## Tungsten Ore and Concentrates (Tungsten Content)
Imported for Consumption in U.S.A.

<table>
<thead>
<tr>
<th>By Countries</th>
<th>1936 Pounds</th>
<th>1937 Pounds</th>
<th>1938 Pounds</th>
<th>1939 Pounds</th>
<th>1940 Pounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Br. South Africa (other)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Union of South Africa</td>
<td>13,786</td>
<td>54,941</td>
<td>23,233</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>11,597</td>
<td>138,225</td>
<td></td>
<td>76,524</td>
<td>135,763</td>
</tr>
<tr>
<td>Australia</td>
<td>135,195</td>
<td>306,770</td>
<td></td>
<td>56,639</td>
<td>29,282</td>
</tr>
<tr>
<td>Belgium</td>
<td>104,582</td>
<td>42,197</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td>47,011</td>
<td>74,878</td>
<td>705</td>
<td>96,164</td>
<td>109,932</td>
</tr>
<tr>
<td>Br. Malaya</td>
<td>436,871</td>
<td>975,786</td>
<td>67,460</td>
<td>123,682</td>
<td>2,912</td>
</tr>
<tr>
<td>Chile</td>
<td></td>
<td></td>
<td>8,677</td>
<td></td>
<td>527</td>
</tr>
<tr>
<td>China</td>
<td>2,559,254</td>
<td>3,794,440</td>
<td>69,986</td>
<td>899,806</td>
<td>459,160</td>
</tr>
<tr>
<td>Hong Long</td>
<td>42,224</td>
<td>17,472</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>29,120</td>
<td>59,560</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>95,815</td>
<td>48,734</td>
<td>1,360</td>
<td>146,637</td>
<td>5,455</td>
</tr>
<tr>
<td>Sweden</td>
<td>30,341</td>
<td>12,502</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>1,815</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>40,996</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>37,626</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecuador</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Burma</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>French-Indo China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By Customs Districts</th>
<th>1936 Pounds</th>
<th>1937 Pounds</th>
<th>1938 Pounds</th>
<th>1939 Pounds</th>
<th>1940 Pounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buffalo</td>
<td>567,773</td>
<td>426,877</td>
<td>55,832</td>
<td>340,898</td>
<td>104,036</td>
</tr>
<tr>
<td>New York</td>
<td>1,175,567</td>
<td>2,007,526</td>
<td>87,053</td>
<td>789,707</td>
<td>390,866</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>108,099</td>
<td>89,240</td>
<td>164,499</td>
<td>39,357</td>
<td></td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>1,574,884</td>
<td>2,873,615</td>
<td></td>
<td>276,044</td>
<td>300,000</td>
</tr>
<tr>
<td>Arizona</td>
<td></td>
<td>900</td>
<td>1,360</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>156,970</td>
<td>162,864</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>|                     | 3,586,293   | 5,561,022   | 162,744     | 1,485,157   | 794,902     |</p>
<table>
<thead>
<tr>
<th>Year</th>
<th>1938</th>
<th>France (60% WO₃)</th>
<th>2,500</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Great Britain (60% WO₃)</td>
<td>12,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Germany (65% WO₃)</td>
<td>14,200</td>
<td></td>
</tr>
</tbody>
</table>

### Tungsten Imports of Germany

<table>
<thead>
<tr>
<th>Year</th>
<th>1933</th>
<th>1934</th>
<th>1935</th>
<th>1936</th>
<th>1937</th>
<th>1938</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Imports (metric tons) 5% WO₃...</td>
<td>3766.4</td>
<td>4385.2</td>
<td>7681.0</td>
<td>8375.6</td>
<td>11371.7</td>
<td>14200.2</td>
</tr>
<tr>
<td>Value in Gold Marks:</td>
<td>2292000</td>
<td>6113000</td>
<td>11635000</td>
<td>12256000</td>
<td>25093000</td>
<td>39674000</td>
</tr>
<tr>
<td>From Great Britain</td>
<td>28.0</td>
<td>40.1</td>
<td>38.2</td>
<td>121.9</td>
<td>104.9</td>
<td>100.9</td>
</tr>
<tr>
<td>Portugal</td>
<td>4.049</td>
<td>250.2</td>
<td>226.1</td>
<td>285.3</td>
<td>304.2</td>
<td>657.8</td>
</tr>
<tr>
<td>Spain</td>
<td>18.7</td>
<td>59.0</td>
<td>139.4</td>
<td>135.9</td>
<td>141.4</td>
<td>222.0</td>
</tr>
<tr>
<td>India and Burma</td>
<td>1397.7</td>
<td>956.2</td>
<td>1081.0</td>
<td>874.3</td>
<td>1229.0</td>
<td>1765.4</td>
</tr>
<tr>
<td>Siam</td>
<td>34.7</td>
<td>70.6</td>
<td>391.6</td>
<td>485.7</td>
<td>154.4</td>
<td>406.8</td>
</tr>
<tr>
<td>China</td>
<td>39.7</td>
<td>20.1</td>
<td>4784.2</td>
<td>5081.2</td>
<td>8037.0</td>
<td>5962.2</td>
</tr>
<tr>
<td>Japan</td>
<td>1906.6</td>
<td>2510.4</td>
<td>202.3</td>
<td>295.7</td>
<td>166.4</td>
<td>36.3</td>
</tr>
<tr>
<td>Bolivia and Argentina</td>
<td>185.9</td>
<td>286.7</td>
<td>737.7</td>
<td>1275.3</td>
<td>873.4</td>
<td>919.2</td>
</tr>
<tr>
<td>Australasia</td>
<td>47.6</td>
<td>33.1</td>
<td>137.1</td>
<td>83.6</td>
<td>27.8</td>
<td>744.5</td>
</tr>
<tr>
<td>Other countries (a)</td>
<td>95.6</td>
<td>30.5</td>
<td>73.3</td>
<td>70.7</td>
<td>211.7</td>
<td>367.2</td>
</tr>
</tbody>
</table>

(a) Small amounts from minor producers and from nonproducing countries, by re-export.
World production of tungsten ores, 1936-38, by countries, in metric tons of concentrates, containing 60 percent WO₃

<table>
<thead>
<tr>
<th>Country</th>
<th>1936</th>
<th>1937</th>
<th>1938</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>57</td>
<td>33</td>
<td>76</td>
</tr>
<tr>
<td>United States (shipments)</td>
<td>2,370</td>
<td>3,175</td>
<td>2,761</td>
</tr>
</tbody>
</table>

| South America:               |       |       |       |
| Argentina                    | 702   | **1,063** | *** |
| Bolivia**                    | 1,741 | 1,802 | 2,530 |
| Chile                        | 3     | 5     | *** |
| Peru                         | 92    | 30    | ***170 |
|                             | 2,538 | 2,900 |       |

| Europe:                      |       |       |       |
| Germany (Saxony)             |       |       |       |
| Great Britain (Cornwall)     | 221   | 148   | 258   |
| Italy                        |       | 3     | ***   |
| Norway                       |       | 2     | ***   |
| Portugal                     |       | 1,414 | 2,069 | 2,512 |
| Spain                        |       |       | ***   |
| Sweden                       |       | 68    | 127   | ***   |
|                             | 31,697| 32,343|       |

| Asia:                        |       |       |       |
| Burma                        | 5,382 | 5,924 | 3,410 |
| China**                      | 7,638 | 17,895| 13,387|
| Chosen                       | 1,849 | 2,058 | ***   |
| India, British              |       | 15    | ***   |
| Indochina (Tonkin)          | 503   | 648   | ***   |
| Japan                        | 61    |       | ***   |
| Malay States:               |       |       |       |
| Federated Malay States      | 1,712 | 955   | 667   |
| Unfederated Malay States    | 325   | 279   | ***   |
| Netherlands India            | 1     | 1     | ***   |
| Siam                         | 82    | 257   | ***   |
|                             | 17,553| 17,901|       |

| Africa:                      |       |       |       |
| Egypt                        |       | 193   | ***   |
| Nigeria                      | 11    | 9     | 49    |
| Southern Rhodesia            | 88    | 275   | 329   |
| South-West Africa            | 46    | 41    | 48    |
| Tanganyika Territory         | 2     | 2     | ***   |
| Uganda                       |       | 40    | 130   |
| Union of South Africa        | 177   | 582   |

(Continued)
<table>
<thead>
<tr>
<th>Country</th>
<th>1936</th>
<th>1937</th>
<th>1938</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New South Wales</td>
<td>18</td>
<td>66</td>
<td>***</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>141</td>
<td>345</td>
<td>***</td>
</tr>
<tr>
<td>Queensland</td>
<td>22</td>
<td>110</td>
<td>167</td>
</tr>
<tr>
<td>Tasmania</td>
<td>245</td>
<td>345</td>
<td>390</td>
</tr>
<tr>
<td>New Zealand</td>
<td>42</td>
<td>28</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>475</td>
<td>894</td>
<td></td>
</tr>
<tr>
<td></td>
<td>#214,867</td>
<td>#***17,944</td>
<td>***</td>
</tr>
</tbody>
</table>

* In addition to the countries listed, tungsten ore is produced in the U.S.S.R., but no data of production are available for the period under discussion.

** Exports.

*** Data not available.

† Exclusive of Spain.

## Less than 1 ton.

### Exclusive of Japan.
# Tungsten


<table>
<thead>
<tr>
<th>Year</th>
<th>Shipments Pounds</th>
<th>Imports Pounds</th>
<th>Exports Pounds</th>
<th>U.S.A. Apparent Consumption Pounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1936</td>
<td>2,486,000</td>
<td>3,767,000</td>
<td>104,000</td>
<td>6,149,000</td>
</tr>
<tr>
<td>1937</td>
<td>3,331,000</td>
<td>5,696,000</td>
<td>449,307</td>
<td>9,027,000</td>
</tr>
<tr>
<td>1938</td>
<td>2,897,000</td>
<td>162,000</td>
<td>256,185</td>
<td>3,059,000</td>
</tr>
</tbody>
</table>

Concentrated Tungsten Ores Produced in U. S. A. (reduced to equivalent of 60 per cent tungsten trioxide)

<table>
<thead>
<tr>
<th>Year</th>
<th>Arizona</th>
<th>California</th>
<th>Colorado</th>
<th>Idaho</th>
<th>Nevada</th>
<th>Washington</th>
<th>Other States</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1936</td>
<td>489</td>
<td>--</td>
<td>180</td>
<td>11</td>
<td>1651</td>
<td>48</td>
<td>253</td>
<td>2612</td>
</tr>
<tr>
<td>1937</td>
<td>349</td>
<td>577</td>
<td>219</td>
<td>99</td>
<td>2153</td>
<td>64</td>
<td>39</td>
<td>3500</td>
</tr>
<tr>
<td>1938</td>
<td></td>
<td></td>
<td></td>
<td>154</td>
<td>1461</td>
<td>303</td>
<td>10</td>
<td>3044</td>
</tr>
</tbody>
</table>

Tone of 2,000 lbs.
SELLERS OF TUNGSTEN ORES

Associated Metals & Minerals Corp., N. Y. C.
Charles Gitlan & Co., Inc., N. Y. C.
W. R. Grace & Co., N. Y. C.
International Minerals & Metals Corp., N. Y. C.
International Selling Corp., N. Y. C.
Mercantile Metal & Ore Corp., N. Y. C.
Metal & Ore Corporation, N. Y. C.
Metal Traders, Inc., N. Y. C.
Molybdenum Corp. of America, Pittsburgh, Pa.
Wah Chang Trading Corp., N. Y. C.
Ore & Chemical Corporation, N. Y. C.

SELLERS OF FERROTUNGSTEN

Apex Smelting Co., Chicago, Ill.
Belmont Smelt & Refg. Wks., Inc., Brooklyn, N. Y.
Electro Metallurgical Sales Corp., N. Y. C.
W. R. Grace & Co., N. Y. C.
International Minerals & Metals Corp., N. Y. C.
Metal & Ore Corporation, N. Y. C.
Molybdenum Corp. of America, Pittsburgh, Pa.
Wah Chang Trading Corp., N. Y. C.
Ore & Chemical Corporation, N. Y. C.

TUNGSTEN METAL & ALLOYS

Electro Metallurgical Sales Corp., N. Y. C.
Mallory, P. R., & Co., Inc., Indianapolis, Ind.
Vanadium Corp. of America, N. Y. C.
C. Tennant Sons & Co., N. Y. C.
April 26, 1940

DAILY METAL TRADE - Cleveland

ORES

TUNGSTEN ORES
(All prices quoted nominal)
Dollars per Short Ton Unit, Duty Paid
Chinese wolframite, spot .......................... $23.50-24.00
Imported scheelite ................................ $20.00
Domestic scheelite, equivalent, duty paid .......................... $22.50-23.50

April 26, 1940

AMERICAN METAL MARKET - New York

TUNGSTEN ORES, about 65% grade,
per short ton unit W.O.
Chinese Wolframite, spot (duty paid), delivered ....................... $22.50-24.00
South American (duty paid) ................................ $23.00
Imported Scheelite (duty paid) ................................ $23.00
Domestic Scheelite, at mine ................................ $22.00
Domestic hubnerite, at mine ................................ $18.00
* Nominal.

April 9, 1940

THE METAL BULLETIN - London

Tungsten.—Current quotations here are
about 85s per unit f.o.b. producing country.
Higher prices are mentioned abroad.

Ferro-Tungsten.—The tone is firm, with
quotations at 5s 1d per lb. of W for ferro-
tungsten and 5s 2½d per lb. for 98/99 per-
cent powder.

April 27, 1940

THE JOURNAL OF COMMERCE - New York

Metallie Ores

Tungsten, per unit, duty paid:
Chinese wolframite, duty paid ................................ $22.50
Domestic scheelite ................................ $21.50-23.50

Regraded Unclassified
MOLYBDENUM, TUNGSTEN
AND VANADIUM

BY ROBERT H. RIDGWAY AND H. W. DAVIS

Chapter (preprint) from
MINERALS YEARBOOK 1939
REVIEW OF 1938

UNITED STATES DEPARTMENT OF THE INTERIOR
Harold L. Ickes, Secretary
BUREAU OF MINES
John W. Fish, Director

MOLYBDENUM, TUNGSTEN
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UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1939

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MOLYBDENUM, TUNGSTEN, AND VANADIUM

By Robert H. Ridgway and H. W. Davis

SUMMARY OUTLINE

MOLYBDENUM

The output of molybdenum, unlike that of most other industrial metals, increased in 1938, thereby continuing its remarkable progress. Although record production figures were established, consumption was not as high as in 1937, when record steel output plus extensive armament activities pressed production facilities to meet demand. In consequence, some stocks accumulated at mines during 1938. In this country, the predominant producer, output of molybdenum in the form of concentrates exceeded shipments by 7,500,000 pounds—an amount equivalent to about 30 percent of the total shipments. Stocks at the beginning of 1938, however, were small.

Of the record world output of 36,000,000 pounds of molybdenum in 1938, the United States supplied 33,297,000 pounds (92.5 percent); thus, the United States furnishes the bulk of the world's molybdenum. The relatively small amount produced by other countries came mainly from Mexico and Norway; output in Mexico was less in 1938 than in 1937, but production in Norway increased. Molybdenum is one of the few ferro-alloying elements of which this country has ample supplies for its own needs.

Exports of molybdenum from the United States are not known exactly, since they are not classified separately in trade statistics, but they are believed to comprise 50 to 75 percent of the domestic production.

The Climax mine of the Climax Molybdenum Co. is the principal producer of molybdenum, having furnished about 78 percent of the world output and 85 percent of the domestic output in 1938. New capacity added in 1937 permitted 12,000 short tons of ore to be milled per day in 1938. Output of molybdenite concentrates from the copper ores of the Utah Copper Co. at Bingham, Utah, and of

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1 Figures on imports and exports compiled by M. B. Price, of the Bureau of Mines, from records of the Bureau of Foreign and Domestic Commerce.
the Nevada Consolidated Copper Corporation at Chino, N. Mex., continued during the year. As this output is entirely byproduct and depends on the rate of copper operation, production dropped in 1938. Of interest during the year were the initial production and shipment of molybdenum concentrates from the copper operations of the Miami Copper Co., Miami, Ariz.

Activities in the search for and development of molybdenum deposits in various parts of the world continued in 1938.

