



OTTAWA, June 5, 1939.

CONFIDENTIAL.

Dear Mr. Morgenthau,

Some time ago at your request I arranged to have Mr. Graham Towers, Governor of the Bank of Canada, go to Washington to discuss with you the problems involved in protecting the security, commodity and money markets in the event of war in Europe, and the measures that might be taken in that event with particular regard to preventing panicky marketing and utilization of assets in our respective markets. I was glad to have Mr. Towers discuss with you these important problems because they had already been the subject of consideration and concern on my own part. Promptly upon his return Mr. Towers reported to me fully upon his discussions and the questions which you had raised, but unfortunately the pressure upon me during the last few weeks has been exceedingly heavy because of the rush to conclude the work of Parliament. Parliament, however, prorogued on Saturday evening and I now take the first opportunity I have had to reach decisions and to give you the benefit of our conclusions.

I will now deal seriatim with the various points raised by you.

1. In regard to the impounding of the foreign securities of our nationals, while we have made no plans whatsoever in this connection, I think I can assure you that in the event of such action being taken that we will be able to cooperate with the authorities of the United States in a way which will be entirely satisfactory from your point of view.

2. Assuming that Canada does not impound foreign securities owned by our nationals, I do not see how our Government will be able to supervise or control the actions of Canadian owners of

United States securities. However, your problem in respect to Canadian owners of United States securities will, it seems to me, be simply a minor extension of your own domestic problem. In any case the volume of such securities will not be large, and in many cases they represent investments of long standing which are no more likely to be affected by panic than the investments of United States citizens.

I should add that if the United States instituted certain regulations affecting its own nationals, there might perhaps be ways in which Canada could cooperate to prevent evasion of these regulations by Canadians or by others operating through this country. If you have any suggestions in this regard, we should be very glad to give sympathetic consideration to them.

3. The remarks made in the preceding section are applicable also to the case of European nationals who may hold securities in safekeeping in Canada, either in their own names or in the names of Canadian holding companies. In other words, I think the Canadian Government, while it could not take the initiative in supervising or interfering with the sales of such securities, might be able to cooperate in preventing evasion of United States regulations. It is also possible that we might cooperate to prevent evasion of regulations made by the country of which the European investor is a national, if that country were an ally in any war.

4. In regard to commodity markets, I do not see any likelihood of Canada being a disturbing factor but I would be glad to hear from you if you visualize any difficulties in this respect.

In general, therefore, the position which I have outlined amounts to this. If we should decide to impound foreign-owned securities, we will certainly be willing to cooperate with you; and if we do not do so we will be glad to consider any request for assistance and cooperation which you may care to make.

3.

I trust that I have dealt with all the points raised by you with Mr. Towers and that I have left no doubt or uncertainty as to what our attitude will be.

Yours very sincerely,

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

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

( C O P Y )

CONFIDENTIAL

JUN 29 1939

My dear Mr. Dunning:

I wish to express my thanks for your letter of June 5, 1939 in which you give your views with regard to the matters that I discussed some time ago with Mr. Towers. I sincerely appreciate your offer to cooperate with us in the problems we have been discussing.

It occurs to me that it might be worth while to discuss further some of the technical details of the problems which would inevitably arise should it become desirable to attempt a cooperative program for the protection of the security, money, and commodity markets of both countries in the event of acute disturbances abroad. With that in view I suggest that a small group of experts from the two Treasuries, and any other agencies that might be appropriate, confer on this matter either in Ottawa or Washington. I should be glad to have your views with respect to this suggestion.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Charles A. Dunning,  
Minister of Finance,  
Ottawa, Ontario, Canada.



THE SECRETARY OF THE TREASURY  
WASHINGTON

JUN 29 1939

My dear Mr. Chairman:

I am enclosing for your information a copy of a confidential letter which I have received from The Honorable Charles A. Dunning, Minister of Finance of Canada, dated June 5, 1939. I am also enclosing a copy of my reply.

I shall keep you informed of any arrangements looking to the conference between the two countries.

Sincerely,

A handwritten signature in dark ink, appearing to read "M. S. Eccles", written in a cursive style.

The Honorable Marriner S. Eccles,  
Chairman, Board of Governors of  
the Federal Reserve System,  
Washington, D. C.

Enclosures



July 6, 1939.

My dear Mr. Secretary:


This is to acknowledge receipt of your letter of June 29 enclosing a copy of a confidential letter which you have received from the Honorable Charles A. Dunning, Minister of Finance of Canada, dated June 5, 1939, and also a copy of your reply. I wish to thank you for sending me the copies of this correspondence.

