter line suitable for defense during the winter. Their sustained effort under difficult conditions had however so much reduced their fighting capacity that the Russians have been able to launch and press home heavy counter-attacks along nearly the whole of the Central Sector, particularly in the KLIV and TULA areas. As a result, the German withdrawal has not been altogether according to plan and has involved them in serious difficulties. They may now well have to revise their original intentions as to their winter line. The threat to the MOSCOW-LITZHE-VORONJAD Railway has been removed for the winter. The situation has undergone a very marked improvement in the important central sector. The Russians now appear definitely to hold the initiative.

(III) AIR OPERATIONS

14th. A 1,200 ton merchant vessel was sunk off HERTAL by a coastal raidson of the Royal Netherlands Air Service.

LIBYA. 12th/13th. Extensive and successful operations were carried out by our fighters and bombers. Twenty Wellingtons started ten large fires at DERNA aerodrome, enemy W.T. was attacked north of EL MINTI, on the road near EL MEHEDI and in the BORDA-DERNA area. Many vehicles were destroyed and others damaged. In addition to casualties reported yesterday, 22 enemy aircraft were destroyed, nine probably destroyed and fourteen damaged. Fourteen of our fighters and three bombers are missing.

FAR EAST. 10th. Six R.A.A.F. Hudsons from DUTCH EAST INDIES bombed TOBI ISLAND, about two hundred miles northwest of NEW GUINEA.

(IV) ENEMY ACTIVITY, LIBYA

12th/13th. TOBRUK was bombed, one enemy aircraft shot down by A.A. 13th. Another enemy aircraft shot down by A.A. at EL ADEH.

MALTA. 13th/14th. Six enemy aircraft operating singly over a period of 13 hours dropped some bombs without causing any damage.

MALAYA. 13th. PENANG had two air raids. No damage to PRAI docks. KUANTAN aerodrome was machine gunned by low flying aircraft. Four enemy aircraft were shot during the day.

BURMA. 13th. MERGUI. The aerodrome and harbour were bombed. The Wireless Station, petrol dump and barracks were hit but details of damage have not been reported. Enemy aircraft also approached RANGOON.

(V) Aircraft casualties in operations over and from the British Isles: British - 1 bomber.

(VI) It is probable that 24 German E-boats have passed down the RHONE Canal and are now in the MEDITERRANEAN. Their endurance at 22 knots is about 600 miles.

(VII) CORRIGENDUM

Japanese convoy reported off CAMBODIA POINT was actually off East coast of INDO-CHINA. A large fleet of transports was reported at CAMRANH BAY on the 14th. This is probably the same convoy.

## TREASURY DEPARTMENT

408

## INTER OFFICE COMMUNICATION

DATE December 16, 1941

TO Secretary Morgenthau

FROM Mr. Kamerok

Subject: Summary of O.C.I. "Report from Hamburg."

A Jewish mechanic, Mr. X, associated with workers and soldiers in the course of his work, until he left Hamburg in September 1941. He lived in a middle-class apartment house.

1. Attitude of Workers and Soldiers

- (a) Rather than being anti-semitic, the workers and soldiers extended their full confidence to Mr. X.
- (b) Workers and soldiers were uniformly anti-Nazi. "The Third Reich will break down - it is all dirt - a great fraud which can only be kept up by force."
- (c) All were convinced that "there will be nothing but victories until they (the Nazis) have lost the war."
- (d) All were afraid, however, of another "Versailles" treaty. They expect, however, that Russia will not make a "peace of the victors."
- (e) While food was good, there was a lot of grumbling about scarcity and hints of corruption at the top by "those brown scoundrels."
- (f) The London radio was listened to regularly, but people were disappointed at the insufficiency of political anti-Nazi propaganda.

2. Attitude of Officials and Business Men

Mr. X's fellow-tenants, officials and business men, were much more reserved and cautious than the workers and soldiers, but were decidedly friendly. They gave surreptitious gifts of food which Jews were not allowed to buy. Like the others, they listened to foreign radio broadcasts.

November 14, 1941

REPORT FROM HAMBURG  
(November 8th, 1941)

The reporter is a middle-aged Jewish mechanic who left Hamburg in the first days of September, 1941. There he worked in a technical trade firm until he left. About a hundred workmen worked continually with him on the same shift. The firm very often had orders from the Army which had to be executed on Army grounds where the workmen had frequent contact with soldiers and guardsmen. When there was overtime or night work, the workmen had their meals in the guardhouse and during bad weather or air attacks, they found shelter in the barracks. This led to conversations with the soldiers.