**Prices**

Prices for molybdenite concentrates carrying 90 percent MoS₂ were quoted nominally by the Engineering and Mining Journal at 42 cents per pound of contained MoS₂ from January 1, 1938, until late in March, when the quotation rose to 45 cents where it remained for the rest of the year; however, London prices for the same grade of concentrates decreased during the year. In January 1938 the quotations were 47s. per long ton unit. Lower quotations reduced the figure to 41-42s. late in December. This price drop was equivalent to a decrease from 52 cents per pound in January to 43 cents in October.

**DOMESTIC PRODUCTION**

**Alaska.**—The Kennecott Copper Corporation abandoned its development work on the molybdenum prospect near Valdez in the Copper River Valley during 1938.

**Arizona.**—Five mines in Arizona produced 4,784 short tons of concentrates containing 1,139,595 pounds of molybdenum in 1938.

The largest producer, the Arizona Molybdenum Corporation, which operates a property near Mammoth, Pinal County, treated 78,333 short tons of ore during 1938, from which 537 tons of concentrates containing 607,605 pounds of molybdenum were recovered. The mine was shut down late in the year, but the mill continued to operate on the tailings supply. The reopening of the mine will depend on results of further exploration and development.

The Molybdenum Gold Mining Co., a subsidiary of the Molybdenum Corporation of America, continued to mine complex ore from the oxide zone in the Mohawk and New Year claims near Mammoth. The molybdenum ore goes to the nearby mill of the Mammoth-St. Anthony, Ltd., where gold, silver, lead, molybdenum, and vanadium are recovered by selective flotation. The latter company also treats a similar ore from its nearby Mammoth mine. In 1938, the mill produced 4,191 short tons of concentrates containing 481,156 pounds of Mo. The geology and ore deposits of this area have been described by Peterson.²

The Miami Copper Co. reported the recovery and shipment in 1938 of a small quantity of molybdenite concentrates resulting from the re-treatment of copper sulfide concentrates at Miami, Gila County.

**Colorado.**—The Climax Molybdenum Co., the world’s largest producer of molybdenum, operated its mine and mill at capacity throughout 1938, having mined 4,344,734 short tons of ore containing 0.866 percent MoS₂, from which 27,591 short tons of concentrates containing 29,212,085 pounds of molybdenum were recovered. Production exceeded shipments, permitting some stock of concentrates to be built at the mine. Output at this property has increased nearly six times during the past 5 years, as shown in the following table.

<table>
<thead>
<tr>
<th>Molybdenum (element) contained in concentrates produced from the Climax deposit, Colorado, 1938-39</th>
<th>Pounds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>5,028,605</td>
</tr>
<tr>
<td>1934</td>
<td>5,328,663</td>
</tr>
<tr>
<td>1935</td>
<td>10,168,635</td>
</tr>
<tr>
<td>1936</td>
<td>15,216,806</td>
</tr>
<tr>
<td>1937</td>
<td>22,750,606</td>
</tr>
<tr>
<td>1938</td>
<td>28,342,085</td>
</tr>
</tbody>
</table>

The building program, which included mill enlargement, hotel, hospital, houses for employees, street work, and sewer and water-pipe installation, was completed early in 1938.³

Other development work and discoveries were reported from Colorado in 1938, but Climax was the only producer.

**Idaho.**—The International Molybdenum Co. made a small production, but no shipments, in connection with the development of its property near Porthill in Boundary County. Additional flotation equipment was installed in 1938. The ore at this property also contains values in nickel, cobalt, and platinum.

**Nevada.**—No production or shipment of molybdenum was recorded for Nevada in 1938, but development work on several deposits was reported.

**New Mexico.**—The Molybdenum Corporation of America continued to operate its mine and mill some 7 miles east of Questa along the Red River. The ore is relatively high grade and the tonnage treated comparatively low. Development work on lower levels is reported to be giving encouraging results. The geology and ore deposit have been described by Vanderbilt.⁴

Molybdenite concentrates also were produced by the Nevada Consolidated Copper Corporation at the Chino property in the treatment of copper ores.

**Utah.**—All production in 1938 came from the Utah Copper Co., where molybdenite is recovered as a byproduct in the concentration of copper ores and re-treatment of molybdenum-bearing concentrates. As the molybdenum content of the ore is very low the molybdenite

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¹ Peterson, N. F., Geology and Ore Deposits of the Mammoth Molybdenum Area, Pinal County, Ariz.

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Regraded Uclassified
concentrates produced are entirely byproduct and fluctuate with the output of copper, thus output was lower in 1938 than in 1937. A material improvement in recoveries, however, explained in large degree the smaller proportionate decline in the production of molybdenite compared with copper.

Washington.—The Deer Trail Monitor Mines Co. mined about 3,000 short tons of ore at its Monitor mine on Adams Mountain 6 miles east of Fruitland, Stevens County. About 300 tons were milled in the 50-ton flotation mill, from which 3 tons of concentrates were recovered; 5 tons were shipped. Three other concerns—the Copper Mining Co., the Consolidated Mines & Smelting Co., Ltd., and the American Rand Corporation—produced ore in connection with development operations, but the ore was not concentrated, and there were no shipments.

IMPORTS AND EXPORTS

Exports of molybdenum, principally in the form of concentrates, provide an important outlet for the domestic molybdenum industry. Data are not available, since molybdenum is not classified separately in export statistics, but it appears that 50 to 75 percent of the domestic production is exported. Imports of molybdenum or molybdenum compounds are small.

Molybdenum ore and concentrates, ferromolybdenum, molybdenum metal and powders, calcium molybdate, and other compounds and alloys of molybdenum imported for consumption in the United States, 1934-38

<table>
<thead>
<tr>
<th>Year</th>
<th>Molybdenum (pounds)</th>
<th>Value</th>
<th>Year</th>
<th>Molybdenum (pounds)</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1934</td>
<td>210,900</td>
<td>$124,146</td>
<td>1932</td>
<td>210,300</td>
<td>$126,452</td>
</tr>
<tr>
<td>1935</td>
<td>202,700</td>
<td>$126,739</td>
<td>1933</td>
<td>7,707</td>
<td>$89,400</td>
</tr>
</tbody>
</table>

In addition to the quantity shown in the above table 139,535 pounds of ore and concentrates containing 91,805 pounds of molybdenum valued at $41,586 were imported for smelting, refining, and export in 1938 compared with none in 1937. Of the 1938 figure 136,200 pounds containing 90,442 pounds of Mo valued at $40,750 came from Turkey.

USES

Molybdenum is used principally in the iron and steel industry for making special alloy steels. Continued research is broadening the field of application both in new outlets and as a substitute for and an addition to other alloying elements. Molybdenum may be used alone to impart certain desired properties to iron and steel, but more frequently it is used with one or more of the other ferro-alloying elements.

For most purposes molybdenite (MoS₂), the principal mineral raw material, is converted, before using, to ferromolybdenum (a product carrying 60 to 65 percent molybdenum) or to calcium molybdate (a compound resulting from the roasting of molybdenite with lime and containing 53 to 45 percent molybdenum). The latter is the cheaper method of preparing molybdenum for industrial applications. Molybdenum oxide in briquets is also used in making molybdenum additions to iron and steel.

Improved processes of heat-treating and fabricating high-speed tool steels in which part of the tungsten has been replaced by molybdenum, have increased the use of molybdenum in this field. Molybdenum is also being employed more generally in stainless steels of the 18-8 type.

Molybdenum compounds find limited use in nonmetallics, but consumption is not large.

WORLD PRODUCTION

World production of molybdenum comes from only a few mines. Operations in Mexico, Norway, and the United States furnish the bulk of the world requirements. The search for new sources continued during 1938; but, so far as is known, there were no significant developments.

World production of molybdenum ores and concentrates, 1934-38, in metric tons

<table>
<thead>
<tr>
<th>Country</th>
<th>1934</th>
<th>1935</th>
<th>1936</th>
<th>1937</th>
<th>1938</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>5,087</td>
<td>5,216</td>
<td>6,766</td>
<td>7,202</td>
<td>7,707</td>
</tr>
<tr>
<td>Canada</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Norway</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Mexico</td>
<td>3,552</td>
<td>3,714</td>
<td>3,715</td>
<td>3,712</td>
<td>3,711</td>
</tr>
<tr>
<td>Nevada</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Utah</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Canada.—In 1938 the Zenith Molybdenite Corporation, formerly the Phoenix Molybdenite Corporation, Ltd., Renfrew County, Ontario, reported shipment to England and France of 7 metric tons of concentrates valued at $4,500; these had been produced in 1937. Prospects have been active recently both in prospecting and developing molybdenite properties in Ontario.

Mexico.—Output, which was lower in 1938 than in 1937, comes principally from the Greene Cananea Copper Co., where molybdenite concentrates are recovered as a byproduct in the treatment of copper ores. Mine and reduction works at Cananea were closed by a strike during the latter half of September; then a 2-year labor contract was signed.

Morocco, French.—French Morocco is the largest producer in Africa. Much of the output comes from the mine of the Société du Molybdène near Azegour. A discovery of deposits in the Haut-Tifoult region near the Sous valley recently has been reported.1

1 Metal Bulletin (London), The Tifoult Deposit, No. 208, February 21, 1939, p. 16.
Norway.—The Knaben Molybdan Gruber was the only producer in Norway in 1938. Output was larger than in 1937. A concentrating plant was being installed at the Laxdalalen Molybdangrube at Gildeskål, northern Norway, but no output has yet been recorded.

Turkey.—Production of molybdenum in Turkey is small, but shipments were made to the United States in 1938.

**TUNGSTEN**

Interest in the tungsten industry in 1938 continued to be centered chiefly on conditions in China, the principal source, but the effect of hostilities was not as pronounced as in 1937. Japanese gains in 1938 did not give them control of the tungsten-producing areas; but the railroad through South China to Canton and Hongkong, the main route of flow after the capture of Shanghai in 1937, fell to the invaders late in 1938. Tungsten concentrates in reduced quantities continued to move out, however, principally through Swatow, and this movement together with supplies available from other sources and lessened demand eased the tungsten situation in 1938.

Apparantly the United States was the second largest producer in 1938, and domestic output was the highest of any before and since the war years 1916-18, when exorbitant prices and shortage of supplies stimulated a country-wide search for strategic minerals. Although production from domestic mines increased over 1937, shipments declined, resulting in some stock at mines or mills. The development and development of properties continued in the Western States, and activities around Bishop, Calif., attracted attention during 1938. As the year progressed, however, there was some curtailment in the domestic industry.

**Salient statistics of the tungsten industry in the United States, 1937-38**

<table>
<thead>
<tr>
<th>Period</th>
<th>Short tons</th>
<th>Value</th>
<th>Short tons</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1938</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Figures not available.

Strategic reserve.—Tungsten is listed as a strategic commodity, but the position of the United States with regard to this essential metal is far less vulnerable than that with respect to manganese, tin, or chromium. Under the tariff the industry has continued, and this protection together with the high world prices maintained in recent years have resulted in a large measure of self-sufficiency. No purchases for strategic stock-pile purposes have been made by the Navy Department in connection with its limited program during the last 2 years. The tungsten situation, however, is being studied thoroughly in connection with probable purchases should appropriations in legislation now pending become available. The following tables present the historical background for consideration of the strategic nature of tungsten.

The following information regarding domestic sources is quoted from a Report upon Certain Deficient Strategic Minerals by the staffs of the Geological Survey and the Bureau of Mines.

Sources.—Most tungsten deposits are tabular bodies that either occur downward to great depths in the earth's surface or are localized and nearby horizontal or vertical bodies. Two minerals, scheelite (containing 60.9 percent tungsten) and wolframite (containing 60.7 percent tungsten) are the source of almost all tungsten. Only a fewconese concentrated to recover tungsten yield other metals, so that tungsten is rarely a byproduct.

15Feb3—2
Tungsten minerals are rather widespread in the United States, but most of the attempts at commercial production are confined to 11 Western States, and 1 (Nevada, California, and Colorado) currently yield more than 90 percent of the production. As the prices offered for tungsten ores have fluctuated more widely than those for the other strategic metals, the yield from the several districts, as well as the total for the United States, has also fluctuated widely. There can be hardly any doubt that some deposits have become exhausted at depths that range from 500 to 1,000 feet, and that elsewhere, though the tungsten mineral persists, costs of production have increased.

Since 1900 the United States has imported some tungsten in the form of ore or alloys each year, and even though production has nearly equaled or even exceeded apparent consumption during a few years, dependence on foreign sources has tended to increase. A tariff was first imposed in 1909, and the latest act of 1949 provides for 50 cents per pound on the tungsten in ore and concentrate and as much as 60 cents per pound plus 50 percent ad valorem on metallic tungsten. This is higher than at any previous time. Most of the imported tungsten is in the form of ore or concentrate, and 80 percent or more is derived from China, which is the principal world source. During the past 5 years (1933-37) domestic production has been about half of the apparent consumption.

Production from domestic mines.—Since 1926, production of tungsten in Nevada has exceeded that of any other State, and one mine, discovered in 1917, is now the principal source in the United States. This mine derives its ore from an altered bed of limestone which contains about 15 percent of disseminated scheelite. This type deposit is now known to exist widely in western Nevada and southwestern California, and it is probable that other important deposits of similar nature will be found. Although mine operations rarely explore such deposits for advance of mining and definite figures can rarely be assigned to reserves, the number and widespread distribution of the deposits seem to assure current production for a decade or more.

Numerous tungsten deposits have been explored in California, but one mine (Atoll), near Randolp, now mining 1,400 feet below the surface, has yielded from 60 to 85 percent of the tungsten output of the State since 15 more widely scattered have yielded considerable concentrate also. Promising, but low-grade, deposits have been extensively explored near Bishop and elsewhere.

Tungsten-bearing veins have been explored in several parts of Colorado, but a few mines in a single district (Nederland, Boulder County) have yielded nearly all of the output from the State. One mine has attained a depth of approximately 900 feet, but most of the product has been mined within 500 feet of the surface, because veins are narrow and costs increase rapidly with depth.

Even though many tungsten deposits have been explored in the eight other western States, as well as in Missouri and Connecticut, existing records indicate that shipments can be made only during times of high prices.

**PRICES**

The quotations on tungsten ore or concentrates continued the decline that began in the last quarter of 1937. The low point was reached in May, after which there was some recovery, but the market was weak for the rest of 1938. The fear of stoppage of concentrates from China due to Japanese control over the routes of transportation was a bullish factor, but apparently this was counteracted by availability of supplies from other sources and by reduced demand. London prices for Chinese wolframite concentrates containing 65 percent WO₃, as given by the Mining Journal (London), were highest at the beginning of the year, when the quotation was 78s. 80s. The quotations declined steadily until May, when the average for the month was 57s. 1d. Subsequently the quotation rose until the last quarter, when there were minor fluctuations. The average quotation for December was 54s. 5½d. According to the Engineering and Mining Journal domestic scheelite quotations, f. o. b. New York, for concentrates containing 65 to 70 percent WO₃ followed somewhat the same pattern, opening the year at $22.25 per short-ton unit and declining to $16.20 in May, with the closing quotation at $20. The quantity of concentrates shipped from China on barter arrangements was not without effect on the tungsten quotations.

**DOMESTIC PRODUCTION**

Higher prices in 1937 and early 1938 stimulated activities in the domestic tungsten industry, particularly in California, but lower prices later in the year curtailed operations, and a number of properties closed. Although production of concentrates increased shipments declined, resulting in accumulation of some stocks at the mills. Output—the highest recorded in peacetime—came from a rather large number of widely scattered locations, and shipments were made from nine States (Arizona, California, Colorado, Idaho, Missouri, Nevada, New Mexico, Utah, and Washington). Developments in the domestic tungsten-producing industry in recent years are tending to make the United States more nearly self-sufficient in this strategic mineral commodity at prices which have maintained. This situation, however, depends on tariffs, which at present amounts to $7.931 per short-ton unit of WO₃ on ore and concentrates.

**Concentrated tungsten ore (reduced to equivalent of 80 percent WO₃) produced in the United States, sold in 1931-35, and average price per unit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Short ton</th>
<th>Value</th>
<th>Average price per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931</td>
<td>30,946</td>
<td>1,575,530</td>
<td>$41.57</td>
</tr>
<tr>
<td>1932</td>
<td>2,709</td>
<td>1,701,167</td>
<td>$48.75</td>
</tr>
<tr>
<td>1933</td>
<td>2,729</td>
<td>1,739,616</td>
<td>$31.43</td>
</tr>
<tr>
<td>1934</td>
<td>2,405</td>
<td>1,490,360</td>
<td>$33.26</td>
</tr>
<tr>
<td>1935</td>
<td>2,009</td>
<td>1,355,960</td>
<td>$23.25</td>
</tr>
</tbody>
</table>

Gravity concentration generally is used in beneficiating tungsten ores. In crushing ore for concentration there is considerable pulverization of friable scheelite, which results in abnormal losses in the slimes. The use of flotation for the recovery of scheelite from slimes material has been investigated by the Bureau of Mines. Ultraviolet lamps for the detection of scheelite by fluorescence have aided the prospector., miner, and millman engaged in the search for and reduction of tungsten ores carrying it. The use of this equipment has been described by Heiter.