I shall very much appreciate your advising me as to any arrangements that may be made looking to further conferences on this subject.

Sincerely yours,

M. S. Eccles,  
Chairman.

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

 ET:b

MINISTER OF FINANCE

CANADA

COPY

OTTAWA, July 17, 1939.

CONFIDENTIAL

My dear Mr. Morgenthau,

I have your letter of June 29th, in reply to mine of June 5th offering to cooperate with you in connection with the problems discussed some time ago with Mr. Towers.

I agree with you that it would be worth while to have the technical details of the problems discussed by a small group of experts representing our two Departments. In addition to one man from the Treasury here, I would like to have Mr. Towers participate in such a conference. Unfortunately he has left on his holidays and will not return for some weeks. Would it not be agreeable to you to postpone the conference until after his return?

Unfortunately, since the close of the Parliamentary Session I have been under doctors' orders and I am not able to spend very much time at my office. However, I think it would be possible to arrange very quickly for a conference, preferably in September, unless you think that in view of prevailing conditions this would involve too long a delay.

Yours faithfully,

(signed) Chas. A. Dunning

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

COPY

July 28, 1939

My dear Mr. Dunning:

I wish to thank you for your letter of July 17, 1939, in which you suggest that the proposed meeting of experts take place in September when Mr. Towers has returned from his holidays. I shall be away on my own holidays in the early part of September but any date beginning with the last week in September would be convenient for me. If it is agreeable to you I should be pleased to invite your representatives to come to Washington to hold the conference with us on the matters discussed in our previous correspondence.

I should like to thank you again for the cooperative way in which you have greeted our inquiries. May I express my personal sorrow at learning of your illness and the hope that you will have a speedy recovery.

Sincerely,

(signed) H. Morgenthau, Jr.

The Honorable Chas. A. Dunning,  
Minister of Finance,  
Ottawa, Canada.



MINISTER OF FINANCE

CANADA

Ottawa,  
August 3, 1939.

COPY

My dear Mr. Morgenthau:

I wish to thank you for your letter of July 26th in which you suggest that the proposed meeting of the financial experts of our two Governments should take place about the last week in September. This, I believe, will be quite satisfactory. It is also probably desirable that the meeting should take place in Washington.

I am sorry to say that on the orders of my Doctor I am leaving today for a long rest in England and that I shall not be able personally to deal with the matter when it comes up. I shall, however, see that the correspondence exchanged with you is turned over to the Hon. J. L. Ilsley, who will be Acting Minister of Finance in my absence. Mr. Ilsley will deal with the matter when it comes up and further correspondence on your part should be directed to him.

I appreciate very much indeed the co-operative spirit shown by your Government in this as in other matters and also your very kind personal wishes in regard to the recovery of my health.

Sincerely yours,

(signed) Chas. A. Running

Hon. Henry Morgenthau, Jr.,  
Secretary of the Treasury,  
Washington, D. C.,  
U. S. A.

TREASURY DEPARTMENT

Washington

COPY

August 10, 1939

Dear Mr. Ilsley:

On behalf of Secretary Morgenthau I wish to acknowledge the letter of August 3, 1939, from Mr. Charles A. Dunning, Minister of Finance, and to express our best wishes that the Minister recover his good health at an early date.

The Department will communicate with you further with respect to the proposed meeting of the financial experts after Secretary Morgenthau's return from his vacation.

Very truly yours,

(signed) Herbert E. Gaston

Acting Secretary of the Treasury.

Hon. J. L. Ilsley,  
Acting Minister of Finance,  
Ottawa, Ontario, Canada.



# TREASURY DEPARTMENT

WASHINGTON

AUG 10 1939

My dear Mr. Eccles:

Reference is made to the Department's letter to you of June 29, 1939, enclosing for your information copies of correspondence between this Department and the Minister of Finance of Canada.

There are enclosed herewith copies of subsequent correspondence between this Department and the Minister and Acting Minister of Finance.

You will continue to be advised of the arrangements looking to the conference between the two countries.

Sincerely,

A handwritten signature in dark ink, likely of the Acting Secretary of the Treasury, is written over a horizontal line.

Acting Secretary of the Treasury.

Hon. Marriner S. Eccles,  
Chairman, Board of Governors,  
Federal Reserve System,  
Washington, D. C.

Enclosures