Mr. I. was known to his colleagues and to the soldiers as a Non-Aryan. He never met any difficulties nor disrespect on the contrary! Known as a Jew, he was considered from the beginning to be a natural opponent to the Nazi regime and he found that he had the confidence of all the workmen.

According to the experiences of Mr. I. there was not a single workman in the whole factory who was not an opponent of the Nazi system. Many of the workmen expressed their hostility towards the Nazis quite frankly during conversations. The group of workmen with whom Mr. I. worked consisted mainly of middle-aged men - only a few were younger than 30 years. Most of them were fathers of families. This group usually worked outside the town. Every morning they were brought by trucks to their place of work. During the drive to their working place, political questions, events of the war, and the causes of the war were discussed freely. All the discussions showed a pointed hostility towards the Regime. All spoke with contempt of the corruption amongst the Nazis, of the cases of suppression and persecution of which they had personal knowledge.

The attitude towards the war was generally negative. All the military successes could not shake the conviction that "there will be nothing but victories until they have lost the

war" and "we will have to pay for it". Even before the war in Russia started, there was no tension between the former social-democrats and the communistic workmen. Since Russia has become a partner in the war, the unity has been strengthened. Everybody is convinced that this system will go down soon as neither the world nor the German people will stand to be subjugated forever.

It was never quite clear just what the reasons were for this conviction in individual cases. The reason given most of the time was that the Nazis would lose the war in the end. Everybody said "the Nazis" not "the Germans" or "we" although all workmen had relatives on the fighting front. "First they forced us to slave for them, then to starve for them and now to be shot for them." This was a very usual comment.

An important theme for conversation on the ride to work among the workmen was the report on the London radio program of the evening before. These tales showed that every second or third man listened in regularly to the London sender. To supplement the information there were reports on the news from the Moscow sender. The reports of the German High Command usually were compared with the news from abroad. There was a lot of criticism of the foreign news services; people particularly complained that there was not sufficient information and not sufficient counter propaganda against the Third Reich. There is a real hunger for reliable news and political anti-Nazi radio items. There were always discussions as to why the slavery of the German people sentenced to forced labour, to starvation and to "death for the Fatherland" has not been brought out in the English broadcasts. These conversations about the English radio very often were wild and loud and Mr. X. some times felt compelled to warn them and remind them that heavy punishment and even a death penalty threatened. The answer to such warnings was a shrug

the shoulders and a remark like "we all know so much about one another that nobody can become a traitor". Once a comment was heard to this effect: "To die from hunger, or by the hangman or as a hero, is all the same to us. We shall be ruined in any case by these 'dags'." The feeling that everyone was more than fed up with the war and desired it to end now was so strong that it overcame all thought of caution particularly in this circle where all persons were well-known to each other.

It was not when they met with strangers, the conversation was much more cautious. Some times, however, conversations with guards and soldiers occurred which were more or less along the same line. As soon as there was a contact and the necessary confidence established, the men in uniforms and men in working clothes showed that there was no difference in their attitude to the war or to the problems of the day. Some times the soldiers were more hostile in their attitude towards the war than the workmen. All conversations were centered around "the unavoidable defeat" as the result of all their victories. "They go on conquering until they are defeated" and "those 'blackards' will run away in time." These phrases were commonly used by soldiers. It was quite obvious that the soldiers were very well informed about the contents of the latest English broadcasts. Mr. X. and other workmen observed during their work in barracks that the soldiers tuned in their radio sets to England without being disturbed by the presence of civilians. They even asked for attention: "silence, London calling". Everybody listened in to the English broadcasts. Once somebody mentioned the danger connected with their action and the high penalties that threatened, but he was told "we have a guard standing outside; if you say anything we know a lot about you and it would be an expensive joke for you." Besides the conversation about the war and the Nazi system, "estables" (pressen) was the main subject. The supplies for the soldiers and for the workmen as well, which they



got through their firm, were relatively good. All the same, there was a lot of grumbling about the general scarcity of food. There was always a hint that those at the top could sit back comfortably. "Those brown scoundrels" - that was the name common to everyone connected with the Nazis. No exception was made for Hitler. Occasionally people in their conversation with Mr. X. touched upon the Jewish problem. Usually there was a remark that the special laws against the Jews were despicable. The workmen as well as the soldiers were very often extremely philo-semitic. For instance, when in August the Yellow Star was introduced as a distinguishing sign of the Jews, some of the workmen said, "We, too, will put on this thing so that we might be taken for decent fellows." There was no real hatred against the Jews. Mr. X. experienced nothing but friendliness and confidence. One conviction was prevalent "The Third Reich will break down - it is all dirt - a great fraud which can only be kept <sup>up</sup> by force"; but what will happen after the defeat of the Nazis, no one knows but it is hoped that there will be no dictatorship. The word "freedom" is used very often as an expression of longing. "Freedom" means to them the right to say, to work and to do what they like in private life as well as in political organizations. However, people are very pessimistic about what the victors will do to Germany. The word "Versailles" is mentioned in every conversation about the future and people are afraid of a new "peace of the victors" (Siegfriedfrieden). All the same, in every conversation, somebody says "the most important thing is to finish the Nazis. Everything else will come later."