Arizona.—Shipments of tungsten concentrates from Arizona operations totaled only 35 short tons containing 63.09 percent WO₃ in 1938 compared with 312 tons averaging 67.15 percent WO₃ in 1937. Output comprised scheelite, wolframite, huelmeite, and ferberite concentrates and came from scattering small operations in Cochise, Gila, Mohave, Pima, and Yavapai Counties. The mill at the Boriana mine near Yucca, Mohave County, destroyed by fire in November 1937, was rebuilt but not operated in 1938.

California.—Shipments of tungsten concentrates (all scheelite) from California amounted to 770 short tons containing 63.44 percent WO₃ in 1938 compared with 511 tons containing 67.65 percent WO₃ in 1939.

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in 1937. The largest producer, the Atolita Mining Co. near Atolita in San Bernardino County, shipped 339 tons containing 50.71 percent WO₃. The company milled 13,259 tons of ore containing 1.82 percent WO₃. Sixteen other producers—8 in San Bernardino County, 5 in Inyo, and 1 each in Kern, Mono, and Tulare Counties—contributed to the California total. The increased number of producers in 1937 compared with 8 in 1937 attest to the increased interest in tungsten in California, but as prices dropped later in 1938 a number of operations were closed. Activities in recent years in the region around Bishop have resulted in some significant developments that may serve further to increase domestic output.

Colorado.—Output of tungsten in Colorado was higher in 1938 than in 1937. Total shipments were 300 short tons of concentrates averaging 40.05 percent WO₃. Most of the output was ferberite from Boulder County, but there were smaller shipments of scheelite from gold-mining operations in San Juan County. The principal shipments came from the mill of the Gold, Silver & Tungsten, Inc., at Tungsten, Boulder County. The other large producer (the mine of the Wolf Tongue Mining Co. near Nederland) was idle for 9 months but is planning extensive underground development work in 1939. The mill treated 871 short tons of ore containing 2.58 percent WO₃. A 50-ton concentration mill was built at the Copper mine in 1938 by the Vanadium Corporation of America.

Idaho.—The Ina mine on Patterson Creek about 11 miles east of May operated during the last 10 months of 1938. The mill was enlarged to 150 tons capacity; 26,829 short tons of ore containing 0.5 percent WO₃ were milled, yielding 120 short tons of scheelite concentrates averaging 66.54 percent WO₃. The mill also makes a sulfide concentrate carrying silver, copper, lead, and zinc.

Missouri.—A small shipment (less than 1 ton) of high-grade concentrates was reported from Missouri in 1938. The hand-picked ore came from the dump of the old Sliver mine 10 miles west of Fredericktown, Madison County.

Nevada.—Nevada retained its position as the principal tungsten producer in 1938; shipments of concentrates totaled 1,461 short tons reduced to equivalent 60 percent WO₃. A large part of the output was scheelite concentrates from mines of the Nevada-Massachusetts Co. near Mill City and Mina. The company has sunk the Humboldt and Stanke shafts to the 1,350 level and is reopening and developing the Sutton ore body. The new mill operating on tailings is working successfully, and a good grade of concentrate (78 percent WO₃) is being produced. The Tungsten Metals Corporation at Ely, White Pine County, produced from three mines and was the largest of several small operators that contributed to the Nevada total in 1938.

Development work continued, and new equipment was installed at the Oreana mine in Pershing County by the Rare Metals Corporation. The Oreana tungsten deposit is unique among American tungsten deposits in that the scheelite mineralization is considered pegmatitic.* An addition to the mill at the Nightingale mine 50 miles west of Lovelock, Pershing County, was installed in 1938.

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* Kerr, Paul F., Tungsten Mineralization at Oreana, Nev., Econ. Geol., vol. 33, No. 6, June-July 1938, p. 300-122.
Tungsten in metal and compounds imported for consumption in the United States, 1937-38, by countries

<table>
<thead>
<tr>
<th>Country</th>
<th>1937 Tungsten (metal and tungsten carbide)</th>
<th>1938</th>
<th>Tungsten (metal and tungsten carbide)</th>
<th>1937 Tungsten (metal and tungsten carbide)</th>
<th>1938</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tungsten content (pounds)</td>
<td>Value</td>
<td>Tungsten content (pounds)</td>
<td>Value</td>
<td>Tungsten content (pounds)</td>
</tr>
<tr>
<td>Austria</td>
<td>1,000</td>
<td>36,118</td>
<td>918</td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>1,000</td>
<td>36,118</td>
<td>918</td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>21</td>
<td>170</td>
<td>1,066</td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>21</td>
<td>170</td>
<td>1,066</td>
<td>370</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>8,418</td>
<td>12,538</td>
<td>21,088</td>
<td>28,816</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>131,473</td>
<td>111,997</td>
<td>21,000</td>
<td>25,964</td>
<td></td>
</tr>
</tbody>
</table>

| 1 | Includes combinations containing either metal or carbide. |

The principal uses of tungsten are in the manufacture of high-speed tool steels, cemented tungsten carbides, steels, and electric-light and radio-tube filaments; in the preparation of various chemicals, such as pigments; and in the tanning of white leather. In recent years cemented tungsten carbide has been employed widely in the commercial field. Methods of manufacture, as well as properties and uses, have been described by Sykes. A new alloy of tungsten with 4 percent copper and 6 percent nickel is said to be a suitable material for radium containers. A new process for combining tungsten by electrodeposition with other metals is said to be susceptible to close control.

WORLD PRODUCTION

World output of tungsten was lower in 1938 than in 1937, when a new peak was established. Although complete figures are not available, preliminary data indicate that world production in 1938 may have reached 32,000 metric tons.

Argentina.—Argentina is the second largest producer of tungsten in South America. Output comes principally from the Provinces of San Luis and Cordoba; much smaller amounts are produced in San Juan.
and Catamarca. Virtually all the yield is exported, a large part going to Europe. 

Bolivia.—Bolivia is the largest producer in South America. The largest deposits occur in the Department of Oruro, while smaller deposits are found in Potosí, La Paz, and Cochabamba. Bolivian tungsten concentrates (wolframite and scheelite) are exported, largely to Europe. 

Burma.—Output in Burma comes principally from the Heringnyi mine near Tavoy and the Mawchi mine in the southern part of Kareni State. The ores from the Mawchi mine are said to be complex in character and not easy to treat for their tin and tungsten contents, but the ores from the Heringnyi are much simpler. The ore reserves at the Mawchi mine are said to contain 3.24 percent tin and tungsten. The proportion of tungsten to tin in the Heringnyi ores is about 2 to 1. Most of the concentrates from India are shipped to the United Kingdom. Exports from Burma in 1938 were 10,595 metric tons. 

China.—The Sino-Japanese hostilities continued their adverse effect on the flow of tungsten ore from China, the largest world source. The principal production comes from Hunan, Kiangsi, and Kwangtung, where the tungsten-producing areas are not under Japanese control, and the mines still are being worked extensively. Formerly much of the ore was exported, but now much of the production consists of tungsten concentrates. Exports from Shanghai ceased, and Chinese concentrates were shipped by the Canton-Hong Kong Railroad for transshipment at Hong Kong. In 1938 Canton fell to the Japanese, and the Chinese Central Government endeavored to route all tungsten ore shipments via South China ports (Swatow, Haiphong, and Macao) under Japanese control, or through Indochina. Exports in 1938 were 13,387 metric tons (88 percent WO3 basis) compared with 17,025 tons in 1937. There were no exports during the last 2 months of 1938. A large proportion of the exports in 1938, which went principally to Europe, was shipped under barter agreements. 

It was reported early in 1939 that the Chinese Government has granted to the Peiping Syndicate, Ltd., exclusive selling rights for Chinese tungsten ore, including the stocks in Hong Kong. 

India.—There is little or no production of tungsten in India. Production previously credited to India came from Burma, which was split from India as a separate State on April 1, 1937. 

Malay States.—The Krunot Pulai mine near Ipoh is the principal producer in the Malay States. The ore is scheelite of good quality, but the reserves are limited. Exports in 1938 amounted to 903 metric tons of concentrates, of which 287 metric tons were scheelite concentrates and the remainder wolframite concentrates. The exportation of tungsten ore containing more than 1.5 percent tin has been prohibited by the High Commissioner of the Federated Malay States, except under written authorization by the Chief Inspector of Mines. 

Portugal.—Output in Portugal, the largest European producer, in 1938 increased 30 percent over 1937 and nearly doubled the 1936 figure. The Bento Tin & Wolfram, Ltd., with properties at Panasqueira in the Province of Beira Baixa, district of Castello Branco, was the largest producer. The ore is low-grade, and it has been stated that 300 tons of rock must be broken to produce 1 ton of concentrates. Exports (2,450 metric tons in 1938) went to European manufacturers of ferrotungsten. 

Southern Rhodesia.—The African Continent produces little tungsten; the principal output comes from Southern Rhodesia, where production increased to 329 metric tons in 1938 from 275 tons in 1937. 

**Vanadium**

Vanadium output in 1938 maintained the high level reached in 1937, although there was a noticeable shift in sources. The world supply comes from a limited number of operations, principally in four countries, of which Peru normally is the most important. Production in that country, all from the Minas de Tavine mine, dropped abruptly in 1938. A striking feature of the year was the large increase in domestic production (shipments from mines), and in 1938 the United States became the largest producer. 

Greatly increased output in the Paradox Valley region in Colorado swelled the domestic total. Production in Southern Rhodesia was 59 percent above 1937, while output in the Territory of South-West Africa dropped a little. World sources of vanadium may be supplemented further in future by the recovery of vanadium from the treatment of pig iron made from vanadium-bearing iron ores at ferrous smelters in Germany. A plant for the recovery of vanadium was completed in 1938 in Japan by the Japan Iron Sand Industrial Co. Despite the large increase in domestic production imports for consumption into this country increased. Purely nominal quotations for vanadium ore were unchanged throughout 1938 at 27½ cents per pound of contained V2O5. 

**Nineteen statistics of the vanadium industry in the United States, 1937–38**

<table>
<thead>
<tr>
<th></th>
<th>1937</th>
<th>1938</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td>Value</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbobisite ore (9%)</td>
<td>3,760</td>
<td>360,294</td>
</tr>
<tr>
<td>Vanadium matrix ore</td>
<td>75,785</td>
<td>5,250</td>
</tr>
<tr>
<td>Vanadium and Rare earth ore</td>
<td>129,472</td>
<td>7,134,947</td>
</tr>
<tr>
<td>Total</td>
<td>427,727</td>
<td>8,436,257</td>
</tr>
<tr>
<td>Domestic production</td>
<td>427,727</td>
<td>8,436,257</td>
</tr>
<tr>
<td>Exports</td>
<td>427,727</td>
<td>8,436,257</td>
</tr>
<tr>
<td>Total</td>
<td>427,727</td>
<td>8,436,257</td>
</tr>
<tr>
<td></td>
<td>1,256,888</td>
<td>3,581,230</td>
</tr>
</tbody>
</table>

* Above-mentioned radium and per cent as milligram—Radium—1937, 1,343,114, 1938, 1,591,831 milligrams. 
* Samples—1937, 20,484 pounds; 1938, 18,668 pounds. 
* Figures not available. 
* Bureau of Mines not at liberty to publish figures. 
* Compiled by Board of Mines.

**Domestic Production**

Production in the United States of vanadium contained in all types of ores from which it was recovered totaled 1,614,155 pounds in 1938 compared with 1,080,125 pounds in 1937. Output came from Arizona, Colorado, Nevada, and Utah, Colorado supplying the largest quantity. 

**Arizona.**—Vanadium was produced from the operations of the Molybdenum Gold Mining Co. and the Mammoth-St. Anthony, Ltd.,
near Mammoth, where complex ores containing recoverable values in gold, silver, lead, molybdenum, and vanadium are treated in a flotation mill operated by the latter company. The mill treated 165,468 short tons of ore, from which 4,191 tons of concentrates containing 238,000 pounds of \( V_2O_5 \) were recovered. The geology and ore deposits of the Mammoth mining camp area have been described by Peterson. Development work was continued by the International Vanadium Corporation at the Dripping Springs mine near Globe, but there was no production.

Colorado.—The production of vanadium in Colorado in 1938 amounted to 1,392,736 pounds in vanadium and carnotite ores. The largest output was from operations of the United States Vanadium Corporation in Paradox Valley. The ore runs under 2 percent \( V_2O_5 \); and the vanadium is recovered as \( V_2O_5 \), by roasting the ore with salt, leaching the sodium vanadate with water, and precipitating the \( V_2O_5 \) with acid. The precipitate is then sintered to a product containing about 88 percent \( V_2O_5 \).

A 20-ton mill was erected near Gateway, Mesa County, by the Gateway Alloys, Inc., to treat ores mined from nearby claims.

Nevada.—Output in 1938—only 7 tons of vanadinite and desclozite concentrates—came from operations at the Spelter mine near Goodsprings, Clark County.

Utah.—Vanadium-bearing ores were produced at a number of rather widely scattered locations in Utah. Shipments totaling 172,194 pounds of contained \( V_2O_5 \) originated in Grand and San Juan Counties in the southeastern part of the State. The largest output was made by the Harbro mines near Cisco, Grand County, and consisted of concentrates containing carnotite.

FOREIGN TRADE

Imports of vanadium ores in 1938, all from Peru, amounted to 9,981 short tons containing 1,384,320 pounds of vanadium. Data on exports are not given by the Bureau of Foreign and Domestic Commerce, but in 1938 several hundred short tons of vanadium-bearing ore or concentrates were exported to Japan.

USES

The principal use of vanadium is in the manufacture of special alloy steels and irons. Minor quantities are employed as a catalyst in the manufacture of sulfuric acid in the form of ammonia metavanadate, and in the nonferrous, glass, ceramic, and color industries. Vanadium produces high-strength steel and iron with much less exacting heat treatment than is necessary with other alloys, at a lower cost for both heat treating and machinery.  

WORLD PRODUCTION

Despite the sharply reduced yield in Peru, one of the principal sources, world output in 1938 exceeded that in 1937, owing principally to the large increase in production in the United States. Output in

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quarter of 1939, and Russia also bought a considerable amount of metal.

Unlike the 1914-18 period, the British Empire now finds itself in the position of a copper consumer of copper, as in excess of 400,000 tons annually. Moreover, it is known that the Franco-British economic accord provides for eventual aid to France in respect to obtaining copper and other raw materials. Apparent consumption of copper outside of the United States remains high, but where actual consumption stands must be left to guesswork. Large tonnages have been produced abroad in recent years and undoubtedly some countries have accumulated sizable military reserves, either in the form of raw copper or as finished products. Copper authorities believe that Germany entered into the war with large stocks. To what extent aluminum will serve as a substitute cannot be stated.

The outlook in the world market for copper for the present and the near future is clouded by war. The metal may be a sudden concussor, or the war may spread to all corners of the world. Whether price controls will be iced or not is another perplexing question.

Industrial activity in the United States, apart from increased war orders, has increased since June. Domestic consumption of copper rose from a low of about 80,000 tons a month in April to approximately 80,000 tons a month for the last quarter of the year. The monthly average in consumption for 1939 was about 60,000 tons, which contrasts with 43,000 monthly for 1938.

The record for 1939 in automobile production, housing and general construction, utility expenditures, and in other fields using copper was impressive, but the totals do not add up to the same total figures in the 1929 period, when copper consumption in the United States averaged slightly more than 90,000 tons a month. This is explained because production in the United States sharply dropped in the latter part of the 1932 period. The normal output for December, mine and scrap production, was probably in excess 80,000 tons.

Export business involving domestic copper increased in the fiscal quarter of 1939, adding strength to the domestic market, but at the turn of the year, the foreign situation became clouded over. Rumors reached the minds of producers in reference to further large sales to Japan and Russia.

Though the operating rate of producers was down, prices held from time to time during 1940 to meet the unpredictable conditions that the European war has created, the prospects for the year as a whole point to a lower level in domestic consumption and a higher price level than the average for last year.