The start of the war in Russia has strengthened the hopes for a better future because everyone expects that Russia will not make a "peace of the victors" and a new Versailles.

In the house in which Mr. X. lived, most of the tenants were officials and business men. They were much more reserved than the people with whom he worked, but the attitudes

of the ...

of the families against the Jewish Mr. X. has always been decidedly friendly. There was a time when he had no social relations with his neighbours at all, but now he and his wife were greeted friendly by their neighbours and the neighbours started conversations with them. Such conversations condemned the actions of the Nazis against the Jews and complained about the "swinish situation" (Schweinerel) in which everybody was forced to live. According to regulations, a pail of water and a pail of sand had to be placed before the entrance door of every apartment, as a first-aid in bombing attacks. Rarely a night passed without Mr. X. finding some food on the top of his sand pail - fruit, fats and other goods that the Jews were not allowed to buy. One neighbour had an orchard and during the harvest time, Mr. X's sand pail was usually filled with fruit. Some times he found a note on the top of it "This is windfall without value", but it was always really first-class fruit. Shortly before Mr. X. left Germany, the friendliness of his neighbours became more pronounced. He was envied for being able to leave Germany. When Mr. X. said farewell to an official in his house and thanked him for his kindness, he got this for an answer "You do not need to thank me - I have done nothing. I am an official and a member of the N.S.D.A.P. but I wish you all happiness - you are very lucky. You will again be among human beings whereas we here shall die in dirt, physically and morally."

The people in the house also had radio sets and listened to foreign transmissions but they had not spoken very much about it. Some times the women talked to each other in the following way, "Can you imagine how the foreigners lie. Yesterday somebody said on the radio ..." and then followed a report about the English information. Some times a woman would interrupt and correct these statements.

Mr. X.'s observations lead to the conclusion that in Hamburg the listening in to foreign broadcasts is very wide-spread. The readiness to listen to and to believe in

the information given, is there, and it is absolutely certain that every listener informs several others about what he heard.

The criticism of the foreign transmissions always points out that there is not sufficient information and also there is not sufficient propaganda against the Third Reich.



TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE December 18, 1941

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Outline of World Military Situation, (Based on  
Conferences with Military Intelligence)

Pacific Front

The pattern of the Japanese action which is emerging, appears to conform to good strategy. The main effort seems to be developing against the main objective, Singapore.

1. The surprise attack on Pearl Harbor was designed to prevent our interference in the western Pacific.

2. The landings in the Philippines, so far, are only in the nature of a screening operation for the offensive in Malaya. The Japanese do not have more than a division in the Philippines altogether. The three beach-heads secured are far enough away from Manila and in sufficiently difficult terrain to require a major commitment of our reserves to drive the Japanese out. At the same time, each of the three places the Japanese control, Vigan, Aparri, and Legaspi, has an airfield. When the Japanese are ready to move on Manila, they can secure adequate air support by moving fighters in and flying bombers from Formosa.

3. The Japanese are using crack troops in the offensive in Malaya. It is the high caliber of the Japanese fighters, more than the progress they have made, that is worrying the British. The sea and air losses of the British force them to meet the Japanese without being able to cut off the flow of Japanese reinforcements. This is not according to earlier British expectations.

The Japanese, now, have eight divisions in Indo-China and Siam. Two of these have been already committed to the Malayan offensive. One is striking towards Burma. The others are still engaged as occupation troops. The Japanese are now in process of moving six more divisions south along the Indo-Chinese coast. If the Japanese use these to best advantage, they will be thrown into the invasion of Malaya. It is still possible that the Japanese may repeat the mistake they made in China: try to strike in all directions at once and not accomplish anything important anywhere.

4. The situation at Hong Kong appears to be rather serious. The British never expected to be able to hold Hong Kong. However, the Japanese are making more progress than had been anticipated. It was believed that Kowloon could hold out for several weeks, but the British have already been driven back to the island.