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February, 1940—Engineering and Mining Journal.
COBALT—Imports into the United States in the first ten months were 543,365 tons, compared with cor-
gresponding period, 306,767 tons. Of the con-
sumption, 257,033 tons came from the U.S.S.R.,
24 from Germany, 15 from French, 15 from
Cuba, and 74 from Brazil. Of the con-
sumption for the Gold Coast, 40 per cent.
was reported. The increase was apparently
excessively high in the first half of 1937,
and war-risk insurance rates raised.

CHROMIUM—Exports of chromium ore and
products were reported as follows: Those
imported from Cuba and Brazil during the
first ten months were 5,940,159 tons,
compared with 2,866,765 tons in the cor-
gross amount was brought in from South
America and Africa.

Magnesium—The large import of moun-
taneous magnesium ore from Spain to the
United States was said to have been due to
the shortage of supplies in the United
Kingdom, and the increased demand for the
metal in the United States.

Manganese—The price of manganese ore and
products increased in the first ten months
of the year, compared with the correspond-
ing period of 1936.

Molybdenum—The production of molybdenum
ore and products increased in the first ten
months, compared with the correspond-
ing period of 1936.

Molybdenum—The production of molybdenum
ore and products increased in the first ten
months, compared with the correspond-
ing period of 1936.

MERELLE—The new method of refining moly-
desmone that was introduced by the
Merrill-Lee Corporation in 1937, was said to
be the best method yet discovered for the
refining of molybdenum ore and products.

MERCURY—The situation was characterized
by sharp fluctuations in prices in 1937, par-
sicularly in the United States. The tem-
perature soared and uncertainty over the
future of the industry prevailed. Prices in
Spain were reported to be high, early in the
year, and the demand was reported to be
slight. Their output was large and the
Kingdom in September was the highest.

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lands of the Japanese is small and not yet pacified. Adequate supplies are reaching Hongkong by devious routes, but the fear that Chinese supplies might be cut off has had a real influence on the market. Sales rights on Chinese tungsten were granted to the Peking Syndicate, Ltd., a British corporation, by the Chinese Government in 1939, and it was reported that the Japanese army had granted the wolfram monopoly on any ore under its control from South China to the Japanese firm. Exports from Chinese during nine months were 7,069 metric tons, compared with 12,354 tons for the same period in 1938. Delivery on barter agreements with the U.S.S.R. formed part of the movement in 1939.

London quotations declined during the first nine months but were stronger in the last quarter. Domestic quotations followed the same pattern and domestic scheelite was quoted at $22 to $24 per short-ton unit delivered at the year-end.

Domestic consumption jumped toward the end of the year, but imports for consumption were 904 short tons during the first 11 months, and general imports were 1,585 tons. Forty-three per cent of the imports came from China.

The domestic tungsten industry continued to increase its activities. Possible purchases by the Government in connection with the stockpile program enlarged the market and created further interest. Two Government purchases were made, one by the Navy for 245 short tons of concentrates from domestic sources at $35 per short-ton unit and the other by the Procurement Division of the Treasury for 425 tons from China at $16.82 per unit exclusive of duties.

VANADIUM—Apparent consumption of vanadium was greater in 1939. Imports in the first eleven months totaled 12,667 short tons containing 3,261,713 lb. of V₂O₅, compared with 8,231 tons of ore for the same period in 1938. As in the past, all imported American supplies came from Peru.

Operations in the Paradox Valley, now the principal domestic producing area, continued at a high rate, with the roasting and leaching plant of the United States Vanadium Corporation at Moab, Monticello, running at capacity and treating 34 tons of ore daily. Additional milling facilities being installed include a refining unit for recovery of uranium from discarded material. Output continued from a number of smaller operations in Utah, and it was reported that activities were being revived in the Rifle district, Garfield County, Colo.

Germany is said to have developed a process for recovering vanadium from converter slags that may make

market divorced from the London quotations by the war, there has been economic advantage for Latin-American and Canadian producers to ship ore here rather than to one of the European nations, for smelting. Furthermore, neutral nations with an excess of scrap zinc can sell it here to best advantage. Although figures are not yet available for the full year, the statistics for the first three months following the outbreak of the war show accelerated imports of both ore and slab zinc.

The rush to purchase subsided before October ended, but shipments maintained an outstanding feature of the market. Within three months, stocks were cut in half, and on Dec. 1 were less than the November shipments. Lower sales and increasing production, and the large imports of foreign slab zinc and ore, are, then causing the first reaction that took place in any important non-ferrous metal since the war began. On Dec. 1 one producer of Prime Western zinc at $2.50 per pound stated there was no rush to buy. With consume.(

inventory periods before there was little difficulty to tell whether their fate of interest resulted from confidence in the existence of an adequate supply of zinc for subsequent purchase as required, or whether the consumption of zinc was expected to use long-somage of the metal in coming months.

Forecasting today is more than hazardous. In looking ahead much may be borne in mind that developments, some of which have been referred to, are likely to emphasize unfavorable situations when the industry was ready for them. Also, there is a threat in the new trade treaties contemplated with Belgium, wherein a reduction in the tariff on zinc oxide and zinc sheets is under consideration. Despite temporary periods of prosperity, the basic position of the zinc industry is not satisfactory, favouring the prospects of domestic business are the developments indirectly associated with the intensity and unpredictable duration of the war in Europe.

On Oct. 21 it was officially announced in London that the price of silver would thenceforth be fixed at 12:15 a.m. instead of 2:15 p.m. This change was necessitated by the earlier closing hours of the banks. Owing to the wartime necessity of restricting foreign-exchange allotments to essential, on Oct. 23 the British Board of Trade subjected the importation of silver bullion and foreign silver coin to license. This restriction was an important event in the history of the London bullion market. The Indian Government, also, prohibited the importation of silver, except from Burma.

During 1930 the government of British India melted silver coins to supply demand in the bazaar and in the London market. Following the outbreak of war, the demand for silver in India rose sharply and the Bombay mint delivered fairly large amounts to the market at a premium of from 3½ to 4 per cent over the London price.

The Reserve Bank of India reported that rupees returned from circulation at an increasing rate in 1938. In that year the return flow was 126,000,000 rupees, as compared with 1,305,500,000 net during 1919-39.

In December, India was reported to have purchased about 1,500,000 oz. of silver in New York for the bazaar trade.

RESEARCH—The past year witnessed a substantial increase in the
MEMORANDUM FOR THE PRESIDENT:

Holdings of refined gold at the New York Assay Office have reached a total of approximately $7,400,000,000. Receipts during the ten months ending April 30th have averaged $220,000,000 per month and it is estimated that deposits during the remainder of the calendar year will continue at a similar rate. On this basis, the accumulated holdings at the end of December would be over $9,000,000,000.

Aside from the fact that for fiscal purposes there is no justification for maintaining this large stock in New York, it is the Treasury's opinion, in view of existing world disturbances, that from the standpoint of strategic policy these enormous gold holdings should not continue to be concentrated on our Atlantic seaboard.

The Fort Knox Bullion Depository has a capacity of $15,000,000,000 in gold. Existing deposits at Fort Knox aggregate about $5,500,000,000, leaving additional facilities available for the storage of $10,500,000,000.

Appropriations are now available for the current and ensuing fiscal year in amounts which will enable the Treasury within a few weeks to move about $1,800,000,000 in gold from New York to Fort Knox.
With the removal of this $1,000,000,000 there will remain in New York, on the basis of today's balance, over $6,400,000,000, for the transportation of which no funds have been appropriated. To this amount there should be added the $1,760,000,000 estimated to be deposited from May through December, making a total of over $8,000,000,000 estimated to be on hand December 31, 1948, and which must be held in New York until additional funds shall have been appropriated to provide for the shipment of such stocks to Fort Knox.

The cost of shipping $8,000,000,000 to Fort Knox is estimated at $1,400,000, and on an expedited basis, with maximum utilization of railway and other facilities, the removal will require approximately twenty-three weeks.

In this connection it might be pointed out that with respect to the $2,220,000,000 in gold acquired during the ten months' period ending April 30th, the Government has collected approximately $5,500,000 in handling fees. This amount, it will be noted, is substantially more than the expenses which are estimated to be incurred in transporting the accumulated stocks to Fort Knox.

It is my recommendation that the Treasury be authorized to proceed with the removal during the present calendar year of approximately $9,000,000,000 in refined gold from New York to Fort Knox, which will involve, in addition to funds already available, the
Immediate submission to Congress, through the Director of the Bureau of the Budget, of a supplemental estimate of appropriation in the amount of $1,600,000.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

By Messenger 4:05 pm 5/19/40

File to Mr. Thompson
TO: Secretary Morgenthau
FROM: Mr. Haas

Subject: Railroad freight movement for export.

Export freight receipts well maintained

Receipts of freight for export last week continued at a well-maintained level. Receipts at New York were only slightly below the previous week's increased volume, while receipts at other North Atlantic ports showed a moderate gain. The net result is that 183 more cars of freight for export were received at all ports in the North Atlantic area last week than in the previous week. (See attached Chart 1 and table).

Exports hold steady

Actual exports from New York, as indicated by reported freight movement data, were maintained during the week ended May 4 close to the previous week's relatively high figure. (See Chart 2)

The volume of lighterage freight in storage and on hand for unloading in New York harbor remains about unchanged. (See Chart 2)
## RECEIPTS OF FREIGHT FOR EXPORT AT NEW YORK AND AT 9 OTHER NORTH ATLANTIC PORTS

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<th>Week ended 1939-40</th>
<th>New York 1/</th>
<th>9 other North Atlantic ports 2/</th>
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<td>(--------- In carloads ---------)</td>
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<tr>
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<td>5,470</td>
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<tr>
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<td>4,255</td>
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Regarded Unclassified
RECEIPTS OF FREIGHT FOR EXPORT AT NEW YORK AND AT 9 OTHER NORTH ATLANTIC PORTS

1939
1940

CARLOADS THOUSANDS

NEW YORK

9 OTHER PORTS

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

Regraded Unclassified
CARLOADS OF FREIGHT EXPORTED FROM NEW YORK

* AS ESTIMATED FROM DATA OF GENERAL MANAGERS' ASSOCIATION OF NEW YORK.
LIGHTEST FREIGHT IN STORAGE
AND ON HAND FOR UNLOADING IN NEW YORK HARBOR

1939

1940

CARLOADS
THOUSANDS

NOV.  DEC.  JAN.  FEB.  MAR.  APR.  MAY  JUNE

10

9

8

7

6

5

4

28  29  30  31  01  02  03  04  05

1939  1940

* LARGELY EXPORT FREIGHT, BUT ABOUT 10% REPRESENTS FREIGHT FOR LOCAL
AND COASTAL SHIPMENT. FIGURES EXCLUDE GRAIN.

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

Regraded Unclassified
The Secretary told Mrs. Klotz to phone Mr. Young and tell him to act as the go-between in this matter.
May 8, 1940

To: The Secretary  
From: Mr. Young

Mr. Ballantyne informed me this afternoon that Mr. Ziegler was very enthusiastic about the prospect of going to Dayton and talking with the Army.

As I understand it, the next step will be to communicate Mr. Ziegler's enthusiasm to General Brett and that specific details will be settled between the two.
TELEGRAM SENT

GRAY

May 8, 1940
6 p.m.

AMERICAN CONSUL

AMSTERDAM (NETHERLANDS),

29.

Please deliver the following message to President Trip
of the Netherlands Bank as personal from the Secretary of
the Treasury.

QUOTE With reference to your cablegram to the Federal
Reserve Bank at New York, I hasten to inform you that
the Treasury knew nothing of the matter under reference
until the item was read in the New York Times this morn-
ing May eighth. Thereafter Governor Harrison gave me the
information contained in your cable 153. The Treasury
has been endeavoring to ascertain the source of this
publicity, which I assure you did not emanate from this
Department. In all of these matters the Treasury desires
to cooperate most effectively with the authorities of the
Netherlands. END QUOTE.

HULL
(FL)

EA:FL:HEG

Regraded Unclassified
Dr. Foio

Mr. Cochran

Will you kindly send the following cablegram to the American Consul, Amsterdam:

Please deliver the following message to President Trip of the Netherlands Bank as personal from the Secretary of the Treasury:

"With reference to your cablegram to the Federal Reserve Bank at New York, I hasten to inform you that the Treasury knew nothing of the matter under reference until the item was read in the New York Times this morning May eighth. Thereafter Governor Harriman gave me the information contained in your cable 153. The Treasury has been endeavoring to ascertain the source of this publicity, which I assure you did not emanate from this Department. In all of these matters the Treasury desires to cooperate most effectively with the authorities of the Netherlands."

[Signature]

HNO: Lima - May 6/40
MEMORANDUM FOR THE PRESIDENT:

May 8, 1940.

I attach hereto for your signature memoranda to the Secretary of War and the Secretary of the Navy in regard to proposed changes in the Vinson-Trammell Act. The Chairman of the House Naval Affairs Committee while retaining his conviction that this Act should be substantially changed at the next session, will be content with only one present change:

An allowance of a four-year carry-over of net losses for the benefit of shipbuilders.

I have instructed Treasury personnel to continue their study of the reports made under this Act and keep the data current.

JLS

Regraded Unclassified
MEMORANDUM TO THE SECRETARY OF WAR

May 8, 1940.

It is my understanding that Senate Bill 2464, referred to in Assistant Secretary Johnson's memorandum of April 26th, is being revised by the Treasury Department at the request of Chairman Vinson of the House Naval Affairs Committee to provide a four-year carry-over of net losses. I am advised that no further present changes in the Vinson-Trammell Act are contemplated.

Undoubtedly the proposal to reduce allowable profit on aircraft from 12 to 10 percent, the elimination of carry-over of deficiency of profit in the case of aircraft, and the discontinuance of the exemption in favor of scientific instruments will be considered by the next Congress.

In Assistant Secretary Johnson's memorandum he outlined changes in the Act to be embodied in a proposed substitute for Senate 2464. Paragraph 3 of this outline spoke of shortening the period of carry-over from four years to one year. I am assured that the Treasury Department and Chairman Vinson favor retention of the four-year period for carry-over of net losses.
May 8, 1940.

MEMORANDUM TO THE SECRETARY OF THE NAVY:

It is my understanding that Senate Bill 2464, referred to in Admiral Stark's memorandum of May 4th, is being revised by the Treasury Department at the request of Chairman Vixson of the House Naval Affairs Committee to provide a four-year carry-over of net losses. I am advised that no further present changes in the Vixson-Trammell Act are contemplated.

Undoubtedly the proposal to reduce allowable profit on aircraft from 12 to 10 percent, the elimination of carry-over of deficiency of profit in the case of aircraft, and the discontinuance of the exception in favor of scientific instruments will be considered by the next Congress.
THE WHITE HOUSE
WASHINGTON

May 3, 1940.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

FOR PREPARATION OF REPLY
FOR MY SIGNATURE.

F. D. R.
MEMORANDUM for Mr. Stephen Early, Secretary to the President:

War Department
Office of the Assistant Secretary
Washington, D.C.

April 26, 1940

Senator Bill 2464, referred to in your memorandum of April 26, 1940, makes applicable to the manufacture of naval vessels the provisions now in vogue as to aircraft, under which losses or deficiencies in profit may be allowed as a credit in determining excess profits during four income taxable years succeeding that in which a particular contract is completed, with the proviso, however, that the maximum profits shall be 10 percent rather than 12 percent as is now allowed for aircraft. This original bill is primarily of naval application and the War Department has little interest in it, but does not object to its passage.

It is my understanding that as the proposed substitute for S. 2464 above referred to, Treasury Department officials have, at the instance of Mr. Vinson, Chairman of the House Naval Affairs Committee, drafted proposed legislation, not yet introduced, amendatory of the Vinson-Trammell Act, which includes the following changes:

1. Maximum profit on aircraft is lowered from 12 percent of contract price to 10 percent of contract price (but not in excess of 11.11 percent of contract cost).

2. The period of carryover is lessened from four years following completion of contract to one year following completion of contract.

3. Carryover of deficiency in profit is eliminated to permit only losses being carried over.

4. Authority to exempt scientific instruments from the applicability of the act is eliminated.

The War Department is vitally interested in the proposed substitute bill. In the event that the substitute is introduced in the Congress, views opposing its passage will be submitted. The provisions of the Vinson-Trammell Act applicable to the Army were included in the so-called National Defense Act of 1939 (Public No. 18 - 76th Congress) at the instance of the Congress, and not at
the instance of the War Department, but have constituted a basis on which industry has cooperated with the War Department in the present expansion program, which it was intended should carry through June 30, 1941. Under the new Government program for the release of airplanes for foreign sale, the program has, in fact, been continued for approximately an additional year. It is the opinion, therefore, of this Department that the present legislation, insofar as it affects the Army, should remain in status quo until the completion of the program, and that any material change now made therein will bring charges of breach of faith and redound neither to the interest of the War Department nor, in my opinion, of the Administration.

I want to repeat that the provisions of the original Senate 2464 do not affect the War Department. It is the proposed Treasury substitute to which objection is taken herein.

[Signature]
Louis Johnson,
The Assistant Secretary of War.
TO AMEND THE ACT OF MARCH 27, 1934 (48 STAT. 505), AS AMENDED (49 STAT. 1936; 34 U. S. C., SUPP. IV, 496; SEC. 14 OF PUBLIC NO. 18, 76TH CONG.), TO ADJUST THE LIMITATIONS ON THE PROFITS OF CERTAIN CONTRACTORS WITH THE UNITED STATES (S. 2464)

NAVY DEPARTMENT,
Washington, September 30, 1939.

The Chairman, Committee on Naval Affairs,
House of Representatives, Washington, D. C.

My Dear Mr. Chairman: The bill (S. 2464) to amend the act of March 27, 1934 (48 Stat. 505), as amended (49 Stat. 1936; 34 U. S. C., Supp. IV, 496; sec. 14 of Public No. 18, 76th Cong.), to adjust the limitations on the profits of certain contractors with the United States, was referred to the Navy Department by your committee with a request for views and recommendation relative to the measure.

Under the act of March 27, 1934, those who contract for the construction of ships for the Navy must return to the Treasury profits in excess of 10 percent of the total contract price. Such contractors are permitted to allow net losses incurred during any income taxable year as credits in determining the excess profit, if any, during the next succeeding income taxable year.

It is the purpose of the bill S. 2464 to permit these contractors to take credit for deficiencies in profit less than 10 percent, as well as net losses, in determining excess profit, if any, during a period of the next 4 succeeding taxable years, rather than during the next succeeding year only.

Enactment of the bill S. 2464 would place ship construction contractors in a position similar to that enjoyed by aircraft contractors by section 14 of the act of April 3, 1939 (Public No. 18, 76th Cong.), except that the limit of profit of 12 percent fixed by the act of April 3, 1939, for aircraft contracts would not apply to ship construction contracts. The original limit of profit of 10 percent for ship construction would be retained under the bill S. 2464.

The Navy Department favors the adoption of the principles contained in the bill S. 2464 as being equitable and as permitting to ship construction contractors a fair expectation of reasonable profit without danger of disadvantage to the United States.

The Navy Department recommends enactment of the bill S. 2464.

Sincerely yours,

CHARLES EDISON,
Acting Secretary of the Navy.
Senate Bill S. 2464 was passed by the Senate at the last session of Congress and referred to the House Naval Committee, where it is now being held.

This Bill is an amendment to the Vinson-Trammel Naval Authorization Act and permits the shipbuilding industry to use any losses or deficiencies in profit sustained on contracts during a four year period in computing the 10% profit permitted under the law. The law now permits taking up losses for a one year period only. An amendment with the above provisions was passed by the last session of Congress but it applies only to aircraft. The Navy is favorable to Bill S. 2464.

Several years ago an amendment was made to the Vinson-Trammel Act exempting scientific instruments used for navigation, fire-control and communication from profit limitation, the purpose of which was to encourage development of these devices for the Navy. Consequently, substantial progress has been made in this field which otherwise would not have occurred had these scientific instruments been restricted to the 10% limitation. It is understood that S. 2464 is now being held in the Naval Committee because the Chairman has learned that a few companies engaged in the development and manufacture of scientific instruments, in a few instances have made high profits. During the same period, however, these same contractors have sustained heavy losses on contracts in carrying out development of important devices for the national defense. The Chairman apparently feels that the law, in so far as it relates to scientific apparatus, should be modified to restrict profits. Any attempt along this line at this time would open up the whole complex subject and might not only prevent S. 2464 from passing, but would result in serious impairment to the national defense.

Last December the Army and Navy requested the National Academy of Science to have a study made of aircraft procurement with particular reference to costs and production. As a result, a committee was formed under the chairmanship of Colonel Leonard Horner, known as the "Aircraft Procurement Committee", under the auspices of the National Research Council to undertake the problem. Since then it has been making a very thorough study of the whole subject. This Committee is composed of several very prominent, experienced engineers and production specialists. It is expected that the Committee's report will be ready in about two months. The expense of this Committee is being borne by the Army and Navy. It would seem unwise to start any discussion of this subject in Congress until this Committee has finished its work and its report, which will cover all phases of the subject, has been submitted.
DEPARTMENT OF THE NAVY  
OFFICE OF THE SECRETARY  
WASHINGTON  

MEMORANDUM FOR MR. STEPHEN EARLY, SECRETARY TO THE PRESIDENT  

Re: Your memorandum of April 26, 1940 relative to Senate Bill 2464.  

1. Senate Bill 2464, if enacted, will permit ship contractors and their subcontractors to take credit for deficiencies in profit less than 10 percent, as well as net losses, in determining excess profits, if any, during a period of the next 4 succeeding taxable years, rather than during the next succeeding year only.  

2. This would place such contractors in a position similar to that enjoyed by aircraft contractors by section 14 of the act of April 3, 1939 (Public, No.18, 76th Cong.), except that the limit of profit of 12 percent fixed by the act of April 3, 1939, for aircraft contracts would not apply to ship-construction contracts. The original limit of profit of 10 percent for ship construction would be retained under the bill S.2464.  

3. The shipbuilders reasonably contend that the carry over of deficiencies and losses for a four-year period is even more justifiable in their case than in the case of the aircraft manufacturers since the construction period of Naval vessels is so much longer, in some instances requiring a four or five year building period.  

4. The adoption of the same method of treatment for both ship and aircraft contractors should tend to increase competition and bring better prices.  

5. The carry over of deficiency and profit for a four-year period will not in any way guarantee the contractor a profit but will only increase his opportunity of earning an average profit not in excess of the 10 percent.  

6. The intent of the original legislation was to prevent excessive and unreasonable profits and there is nothing in the proposed revisions that would not continue to keep the allowable profits within the 10 percent limit.  

7. An attached minute comment showing Navy Dept. approval.

A.R. St.  

Regraded Ucassified
MEMORANDUM FOR THE SECRETARY.

In a conversation with Colonel Burns this afternoon concerning the capacity recently released by the Navy to the Dupont Company, he stated that Dupont had consistently worked in close cooperation with both the Army and Navy, that they knew that the powder requirements of the Army would utilize all capacity they had available, but that no orders would be placed by the Army which would prevent the Allies from getting the powder in question.

Colonel Burns suggested that a representative of the Anglo-French Purchasing Board conversant with the powder situation come to Washington for a conference with him and representatives of the Ordnance Department of the War Department in order that arrangements might be made with Dupont which would not interfere with production of powders of certain granulation in which the War Department is interested.

I talked with Mr. Purvis and have made tentative arrangements for a representative of his Mission to meet with Colonel Burns at 3:00 P.M. tomorrow.
Mr. Purvis, in his own handwriting, took off the information from the attached memorandum.
MEMORANDUM FOR THE SECRETARY

May 8, 1940

There is transmitted herewith copy of a letter addressed by Admiral Furlong, Chief of Bureau of Ordnance, Navy Department, to E. I. du Pont de Nemours and Company, Inc., concerning a diversion of powder from an existing contract the Bureau of Ordnance has with that company.

att.
NAVY DEPARTMENT
BUREAU OF ORDNANCE
WASHINGTON, D.C.

May 4, 1940

Subject: Manufacture of Smokeless Powder.

Sir:

The Navy Department is increasing production of smokeless powder at the Naval Powder Factory, and therefore releases capacity at E. I. du Pont de Nemours and Company, Incorporated, of approximately 2,500,000 pounds of smokeless powder per year for other orders.

It is desired to complete the current contract. Schedule 500-1620 for 700,000 pounds of smokeless powder, now pending, will be cancelled. It is desired to place a contract for Schedule 500-1621 for 50,000 pounds of NH powder. The Navy Department also desires to reserve capacity for approximately 400,000 pounds of NH powder, small caliber, per year.

Very truly yours,

W. R. PURLONG,
Rear Admiral, U.S.N.,
Chief of Bureau of Ordnance.

E. I. du Pont de Nemours
and Company, Inc.,
Attn: Mr. F. W. Bradway,
Wilmington, Delaware.

cc - Capt. Collins,
Procurement Divn., Treasury
May 8, 1940
2:30 p.m.

Present:

Mr. Purvis
Mr. Ballantyne
Mr. Young
Captain Collins
(Mr. Sullivan at the very end)

(HM,Jr dictated the following cable to Mr. Bullitt:)

"I have just been informed that the British and French Governments intend to place all of their orders for iron and steel through the British Iron and Steel Federation in London without consultation with Purvis and Bloch Laine. I do not know whether they will use the funds on deposit with the Federal Reserve of New York for this purpose. It is impossible for me to keep the President informed under these circumstances what the British and French Governments are doing in regard to purchases of iron and steel in the United States. Please use your good offices to strongly protest this procedure and say that I insist that all purchases in the United States for the French and British Governments must clear through Purvis and Bloch Laine."

(At this point, HM,Jr gave Mr. Purvis the chart on orders and unfilled orders for airplanes.)

HM,Jr: Trying terribly hard to do the rest of your purchases on the same basis, but poor Haas is getting weaker. Now he is trying desperately to get the other purchases. When we do we will do it on the same basis.

Mr. Purvis: We must help. At least it can be done on the other big things.

Captain Collins: That's in the course of coming through.
HM, Jr: Harry, number one. Where do we stand in regard to these extra engines for the Bloch bombers?

Captain Collins: It will be after the end of this week, Sir, before the Army will know whether they can release those 240.

HM, Jr: Who are you working with on that?

Captain Collins: General Brett.

HM, Jr: Who's he working with? Is this Pratt Whitney?

Captain Collins: He's presumably working with his own force over there.

HM, Jr: Didn't you talk to someone?

Captain Collins: I had quite a long talk with Allison.

HM, Jr: What's Allison's attitude?

Captain Collins: He would be very happy to do it if he had them, but he said he simply does not have the production.

HM, Jr: Do you find him cooperative?

Captain Collins: He seemed most cooperative when he talked with me. Yes, sir. It comes back, of course, to the reserve that was set up for the Army and the 240 we have been discussing are in the Army reserve and they come about by virtue of consolidation of the bombers.

HM, Jr: Incidentally, I have this to take up with you. Check Stettinius to see if they can place steel orders in the centers where we have the greatest unemployment. So therefore I would like to know where you are placing your orders.

Mr. Purvis: That's very interesting.
HM, Jr.: Because some of these plants are in centers where employment is fairly high.

Mr. Purvis: That gives me my ....

HM, Jr.: .... cue.

Mr. Purvis: My cue.

HM, Jr.: On the other thing that I had here, on your orders, Allison P-40 they hope to give you 83 in August.

Mr. Purvis: Yes.

HM, Jr.: And that's when they first begin.

Mr. Purvis: We are in May. They will have to do pretty well to come to that.

HM, Jr.: And on the P-46 they hope to give you 12 next February.

Mr. Purvis: Yes. And then they come along rapidly after that.

HM, Jr.: Fairly rapidly. And on the -- I guess this must be just engines -- this is 1150 h.p. engines. Star to deliver 22 in February. That's for the P-46. The 12 is for -- this says P-46. I don't know whether they have them separate. N.A.A. 1150 h.p. The other says Curtiss P-46.

Mr. Purvis: North American Aviation.

HM, Jr.: Oh! They supply the two. That's it. 22 go in February to Curtiss for their P-46 and 22 for the P-46 go to N.A.A. That's the way they have divided it up in February. In other words, you get 34 in February.

Mr. Purvis: I see.

HM, Jr.: That's when they first start.
Mr. Purvis: Yes. 34 in all.

HM, Jr.: They start 6 in June for Lockheed.

Mr. Purvis: Lockheed, 6.

HM, Jr.: In June. And then, looks like September 1 for the Bell P-39, 3 in October. And then engines spares, you get 15 unassigned.

Mr. Purvis: I see. Unassigned.

HM, Jr.: That gives you an idea when they begin.

Mr. Purvis: Yes. Quite. That's going to be very vital.

HM, Jr.: That's all I have.

Now you can unload yourself.

Captain Collins: May I make one note. The engine figure in here will not jibe in your books because we take two figures, where the planes are bought with engines.

Mr. Purvis: This includes engines and engines in planes.

HM, Jr.: We have taken engines out of the planes.

Mr. Purvis: I see.

A little difficulty that arises in connection with deciding what we can buy here when you are willing to do something for us in which we tend to get into a vicious circle. Take my tip tank. The situation is that you are willing to let us get the tank provided a substantial order is placed. On the other hand, we find ourselves, as a matter of practice, up against the fact that people from the other side of the water so "How can we place a substantial order for the tank until we know what it will do?" I want to know what is the answer. Is it send somebody over here?
HM, Jr: First time I have ever heard tank mentioned.

Mr. Purvis: Somewhat to my surprise, my people advise me they are interested in the tank, and apparently there has been something coming on there.

Captain Collins: There was a query made several months ago concerning tanks, with respect to furnishing specifications and plans, taken up informally at one of the meetings, and they were told that the Army would not release specifications or plans, but if a material order were placed they would furnish such orders and plans to the manufacturers and it dropped right there. I have heard nothing more of it.

Mr. Purvis: Apparently our people -- the trouble is they don't quite know how to approach it and I wondered if the proper thing would not be to send over -- and would they be allowed to see the performance?

HM, Jr: Surely!

Mr. Purvis: It's definite they can't expect to see the specifications, but they can expect to see performance?

HM, Jr: I don't know. Get them over here.

Captain Collins: There will be no trouble.

Mr. Purvis: Well, fine! Has any difficulty arisen, has that cleared up on the powder? I heard some suspicion of powder that morning.

Mr. Young: Mr. Ballantyne was just telling me outside that in a preliminary conversation with Du Pont on the release of the Navy's 2,500,000 pounds, that Du Pont says the naval release is all right with them, but they don't see how they can give it to the British because of the Army project which would command all the Army capacity. Is that correct?
Mr. Ballantyne: Correct.

HM,Jr: Oh, dear! Well, you, Collins, can handle that. If you don't get it cleared up in 24 hours, let me know. For gosh sake!

Mr. Purvis: Apparently the Army will block it.

Captain Collins: They do have a letter and Navy has released it.

Mr. Young: There are apparently no Army contracts yet, so the way is still clear.

HM,Jr: Colonel Burns could fix that up.

Mr. Purvis: Alloys. If I could just come for a moment to those.

First place, a new cable handed to me as I came away, saying that negotiations for stocks lying in Indo-China still proceeding between the Chinese Government and the French Government Agent who has now arrived in Chungking -- in Paris, to handle to. Conclusion may be somewhat delayed, owing to the fact there seemed to be opposition between various Chinese political groups. However, in no case will Chinese wolfram in Indo-China be likely to come into the market because in event the negotiations reach a deadlock, wolfram will not be released for export by French authorities. That's the first straight-out statement like that.

HM,Jr: And I told you about U.S. Steel and maybe we will hear from Mr. Stettinius.

Mr. Purvis: You still are open to the possibility there?

HM,Jr: Oh, yes! Definitely!

Mr. Purvis: Fine!

Cobalt. Seems to be a case of a desire to get
something arranged on the re-export clause, but if I understood that correctly from you, we are held up for a day ....

Mr. Jr: And I wrote him a follow-up yesterday on the re-export clause. I am writing him twice a week until he will do it.

Mr. Purvis: I have an idea that with all the other things that we have talked about, that that pretty well cleans me out.

Mr. Jr: Don't you think creolite is terribly important? I am being funny. I had a 325 foot cutter sailing in about a week. Don't you think you and I ought to go up to Greenland? It's a very nice cutter. The same one I was on. I really think it needs a first-hand investigation. Get there about the 15th of June.

Mr. Purvis: Yes, I think it's splendid.

Mr. Jr: They tell me 400 Danes are very hungry and we can take condensed milk.

You think that's about everything?

(Mr. Purvis and Mr. Ballantyne left.)