#### European Fronts

1. Our army does not get the feeling that the Russians are making a general strategic offensive all along the line. The explanations for the German retreat are varied. The German explanation that the lines are merely being straightened by withdrawal for the winter is accepted in some quarters of Military Intelligence. This is in spite of the fact that, when on December 8 the German military spokesman stated that the German offensive had stopped for the winter, the nature of future operations was described as follows:

"There will.....be constant 'local fighting' with both armies seeking to improve their tactical position and, the spokesman explained, the lines must be straightened -- but not around Moscow."

(My emphasis, A. M. E.)

(N.Y. Times, December 9, 1941)

It is, of course, precisely around Moscow that the Russians have advanced the farthest and it is only the Russians who have improved their tactical position, not the Germans.

The true explanation of the Russian advance on the Eastern Front would seem to be that after trying to capture Moscow for over two months, the Germans decided to stabilize the front for the winter. The fighting had, however, so reduced their fighting capacity that the Russians have been able to launch heavy counter-attacks. As a result, the German withdrawal has not been altogether according to plan and has involved them in serious difficulties.

The Germans sustained a great defeat in their failure to take Moscow as they promised. It may be noted that the German advance on Moscow was stopped on December 6, when the Russian counter-attacks started. The Germans did not announce that their advance had stopped, however, until December 8, the day after the Japanese attack on Pearl Harbor. Undoubtedly, the Japanese attack had been planned while the Germans were closing their pincers on Moscow, and in the belief that the Germans would take Moscow. In any event, the news of the German setback was blanketed by the Japanese successes.

2. Our army does not have any information that the Germans have been shifting their forces from the Russian front for action elsewhere. There is some evidence that the forces in France are being strengthened. The present distribution of the German Army is believed to be as follows:

	<u>Divisions</u>
Russian front-line	120
Garrison in occupied Russia	50
Garrison in occupied Europe	40
General reserve in Germany	<u>40-50</u>
Total	250-260

(6,250,000 - 6,500,000 men)

It appears that Hitler wished to build his army up to 300 divisions, but the losses on the Russian front have made this impossible.

3. On balance, our Military Intelligence does not believe that Hitler will attempt to take over Northwest Africa. The main reason for this estimate is that to do so would extend the German Army much farther than good strategy would dictate. To garrison Northwest Africa would require ten divisions and next spring the Germans may need these ten divisions in Russia very badly. Such a move might play into our hands, since it might make it possible for us to lop off this extended arm of the German forces -- as the British have been able to chop off two divisions in Libya.

(In my opinion, this estimate overlooks two cardinal factors: For political reasons, Hitler needs a victory now very badly and the occupation of French North Africa would be an inexpensive one. Secondly, the Germans have never yet waited for their enemies to come to them, but have always struck first and seized the strategic positions their enemies might have used. Just as they took Norway to defend one flank, the odds are, I believe, that they will take Northwest Africa to defend the other flank.)

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G-2/2657-220; No. 571 M.I.D., T.D. 11:00 A.M., December 16, 1941

SITUATION REPORT

I. Pacific Theater.

Philippines: Enemy air operations continued over Luzon, with lessened intensity. The situation remained relatively unchanged around Aparri, Vigan, and Legaspi. Counter-operations under way to limit these enemy areas. One and possibly more enemy transports were heavily damaged off Legaspi by U.S. bombers. Johnson Islands: Enemy attack on this island at 10:05 a.m., December 15. Gilbert Islands: Japanese probably established air base in Gilbert Islands, possibly at Tarawa, which was occupied by the Japanese on the 11th. Hong Kong: The press reports that the Japanese are shelling Hong Kong from Kowloon. Malaya: Heavy fighting continues in Northern Malaya, with confused reports of the situation. Hawaii: No change reported in the situation.

II. Eastern Theater.

Ground: There is no change reported on the front north of Kalinin.

The Germans continue their withdrawal from the salients north and south of Moscow. The Russians have captured Klin and claim Yasnoye, Polyana (both west of Tula), Dedilovo and Bogoroditsk (south of Tula). The Germans still hold the line of the Muis River in the Donets Basin.

III. Western Theater.

No further reports have been received.

IV. Middle Eastern Theater.

Ground: Axis attempts to hold delaying position Gazala—Alan Hamza (15 miles southwest of Gazala) have not been successful. British mobile column has penetrated around Axis south flank as far as Haleg el Eleba (30 miles west of Gazala). Axis still holds Gazala. British pursuit continues to develop.

Air: According to the Italian High Command, German flyers were said to have shot down six British planes in Libya yesterday. Three more British planes were reported to have been destroyed over Taranto. The loss of two Italian planes was admitted.

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