Mr. Jr: The thing I wanted to tell you fellows in confidence is the thing he tells me. He says something has happened suddenly in Pratt Whitney. That all bets are off on engines. Now, he said he does not know what happened, but he thinks what happened is that Wilson, President of the Pratt Whitney, and Sir Henry Self had a disagreement because he says he understands that Wilson says Sir Henry called him a liar twice. So I told him if Sir Henry Self conducted himself the way he did in Collins' office with the Army officers, I don't blame Wilson for getting sore. And Jacquin said to him, "I want engines. I don't want excuses." And he said, Don't let either Pleven or Self have anything to do with this in the future. He wanted to go to Gordon Rentschler and get him to help him. I told him no; he should go directly to Wilson. I said,
Gordon Rentschler thinks he has some influence, but I don't think he has.

(Mr. Sullivan came in at this point.)

HM, Jr.: Look, you told me (Sullivan) the other day that one of the two engine companies -- I can't remember -- Pratt Whitney or Curtiss that was going along and giving you no trouble.

Mr. Sullivan: Allison.

HM, Jr.: They are all right?

Mr. Sullivan: Yes. We have had only one discussion and they were splendid.

HM, Jr.: The one I am interested in is Pratt Whitney.

Mr. Sullivan: I have not seen them.

HM, Jr.: Well, strictly in the room, there has been a bust up between the Purchasing Board and Pratt Whitney, of personalities, Wilson and Self have had a row. But there has been no tax trouble?

Mr. Sullivan: Not that I know of.

HM, Jr.: The game is we are to do nothing. On my recommendation Purvis is going to see Wilson himself and have a talk and see if he can't get them to take the matter up again. I am interested because I want to see that plant expansion and if he can't get anywhere he's going to talk to me and I am going to deal with Wilson myself. So don't do anything or say anything, but I wanted to make sure it wasn't a tax matter.

We are not to do anything, but if you hear anything why Pratt Whitney are sore at the Allies, let me know and don't do anything on your own initiative because I certainly want to see their program go through and so does he.

o0o-o0o
May 8, 1940

My dear Mr. President:

I am enclosing herewith, for your confidential information, the latest report on orders, deliveries and unfilled orders for airplanes and airplane engines of the Allied Purchasing Commission.

Yours sincerely,

The President,

The White House.
May 8, 1940

My dear Mr. Johnson:

I am inclosing herewith, for your confidential information, the latest report on orders, deliveries and unfilled orders for airplanes and airplane engines of the Allied Purchasing Commission.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Louis Johnson,
Assistant Secretary of War,
War Department.

By Messenger 3:50 pm
May 8, 1940.

The Honorable,
The Secretary of War

(Attention: General Arnold)

My dear Mr. Secretary:

I am enclosing herewith, for your confidential information, the latest report on orders, deliveries and unfilled orders for airplanes and airplane engines of the Allied Purchasing Commission.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

By Messenger
May 6, 1940

My dear Mr. Compton:

I am enclosing herewith, for your confidential information, the latest report on orders, deliveries and unfilled orders for airplanes and airplane engines of the Allied Purchasing Commission.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Louis Compton,
Assistant Secretary of Navy,
Navy Department.
May 6, 1940

The Honorable,
The Secretary of Navy

(Attention: Admiral Towers)

My dear Mr. Secretary:

I am enclosing herewith, for your confidential information, the latest report on orders, deliveries and unfilled orders for airplanes and airplane engines of the Allied Purchasing Commission.

Yours sincerely,

(Signed) H. Morgenthau.

By Messenger 3:50 pm
May 8, 1940

My dear Captain Collins:

I am enclosing herewith, for the confidential information of yourself and the other two members of the President's Liaison Committee, three copies of the latest report on orders, deliveries and unfilled orders for airplanes and airplane engines of the Allied Purchasing Commission.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Captain Harry E. Collins,
Director of Procurement,
Treasury Department.
TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

May 8, 1940

MEMORANDUM FOR THE SECRETARY

A meeting of the Interdepartmental Committee on Strategic Materials was held in the office of Dr. Feis of the State Department yesterday afternoon, and at this meeting it was developed that the President had approved a request of the Secretary of State for the inclusion of an item of $12,500,000 in the Treasury Department Deficiency Bill to be available immediately for the purchase of strategic materials.

This estimate has been submitted to the Bureau of the Budget through regular channels.

Conferences will be held immediately with representatives of the Army & Navy Munitions Board to determine what materials and in what quantities purchases will be made if these funds are appropriated.

[Signature]

Copy to Mr. Young

25711.
Dear Henry:

I have been able to secure the following information on the question raised in your inquiry of May 7, 1940, namely, as to whether anything had been heard from the Attorney General about the reexport of tin and rubber:

I understand that the Tin Trade Association, the Rubber Trade Association, and the Commodity Exchange, dealing in tin and rubber, had had under consideration the possibility of requiring clauses in contracts of sale providing that the tin or rubber sold should not be reexported in conflict with this Government's policy, but that the membership of these organizations had hesitated to adopt such a measure because of their fear that it would be contrary to the provisions of the Sherman Anti-Trust Act, and that, therefore, they would be liable to either criminal or civil suits. This matter was taken up informally with the Department of Justice,

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.
Justice, and not long ago Mr. Thurman Arnold, Assistant Attorney General, advised that the Department of Justice is not able to give in advance approval to any combination or agreement in restraint of trade on the assumption that it would be reasonable and therefore legal, but that it recognizes that it is necessary to give whatever protection can be given under the law to business men who act in good faith, and he suggested procedure under which the proposed action could be brought formally to the attention of the Department of Justice.

This Department has transmitted to the three associations mentioned above the information furnished by Mr. Thurman Arnold and invited them to place the entire matter before the Attorney General by letters transmitted through this Department, so that supporting memoranda prepared in this Department and in the War and Navy Departments might be sent to the Attorney General at the same time. The matter is now before the two trade associations and the Commodity Exchange, and presumably they will submit letters to the Attorney General shortly unless they find too much opposition to this action within their membership.

Officers in this Department who have been following this matter closely advise me that discussions and correspondence with the interested parties have brought out the
the fact that the formal inclusion in contracts of the proposed clauses governing reexports will be relatively ineffective as a deterrent to undesired exports, since such action would be supported by no penalty which could be enforced in the courts. Presumably, the main problem is still in securing the voluntary cooperation of all of the private interests concerned in this country, and I am told that very good progress has been made in that direction. The large exports of tin and rubber which took place soon after the outbreak of war are not continuing, and the Amtorg Corporation in particular is now finding it difficult, if not impossible, to secure either commodity in this market.

Sincerely yours,
May 5, 1940

FOR: AMBASSADOR BULLITT
PARIS FRANCE

FROM: SECRETARY OF THE TREASURY

VIA U. S. NAVY MOST SECRET CODE

I HAVE JUST BEEN INFORMED THAT THE BRITISH AND
FRENCH GOVERNMENTS INTEND TO PLACE ALL THEIR
ORDERS FOR IRON AND STEEL THROUGH THE BRITISH
IRON AND STEEL FEDERATION IN LONDON WITHOUT
CONSULTATION WITH PURVIS AND BLOCH LAINE PERIOD
I DO NOT KNOW WHETHER THEY WILL USE THE FUNDS ON
DEPOSIT WITH THE FEDERAL RESERVE OF NEW YORK FOR
THIS PURPOSE PERIOD IT IS IMPOSSIBLE FOR ME TO
KEEP THE PRESIDENT INFORMED UNDER THESE CIRCUMSTANCES
WHAT THE BRITISH AND FRENCH GOVERNMENTS ARE DOING
IN REGARD TO PURCHASES OF IRON AND STEEL IN THE
UNITED STATES PERIOD PLEASE USE YOUR GOOD OFFICES
TO STRENUOUSLY PROTEST THIS PROCEDURE AND SAY THAT
I INSIST THAT ALL PURCHASES IN THE UNITED STATES
FOR THE FRENCH AND BRITISH GOVERNMENTS MUST CLEAR
THROUGH PURVIS AND BLOCH LAINE

HENRY MORGENTHALER JR
May 8, 1940

FOR: AMBASSADOR BULLITT
PARIS FRANCE

FROM: SECRETARY OF THE TREASURY

VIA U. S. NAVY MOST SECRET CODE

I HAVE JUST BEEN INFORMED THAT THE BRITISH AND
FRENCH GOVERNMENTS INTEND TO PLACE ALL THEIR
ORDERS FOR IRON AND STEEL THROUGH THE BRITISH
IRON AND STEEL FEDERATION IN LONDON WITHOUT
CONSULTATION WITH PURVIS AND BLOCK LAINE PERIOD
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I INSIST THAT ALL PURCHASES IN THE UNITED STATES
FOR THE FRENCH AND BRITISH GOVERNMENTS MUST CLEAR
THROUGH PURVIS AND BLOCK LAINE

HENRY MORGENTHAU JR
May 6, 1940

FOR: AMBASSADOR BULLITT
PARIS FRANCE

FROM: SECRETARY OF THE TREASURY

VIA U. S. NAVY MOST SECRET CODE

I HAVE JUST BEEN INFORMED THAT THE BRITISH AND FRENCH GOVERNMENTS INTEND TO PLACE ALL THEIR ORDERS FOR IRON AND STEEL THROUGH THE BRITISH IRON AND STEEL FEDERATION IN LONDON WITHOUT CONSULTATION WITH PURVIS AND BLOCH LAINE PERIOD.

I DO NOT KNOW WHETHER THEY WILL USE THE FUNDS ON DEPOSIT WITH THE FEDERAL RESERVE OF NEW YORK FOR THIS PURPOSE PERIOD IT IS IMPOSSIBLE FOR ME TO KEEP THE PRESIDENT INFORMED UNDER THESE CIRCUMSTANCES WHAT THE BRITISH AND FRENCH GOVERNMENTS ARE DOING IN REGARD TO PURCHASES OF IRON AND STEEL IN THE UNITED STATES PERIOD PLEASE USE YOUR GOOD OFFICES TO STRENUOUSLY PROTEST THIS PROCEDURE AND SAY THAT I INSIST THAT ALL PURCHASES IN THE UNITED STATES FOR THE FRENCH AND BRITISH GOVERNMENTS MUST CLEAR THROUGH PURVIS AND BLOCH LAINE.

HENRY MORGENTHAU JR.
May 9, 1940

FROM: AMBASSADOR HULLITT
PARIS FRANCE

FROM: SECRETARY OF THE TREASURY

VIA U.S. HAVE MOST SECRET CODE

I HAVE JUST BEEN INFORMED THAT THE BRITISH AND
FRENCH GOVERNMENTS INTEND TO PLACE ALL THEIR
ORDERS FOR IRON AND STEEL THROUGH THE BRITISH
IRON AND STEEL FEDERATION IN LONDON WITHOUT
CONSULTATION WITH PURVIS AND BLOCH LAINE. PERIOD
I DO NOT KNOW WHETHER THEY WILL USE THE FUNDS ON
DEPOSIT WITH THE FEDERAL RESERVE OF NEW YORK FOR
THIS PURPOSE. PERIOD IT IS IMPOSSIBLE FOR ME TO
KEEP THE PRESIDENT INFORMED UNDER THESE CIRCUMSTANCES
WHAT THE BRITISH AND FRENCH GOVERNMENTS ARE DOING
IN REGARD TO PURCHASES OF IRON AND STEEL IN THE
UNITED STATES. PERIOD PLEASE USE YOUR GOOD OFFICES
TO STRONGLY PROTEST THIS PROCEDURE AND SAY THAT
I INSIST THAT ALL PURCHASES IN THE UNITED STATES
FOR THE FRENCH AND BRITISH GOVERNMENTS MUST CLEAR
THROUGH PURVIS AND BLOCH LAINE.

HENRY MORGENTHAU JR.
May 9, 1940

FOR:  AMBASSADOR HULITTY
      PARIS FRANCE

FROM:  SECRETARY OF THE TREASURY

VIA U.S. HAVE MOST SECRET CODE

I HAVE JUST BEEN INFORMED THAT THE BRITISH AND
FRENCH GOVERNMENTS INTEND TO PLACE ALL THEIR
ORDERS FOR IRON AND STEEL THROUGH THE BRITISH
IRON AND STEEL FEDERATION IN LONDON WITHOUT
CONSULTATION WITH PURVIS AND BLOCH LAINE PERIOD
I DO NOT KNOW WHETHER THEY WILL USE THE FUNDS ON
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TO STRENUIOUSLY PROTEST THIS PROCEDURE AND SAY THAT
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FOR THE FRENCH AND BRITISH GOVERNMENTS MUST CLEAR
THROUGH PURVIS AND BLOCH LAINE

HENRY MORGENTHAU JR
May 6, 1940

EXTRA CONFIDENTIAL

My dear General:

I would appreciate it if you would arrange to have the enclosed message to Ambassador Bullitt sent to him in most secret Navy code via the United States Naval Attache in Paris and also instruct the Naval Attache to handle the return message from Ambassador Bullitt to me.

Yours sincerely,

General Edwin M. Watson,
The White House.
May 8, 1960

CONFIDENTIAL

My dear General:

I would appreciate it if you would arrange to have the enclosed message to Ambassador Bullitt sent to him in most secret Navy code via the United States Naval Attaché in Paris and also instruct the Naval Attaché to handle the return message from Ambassador Bullitt to me.

Yours sincerely,

General Edwin M. Watson,
The White House.
May 8, 1940

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Yours sincerely,

General Edwin M. Watson,
The White House.
May 3, 1940

EXTRA CONFIDENTIAL

My dear General:

I would appreciate it if you would arrange to have the enclosed message to Ambassador Bullitt sent to him in most secret Navy codes via the United States Naval Attaché in Paris and also instruct the Naval Attaché to handle the return message from Ambassador Bullitt to me.

Yours sincerely,

General Edwin H. Watson,
The White House.
May 8, 1940

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General Edwin M. Watson,
The White House.
Tokyo
Dated May 8, 1940
Rec'd 6:24 p.m.

Secretary of State
Washington

319, May 8, 10 p.m.

Japanese Press comment regarding the recent fall in the exchange value of the China dollar displays more anxiety than jubilation. Opinion may be summarized as follows:

(1) Depletion of the ten million pound stabilization fund, of which there remains now only about one million two hundred thousand pounds, is the primary reason for the decline of the China dollar. Also, British support which has been contributed to protect British interests and investments is now being withdrawn because necessary adjustment and liquidation have been made. However, there are rumors that the American Government is in fact considering the use of the stabilization fund to lend support to the China dollar. Such action would create a problem. By the purchase of Chinese silver and by the wheat and cotton loans, the United States has already helped China from the rear to fight Japan.

(2) Another
-2-#519, May 8, 10 P.M. FROM Tokyo.

(2) Another reason for the decline of the China dollar is manipulation for anti-Japanese purposes. Suspension of the sale of foreign exchange against the China dollar may be regarded as one form of guerrilla warfare waged by China against Japan because the yen currencys circulating in China suffer directly from depreciation of the China dollar. China dollar depreciation creates a serious problem for the new Nanking regime and therefore for Japan which supports that regime. Destruction of the China dollar would bring enormous economic injury to regions now under the jurisdiction of Nanking and would cause a serious objection to reconstruction plans. Significantly the China dollar has dropped in advance of the new cotton import season, just as happened in the two preceding years, thereby lending credence to the view that artificial manipulations are being used to prevent Japanese acquisition of foreign exchange to obstruct operation of Japanese cotton mills in central China and to hinder Japanese political and economic plans in China. It is also significant that this latest drop of the China dollar follows soon after the formation of the regime government and the announcements concerning the proposed establishment of a new Central Bank of China.

(3) The press reports that Mr. Inoueoki, former Finance
3-319, May 8, 10 p.m. from Tokyo.

Finance Minister and now economic adviser to General Abe, Japanese Ambassador to China, is to be despatched to China shortly to devise counter measures against the fall of the China dollar. Before his departure, the China board of council will meet to discuss the situation.

Code text by airmail to Shanghai and Chungking.

GREW

REP
Secretary of State
Washington

1141, May 8.
FOR TREASURY FROM BUTTERWORTH.

Simon seems to have been trying to temper the budget lamb to the wind of public opinion in his speech yesterday at the National Savings Association lunch, when he said "we will put no limit on that which we have to spend, because we must at all costs put forward our maximum possible effort for the purpose of winning the war" and when he also stated that "The voluntary method for savings is, in a sense on trial. If we found ourselves with our backs to the wall and in danger of being over-run and enslaved there is no limit to what we would put upon ourselves for the purpose of obtaining liberty--compulsion in every form".

KENNEDY

CSB
Secretary of State,
Washington.

1232, May 8, noon. (SECTION ONE)
My No. 832, April 5, 9 a.m.
FOR TREASURY FROM HEATH.
The Reichsbank statement for April 30 shows a very
large month-end increase in assets and note circulation,
the latter having expanded to a new all time record.
Total investments (commercial and treasury bills securities
and collateral loans) increased by 746 million marks during
the last week of April but were at 12,803 million marks
still 6 million below the peak figure reached on March 30.
The figures for the end of March and April are not truly
comparable since on April 19 the annual meeting of the
Reichsbank was held on which occasion dividends of 7.5
million marks were voted and almost 100 million marks
paid to the Government as its share of the 1939 profits.
Had it not been for this special development there would
presumably have been an increase of approximately 100 million
marks in the investment portfolio. Net changes in the
holdings
holdings of individual investment items from March 30 to
April 30 were as follows: the portfolio of commercial and
treasury bills decreased by 54 million marks to 12,188
million marks. Holdings of eligible securities increased
by 77 million marks to a total of 221 million marks (still
continuing the upward trend noted since the beginning of
March). Collateral loans outstanding amounted to 31 million
marks on April 30 practically the same as on March 30.
Miscellaneous securities decreased during the month by
29 million marks to 564 million marks. Whereas the invest-
ment portfolio as above stated decreased slightly during
the month holdings of miscellaneous assets increased by
105 million marks to 1927 million marks.

KIM

CSB
The annual meeting held in April also led to changes in certain items on the liabilities side which are normally constant. Legal reserves were increased by 12 million marks to 99 million marks. Other reserve funds were increased by 52 million marks to a total of 546 million marks. Miscellaneous liabilities item decreased by 258 million marks to 537 million marks.

Circulation of Reichsbank notes reached a new record high on April 30 standing at 12,480 million marks as compared with 12,176 million marks on March 30 the previous peak figure. Since November 30 there has been with the exception of January a steady monthly increase on note circulation totaling 1.5 billion marks for the five months ending April 30. This development contrasts with the situation during the first three months of the war when following the two million marks increase during the last days of August note circulation remained relative constant.
constant from one month end statement to the next. Sight deposits amounted to 1714 million marks on April 30, 46 million marks under the March 30 figure. The Reichsbank's coin holdings decreased by 19 million marks to 517 million marks and holdings of renten bank notes increased during the month by 7 million marks to a total of 207 million marks. (END MESSAGE)

KIRK

CSB
Gray

Milan

Dated May 8, 1940

Received 1:35 p.m.

Secretary of State

Washington

24, May 8, 5 p.m.

For Treasury Department.

Today's prices as follows: 202.50; 348.50; 524; not listed; 999; 214.50; 1720; 66.75; 235. Volume 93450.

Market opened firm but weakened in slow trading.

Tomorrow holiday exchange closed.

Sholes

RR
May 8, 1940
10:15 a.m.

H.M.Jr: Hello.
Operator: Mr. J. Edgar Hoover.
H.M.Jr: Thank you.
O: Go ahead please.
J. Edgar Hoover: Hello.
H.M.Jr: Mr. Hoover......
H: Yes, Mr. Secretary.
H.M.Jr: ......good morning.
H: Good morning.
H.M.Jr: There's a firm by the name of William H. Muller -- M-u-l-l-e-r.
H: M-u-l-l-e-r, yes.
H.M.Jr: 122 East 42nd Street.
H: 122 East 42nd Street.
H.M.Jr: They have recently -- last April they handled 340 tons of aluminum.
H: Yes.
H.M.Jr: Which was bought by the Rumanian Legation here ostensibly for their Minister of Aviation in Rumania.
H: Yes.
H.M.Jr: The State Department said they knew about it.
H: Yes.
H.M.Jr: We didn't. We understood there was not to be any aluminum to go to Rumania.
H: Yes.
H.M. Jr: I just wondered if you could find out something about the firm of William H. Muller.

H: Yes, indeed. I can find out for you right away about that.

H.M. Jr: Could you?

H: Yes, indeed. I'll have some word today for you.

H.M. Jr: Because here's the thing, the Aluminum Company of America had a chance earlier in the year to make a large sale of aluminum......

H: Yes.

H.M. Jr: .....to Rumania, which they turned down at the request of the government.

H: Yes.

H.M. Jr: Now this thing comes along and naturally they ask themselves, "Well, if we get another chance why shouldn't we take it?"

H: Certainly. That's a perfectly plausible attitude.

H.M. Jr: And I'd -- I'm curious about William H. Muller.

H: I'll check on it right away and give you a ring today, Mr. Secretary.

H.M. Jr: Thank you so much.

H: I'll be very glad to.

H.M. Jr: Thank you.

H: Thank you. Goodbye.
Hello.

Mr. Berle.

Hello.

Yes, Mr. Secretary.

How are you?

Well, I'm somewhat dizzy with the last couple of days, but still above water.

Look, I want to ask a little favor of you.

With pleasure.

I believe that you must have known yesterday that the Dutch were going to send this money over here.

I don't think we did, sir, as a matter of fact. I'll find out but.....

Well......

......my candid opinion......

Well, the only thing I'm using as an illustration, because this morning when George Harrison called me up at nine o'clock to tell me the money was here I immediately called up Welles to tell him, within five minutes, see?

Well, I might say that I've seen nothing in the cables that went across my desk that remotely indicated that. Somebody around here may have known it, but I -- the first I knew about it was when our Dutch friend told us about it.

Well, the President gave me the ha-ha this morning on it. He said he knew it yesterday.

Well.....

I mean, there are lots of things you've had over there that I realize is none of my business, but I think this one is.
B: Well, I think that might be interesting to know, yes. I'd be interested to know that myself.

H.M.Jr: So -- I mean, if he knew it yesterday I kind of thought if it was around your shop I could have known it too, that's all.

B: Well, there's absolutely no reason, as far as I can see, why you shouldn't. I'll find that out myself.

H.M.Jr: Well, don't make an issue out of it.

B: No, I won't.

H.M.Jr: It's just -- this stuff -- we might have slapped something on and not knowing it. We're all trying to do the best we can and I'm just using this as a point that I'm here -- I'm on twenty-four hours' duty and if somebody over there does know it, where it's financial, I'd like to know it. Now, that's fair, isn't it?

B: Well, I think that's perfectly fair. As you know, that's been on my mind. Of course......

H.M.Jr: And we try here to let you fellows know as -- just as fast as I get it.

B: I note one other item, and that was the item that appeared about our Dutch friend this morning in the paper.

H.M.Jr: Yeah.

B: As you know, aside from some advance indications that they had some such ideas, which I passed on to -- passed on earlier -- that they were considering the matter, the first notice I had of it was what I saw in the paper this morning and then that was confirmed by our Dutch friend this after.....

H.M.Jr: I talked to Welles earlier and I told him the President said he knew it yesterday afternoon, and -- so I've spoken to Welles, I've talked to you -- I'm only doing it -- in these most difficult times if I can get the stuff and if sometime I don't give it to you, why it'll be on me.
B: Don't blame you at all, Henry. I'll gunshoe around and try to find out. I will likewise try......

H.V.Jr: If it's a New York Times story because if -- if the Dutch Legation knew it they might have told you people.

B: The fact of the matter so far as I get it, judging from what happened this morning was that he brought in a cablegram which he had not even yet had typed out but had written out in his own handwriting. I gather he had decoded it last night and he said the last part of it was garbled and for further code -- further decode.

H.V.Jr: Well........

B: And he brought that in and read it to me this morning. Now, what he knew before that, or how early he knew it, of course, I can't tell.

H.V.Jr: Well, this Times story said that and authorized Netherlands' source said tonight, "this can be taken as definite proof," and so forth and so on.

B: Yeah.

H.V.Jr: And that's Associated Press in Washington

B: Well, I suppose that he probably said something about it last night and when he got it last night I don't know. I know that he called up yesterday and asked to make a date with me early this morning and I told him as early as he pleased.

H.V.Jr: I don't suppose you like to be "scooped" at the White House any more than I do on foreign affairs.

B: We -- (laughs) we hate it. We are a little bit used to it but......

H.V.Jr: That's all right. It's all right, we understand each other.

B: I understand it perfectly and I'll endeavor to see what can be done about it.
H.M.Jr: Righto.
B: All right, Henry.
H.M.Jr: Thank you.
B: Take care of yourself.
H.M.Jr: I'm trying to.
B: (laughs) Me too. So do we all.
H.M.Jr: That's -- I'll lose the argument every day though -- I mean when it's a question of taking a walk for a little fresh air or something, or getting a haircut.
B: (Hearty laughter) I haven't had a haircut for so long I'm beginning to look like William Jennings Bryan myself.
H.M.Jr: Well, you can burst out with a silver speech.
B: That's the idea. I've been thinking of that.
H.M.Jr: All right.
B: All right.
H.M.Jr: Goodbye.
May 8, 1940
1:58 p.m.

H.V. Jr: Hello.

Sam Rayburn: Yes. Hello.

H.V. Jr: Mr. Rayburn.

R: Yes.

H.V. Jr: Henry.

R: Yes.

H.V. Jr: How in the hell are you?

R: Fine.

H.V. Jr: Sam, I'd like to have a chance to talk to you. I'll tell you what it's about. I'm very much interested in slum-clearance.

R: Yes.

H.V. Jr: And I've seen quite a lot of it in the field and I'd like to see some more of it go on.

R: Yes.

H.V. Jr: Now, when could I talk to you about this bill that is going......

R: Well, I tell you what I can do. I can come by your office in the morning as I come down.

H.V. Jr: It would be a great compliment to me.

R: Well, I tell you, Henry, suppose I say I'll be at your office at ten-thirty. Will that be all right?

H.V. Jr: If you -- or I tell you -- it's the only appointment I have. Twice a week I see the press -- Thursday at 10:30. Now, I could either before or after.

R: Well, I'll tell you what we'll do. I could be there at ten o'clock.

H.V. Jr: Wonderful.
Yes, I'll be there -- at your office in the morning ten o'clock, Henry.

H.V. Jr: I'll be waiting.....
R: All right, that'll be fine.
H.V. Jr: ......with a bunch of roses.
R: All right, fine, Henry.
H.V. Jr: Ten o'clock tomorrow.
R: Ten o'clock tomorrow.
H.V. Jr: Ever so much obliged.
R: Fine.
May 8, 1940
2:56 p.m.

H. M. Jr.: Hello.

Berle's Secretary: Hello.

H. M. Jr.: Yes.

B's Sec.: Oh, Mr. Secretary, just a moment. Mr. Berle.

H. M. Jr.: Hello.

Adolf Berle: Hello.

H. M. Jr.: Yes.

B: Oh, Henry.

H. M. Jr.: Yes.

B: I've been checking around a little on this thing and likewise checking my own records and memory. Apparently Morgenstierne came into the department yesterday morning quite early and he came down to see me at a little after ten, and I recall that he mentioned something about this to Mr. Cumming who was with me and to me. It wasn't very definite. He came in about something else, it was about the long letter that we wrote to the Federal Reserve Bank. We then shipped him over to your people and I'm not clear whether we may not have slipped up here because we assumed that he'd tell everything he was going to to Bernstein and Cochran and White with whom he was working on that Federal Reserve transfer.

H. M. Jr.: Yes.

B: And all of that's -- that is the first knowledge, I think, anybody had here, and it slips my mind because it wasn't in our bailiwick. He mentioned something and we just didn't pay a great deal of attention to it because we weren't working on that and it was none of our business. Now......
......it's possible--my impression is that--well, we assumed here at all events that he was then going to tell everything he had to tell about that score and his financial affairs to the people he was working with on this Federal Reserve transfer. Whether he did or not, I don't know.

"W." Jr.: "Vorgeratierne knew about the Netherlands?

B: No, I was talking about the transfer to him.

"W." Jr.: Oh, that we knew all about.

B: Well, the Dutch--the Dutch--that you knew about?

"W." Jr.: Oh, yes.

B: Now, the Dutch Minister so far as that's......

"W." Jr.: Oh, that--that we knew about. The fact is the night before last I talked to Welles and he......

B: Well, I thought so.

"W." Jr.: No, that I was entirely up on.

B: Well, that's fine. Well, I was checking several of these things.

"W." Jr.: No, that was--he brought me right up to the minute.

B: Now, the--so far as the Dutch Minister is concerned, I can't find yet that he gave any definite statement of that to any of us.

"W." Jr.: Yes.

B: He telephoned me at five-fifty last night but he was interested in a couple of columns converging on and some other things of that kind. He showed up--well, he showed up this morning as a matter of fact and discussed a variety of things for about an hour, obviously pretty much excited but I don't even recall that he mentioned that. On the other hand, he has been in touch with somebody in this Department pretty much every two hours for the last four or five days so I'll have to check back and see if he mentioned that to anyone.
If he did, I should imagine it was more likely Welles, but I can't even be sure of that.

W. H. Jr: Well, I spoke to Welles and Welles said the first he knew about it was when he came in this morning.

B: Well, I should imagine that was so. I can't imagine why he should. Now, I'll check and see if he called anyone here about it, because this particular 800 thousand credit, I don't -- I don't recall......

W. H. Jr: Now wait a minute, there are two different things. The 800 thousand is Norwegian.

B: 800 thousand is the Norwegian.

W. H. Jr: And the Netherlands is 6 million, dollars.

B: Well, that -- that I haven't checked yet.

W. H. Jr: Well, that's -- the Norwegian thing is all clear.

B: You're clear out of Norway, are you?


B: What we're checking now is the 6 million.

W. H. Jr: Everything was clear on Norway. Everything was regular.

B: Right.

W. H. Jr: Couldn't have asked for better cooperation, than we got on Norway. On the -- it's the other thing, the New York Times story -- the New York Times getting it before I got it; the President's getting it yesterday.

B: Oh.

W. H. Jr: That's the thing that makes......

B: One of these things I've got to do is gumshoe and and see what they -- what they got from the White House.

W. H. Jr: (Laughs)
B: I've -- quite frankly, because maybe we're scooped on that too. Well, I've checked two of the three items and I'll now go after the 6 million, Henry, and see where that is, because I entirely agree with your point of view. You ought to know and.....

H.M.Jr: Fine.

B: .......oh.......

H.M.Jr: Everything is -- no one could have asked for better cooperation on Norway.

B: The Dutch end of it has only just filtered into my immediate business. That is, from now on I'll have to be working on Dutch finances. Prior to that it was mainly politics and I am frank to confess that I don't think any of us gave much of a damn about the Dutch end of it until they asked about it.

H.M.Jr: Yeah.

B: The only thing that they did do, and that I told your people about, was when they gave us the general line that he was gunning for the kind of a power of attorney, something like that which the Norwegian had got, and that your people knew.

H.M.Jr: Right.

B: But there's no reason why it should be reported because it was just something to happen in a distant future.

H.M.Jr: O. K.

B: I'll look for the 6 million and try to check you on that. After that we're perhaps as near clear as we can. Is there anything else while I have you?

H.M.Jr: Not a thing. Not a thing.

B: Anything else that ought to be cleared up?
H.M. Jr: No, everything's lovely.

B: Because we're gonna have to be playing pretty close together I think on this and - Hungary I think, pretty soon.

H.M. Jr: Well I haven't - the only other thing that I'm putting pressure on Welles on that is this re-export of tin and rubber which they've been fooling around with now for months.

B: Huh huh.

H.M. Jr: And you might put that - I mean that's why they don't put on an embargo on the re-export of tin or rubber. I mean I think Louis Johnson announced two months ago they'd done it.

B: One of the things that I think we're going to have to do a little later is regarding the general embargo act. Oh, while I've got you on the telephone, I'd like to say one other thing, the Dutch Minister was in as I told you this morning and he had instructions from his Government, which he showed me expressing the hope that in the event of the invasion of Holland we would not block exchange transactions with the unoccupied area.

H.M. Jr: Well, I heard -- but that's just plain silly.

B: Well,.....

H.M. Jr: I mean, I can't get a war-map every day and find.....

B: I understand that and I pointed that out to him. I told him that in general it was not our policy to impede transactions with free agents who are not dominated by military occupation or something of the kind.

H.M. Jr: Yes.

B: But that the technic of it was an entirely different matter and that would have to be worked out with great care.

H.M. Jr: No -- I mean I can't ask every morning, "Where are the Germans in Holland," and then apply it to another county.

B: Well, obviously not, but as I told him that while the principle of what he wanted to do I thought was entirely in line with the policy which we had adopted.....
H.W. Jr: Right.
B: ....the technique would have to be worked out with the Treasury.....
H.W. Jr: Right.
B: ....and how that would have to be done I couldn't then say. I suggested that he might wish to dis- cuss it with you in the event -- if he thought the thing was imminent as that. He also wished that there'd be no blocking of transactions as between the United States and the Dutch West Indies and so far as it remained unoccupied, the Dutch East Indies.
H.W. Jr: Well, I told him
B: Well, I told him as far as the Dutch West Indies were concerned, I personally doubted whether there would be any trouble on that score. The Dutch East Indies, we'd have to wait and see what the situation was.
H.W. Jr: That's right.
B: And I left it steering him over to see you and telling him that the ultimate determination on that had to be taken by the President.....
H.W. Jr: That's right.
B: ....after he had a consultation with the depart- ments. I report, however, that the line which he was driving at, which was that there would be no unnecessary tying up of balances where there was no military occupation, probably was.....
H.W. Jr: That's reasonable, but to divide Holland into provinces or counties, well that's -- that's silly.
B: Well, I pointed that out, but what you'd have to do would be to filter out each account and find out who in the name of God it really was.
B: But that in the sense of the principle of free exchange we didn't object to that or the method of how you did it was a technical job for the people that worked it.

H.M. Jr: O.K.

B: Right.

H.M. Jr: Thank you.

B: Goodbye.
Operator: Go ahead, please.

H.V. Jr: Hello.

Bill Bullitt: Hello.

H.V. Jr: Hello, Bill.

B: How are you?

H.V. Jr: Hello.

B: Hello, Henry. How are you?

H.V. Jr: Can you hear me?

B: I can hear you perfectly.


B: I've got a message?

H.V. Jr: Have you got a message from me?

B: No, I haven't.

H.V. Jr: Well, it ought to be there.

B: Well, I haven't got it yet, Henry.

H.V. Jr: Well, I'll look into that.

B: Yes.

H.V. Jr: Well, when you -- when you get it......

B: Yes.

H.V. Jr: ......you know you have a man who has a weakness for a certain kind of a radio......

B: Yes.

H.V. Jr: Do you know what I mean?
B: Yes.
H.M. Jr: He likes a little radio.
B: A what?
H.M. Jr: He's crazy about a small radio.
B: Yes, that's correct.
H.M. Jr: What?
B: I understand.
H.M. Jr: Well, in this message I'm asking for certain information.
B: Yes.
H.M. Jr: Well, this man that so likes this little radio, you sent him across to get some other information for me once before.
B: Yes.
H.M. Jr: Well now, you see in this message I only ask for information on the one country.
B: Yes.
H.M. Jr: And I was thinking that while we're at it to get the whole picture I'd better get it on both countries.
B: Yes. Well now, Henry......
H.M. Jr: Yeah.
B: I have not yet received your message.
H.M. Jr: Yes.
B: And therefore I'm a little bit in the dark.
H.M. Jr: Well......
B: Just as soon as I get it if I need to call you up again I will.
H.V. Jr: I think when you get it you'll understand what I have in mind.

B: All right. That's perfectly fine.

H.V. Jr: It's -- I'm sure -- the message went yesterday. You ought to get it today.

B: Well, it should be here if it was coded and sent I don't know why I haven't gotten it before this.

H.V. Jr: Well, it's coming a different way.

B: I see.

H.V. Jr: See?

B: All right. Well that's that.

H.V. Jr: O. K.

B: How are you, Henry?

H.V. Jr: I'm all right. How are you?

B: How is Eleanor?

H.V. Jr: There are two messages on the way to you, Bill.

B: Two, both coming a different route.

B: I see. Now, you ought to have Matthews there I should think tonight or tomorrow.

H.V. Jr: Well, I'll look forward to seeing him.

B: All right. Goodbye, Henry, and good luck, and if I -- it's not perfectly clear -- if it isn't perfectly clear I'll call you up.

H.V. Jr: Thank you.

B: Goodbye. Good luck.
Hello.

Just a moment, please.

Hello.

Hello.

This is Hoover talking, Mr. Secretary.

Yes.

About that New York matter.

Right.

Now, I have this picture of the thing. The personnel of the company is made up of a man by the name of Paul C. Leoni, who is President; Jake Freering, who is Vice President, Archie -- Archibald D. Field, who is Treasurer, and John I. Pearce, Secretary......

Yes.

......Edward H. Clayton, Assistant Treasurer and William Barsch, Assistant Secretary. The Board of Directors consists of Archibald Field, Paul C. Leoni, and John I. Pearce.

Where's Muller, is he dead?

Well, apparently that's merely a name they are using.

(Laughs) I see.

Now, Leoni is a man 52 years of age; he's married; he was formerly employed as manager of the Paris, France, branch of the William H. Muller and Company.

Oh.

That is a Holland concern.

Oh.
M: The entire company -- the Muller and Company is of Holland, which is the parent company of the American Corporation.

M.Jr: I see.

H: In 1914 Leoni was appointed the American representative of the Holland Company. Then when the American branch was later incorporated in 1917 as the Iron and Ore Corporation of America, Leoni was elected as President.

M.Jr: Yes.

H: He still holds that office. The Iron and Ore Corporation is a subsidiary of the William H. Muller and Company and is apparently the export company, the parent organization being an importing company.

M.Jr: Yeah.

H: Leoni became President at the inception of the William H. Muller and Company in January, 1920, when it acquired about 99 per cent of its stock of the Iron and Ore Corporation.

M.Jr: Yeah.

H: Leoni resides at 77 Park Avenue, New York City, paying $2600 a year rent. He is considered a desirable tenant. He's represented as being with William H. Muller and Company for the last thirty years. He receives a salary of $23,700 a year. He has substantial accounts with two New York Banks.

In addition to his connection with these two companies he is also listed as the Director of the Zeeland Steamship Company of Flushing, Holland.

Now, as to J. Freerings, who is the Vice President, he's 45 years old......

M.Jr: Look, Mr. Hoover......

H: Yes.

M.Jr: .....don't you want to send me this over?

H: Yes, I can send that over to you because it runs quite long. I'll send it over to you by special messenger.
Would you?

I'll be very glad to.

Any reason in there to believe that they have German connections?

Now the only -- separate from this report, which is a detailed report we got from various banks and business concerns -- separate from that I got a -- I got another report for which there is no substantiation, but from connections we have there with some of the English people -- some of the British in New York City and some of the Allies groups there, the -- the suspicion is -- that is all that they have -- that William H. Muller and Company have been dealing in rubber and have been buying rubber from Brazil through the Astorg Corporation.

Uh-huh.

.....and then exporting that rubber to Germany.

Well, it looks as though we have something hot.

Yes, it does. Now, they have no proof of that but they -- but they say that they are very much afraid that the company is supplying Germany with materials.

It looks as though we're on a hot trail.

It looks that way. Now, I told my New York office to still continue to run this down because -- well that is merely a suspicion, nevertheless the -- the Anglo-French Purchasing people, they have that very definite fear.

I see.

And I thought that angle looks as if you might be running into something that really has got something to it.

Fine. Well, if you'd follow through I'd appreciate it.

I will, and I'll send you over this memorandum on the company right away.
Mr. Jr.: Wonderful service!

": Very glad to give it to you. Thank you.
May 8, 1940
4:35 p.m.

"W. Jr: Hello.
Nathan Strauss: Hello, Henry.
"W. Jr.: Yes.
S: I called up Sam Rayburn......
"W. Jr: Yes.
S: And asked whether I could see him up there and he said no, but when could he come down and see me.
S: Yes.
"W. Jr: So he's coming down tomorrow morning at ten.
S: Good.
"W. Jr: So I've done nothing until I've had a chance to talk to him.
S: Well, it sounds to me as though you've done it pretty fast.
"W. Jr: So he's coming to see me at ten tomorrow morning.
S: And......
"W. Jr: After I see him I'll -- and I'll have Foley here.
S: Good. That's good.
"W. Jr: So, as I understand it, Ed had lunch with your man.
S: Oh, I'm glad to hear that.
"W. Jr: So there's -- nothing different has happened since I've seen you, has there?
S: I see, have you gotten any further word as to whether Congressman Steagall has been re-elected or not?
H.M. Jr: Yes, I heard that this morning.
S: Is he, or not?
H.M. Jr: He is.
S: It was very close -- very close about two hours ago.
H.M. Jr: Well then -- my information was ten this morning. I've heard nothing since ten.
S: I see.
H.M. Jr: Well, I am seeing Sam Rayburn -- Foley and I tomorrow morning at ten o'clock.
S: Thank you.
H.M. Jr: And after he leaves I'll call you.
S: Thank you very much.
H.M. Jr: O. K.
S: Good news. Good night, Henry.
CONFIDENTIAL

May 8, 1940

To: The Secretary
From: Mr. Young

Attached is an extract from the Pratt-Whitney letter which Mr. Purvis promised you at lunch time today.

[Signature]

[Initial]
May 2, 1940.

We have given earnest consideration to the problem presented by the tentative draft letter forwarded with your letter of April 5th and I regret to advise that we are not prepared to proceed on the basis of the letter of intention. In an undertaking of this magnitude a complete contract seems to us essential.

As I outlined to Captain Collins in my memorandum of January 12th any contract to be entered into in this matter must carry all the necessary factors of recent important contracts with the French, such as payments, taxes, escalator clause, point of delivery, force majeure, etc.

In connection with possible further plant additions, may I recall to you that until the United States Treasury has acted upon our pending application for closing agreement, we are not prepared to consider further major plant additions.
No. 523

Chungking, May 8, 1940

Subject: Fall in Exchange Value of Chinese Currency at the Beginning of May.

CONFIDENTIAL

AIR MAIL

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

I have the honor to refer to recent telegraphic reports of the sudden drop in the exchange value of Chinese currency at the beginning of the current month and to enclose a copy of a memorandum dated May 6, but handed to me on May 7, prepared by Dr. Arthur W. Young, Financial Adviser to the Ministry of Finance.

The memorandum describes recent efforts by the Chinese-British Stabilization Fund to support the foreign exchange value of the Chinese currency, the temporary cessation of such efforts on the evening of May 1, 1940, and measures taken to resume operations to support the market and to reduce fluctuations.

Dr. Young expressed the belief that the present depreciation of the currency in terms of foreign exchange was likely to stimulate a further rise in prices, with a serious threat to the internal economy of the country and that this, in turn, would inevitably diminish the effectiveness of China's military resistance to Japanese aggression. He expressed the opinion that given time the country would be able to absorb the shock to its price structure and would be able to weather the storm, but that the needed time was dependent upon external assistance which was very much needed now.

Respectfully yours,

NELSON THUHLER JOHNSON
Enclosure:

Memorandum dated May 6, 1940

Original and two copies to the Department by air mail.
Copy to the Embassy, Peiping.
Copy to the Consulate General, Shanghai.

851/851.5/851.51
WEP:tm

COPY
Enclosure to despatch no. 523 dated May 8, 1940 from the American Embassy at Chungking on the subject of "Fall in Exchange Value of Chinese Currency at the Beginning of May."

COPY

SEVERELY CONFIDENTIAL

May 6, 1940

Since last August exchange has acted well most of the time having depreciated less than sterling vis-a-vis the American dollar. In recent weeks however the Stabilization Fund has had to contend with various adverse developments in addition to the normal seasonal adverse trade balance. The creation of the Wang Ching-wei regime with its scheme for a puppet bank of issue unsettled the market. European events have been disturbing and especially the fall of the London-New York cross rate which led to speculative buying of U.S. dollars at Shanghai. Finally Chinese note circulation has continually increased and internal prices have been rising.

While realizing that readjustment of the exchange level was inevitable before long it was desired to hold rates as long as practicable because a break would stimulate the price rise. Moreover for political reasons it was specially important to avoid a slump at the time of creation of the Wang Ching-wei regime. Therefore beginning in February the greater part of the exchange bought back at the time of outbreak of the European war had to be gradually paid out for currency support. These operations made money very tight in Shanghai and it was hoped to squeeze the speculators at the end of April as was done at the end of March and thus buy back substantially. But the Fund proved insufficient for the more aggressive operations necessary to that end. On May 1 it developed that the speculative position had been largely carried over to the end of May, and the drain of exchange began again, aggravated by the Mediterranean situation and by a growing belief that the Fund was approaching exhaustion. Therefore on the evening of May 1 it was decided temporarily to withdraw support.

In order to meet the situation arrangements have been made to augment the Fund so that operations to support the market and reduce fluctuations may be continued.
May 5, 1940

MEMORANDUM TO THE PRESIDENT:

In reply to your memorandum of May 2, 1940, enclosing a memorandum of April 29 from Mr. Carrie regarding the refunding of the 3% special obligations now held in the Federal Old-Age and Survivors Insurance Trust Fund into special obligations bearing a 2-1/2% rate, I am transmitting herewith a memorandum from Bell, who discussed this matter with you at a cabinet meeting during my absence in March.

If you have any further questions about the matter I shall be glad to talk with you about it.

(Signed) H. Morgenthau, Jr.

By Messenger 1PM 5/9/40

File to Mr. Thompson
MEMORANDUM TO THE SECRETARY:

In connection with the attached memorandum from the President suggesting that the 3 per cent obligations held for account of the Federal Old-Age and Survivors Insurance Trust Fund be refunded into 2½ per cent obligations, the President asked you about this several weeks ago and at your request I discussed it with him at a cabinet meeting during your absence in March. At that time I told him that at a meeting of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund early in December, the matter of refunding these 3 per cent securities was discussed at some length, and the Board agreed that it would be a good thing to refund these obligations into the lower interest-bearing securities, but there were certain questions involved which in the opinion of the Board outweighed the desirability of refunding. To refund these securities at this time would no doubt raise the question in the minds of the beneficiaries of the Social Security System as to whether the Government was not taking away from the Fund something to which it was entitled, and it would undoubtedly result in a great deal of adverse criticism. Furthermore, the basis on which we are now
viser course to pursue. With this remark on his part, I assumed
that the matter was settled to his satisfaction. I feel, in view of
all the circumstances, that the Board has made the best decision, at
least for the time being.
THE WHITE HOUSE
WASHINGTON

May 2, 1940.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

What do you think of this?

F. D. R.

Dear Fdr:
Please speak to me on my return.

[Signature]

Regraded Unclassified
THE WHITE HOUSE
WASHINGTON

April 29, 1940.

MEMORANDUM FOR THE PRESIDENT:

Re: Interest on Special Issues in Old Age Fund.

At one of our recent meetings you stated that you thought advantage should be taken of the amendments to the Social Security Act last year permitting an interest reduction on special issues eligible for redemption in the Old Age Fund. This would result in a budgetary saving of over $7 million a year.

I have drafted appropriate instructions to the Secretary of the Treasury or, if you prefer, I should be glad to see the Secretary and convey your wishes in the matter.

Lauchlin Currie
THE WHITE HOUSE
WASHINGTON

April 29, 1940,

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Re: Investments of the Federal Old-age and Survivors Insurance Trust Fund.

In your capacity as Managing Trustee of the Board of Trustees of the Federal Old-age and Survivors Insurance Trust Fund, the amendment of August 10, 1939 to the Social Security Act authorized you, under certain conditions, to invest the Trust Fund in special obligations of the United States at the average rate or 1/8 of 1 per cent next lower than the average rate of interest on all interest-bearing obligations of the United States which form a part of the Public Debt. At the present time, the rate on such special obligations would be 2 1/2 per cent. It is my understanding that the securities formerly held by the Old Age Reserve Account which were transferred to the Trust Fund on January 1 of this year still carry a rate of 3 per cent, although they may be called for redemption and refunded into new special obligations after one year from date of issue.

I suggest, therefore, that you consider refunding immediately at the lower interest rate those securities which are presently eligible for redemption, and continue this practice for the remainder of the securities as they become eligible for redemption each month between now and the end of this calendar year.
THE WHITE HOUSE
WASHINGTON

April 29, 1940.

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Re: Investments of the Federal Old-age and Survivors Insurance Trust Fund.

In your capacity as Managing Trustee of the Board of Trustees of the Federal Old-age and Survivors Insurance Trust Fund, the amendment of August 10, 1939 to the Social Security Act authorized you, under certain conditions, to invest the Trust Fund in special obligations of the United States at the average rate or 1/8 of 1 per cent next lower than the average rate of interest on all interest-bearing obligations of the United States which form a part of the Public Debt. At the present time, the rate on such special obligations would be 2 1/2 per cent. It is my understanding that the securities formerly held by the Old Age Reserve Account which were transferred to the Trust Fund on January 1 of this year still carry a rate of 3 per cent, although they may be called for redemption and refunded into new special obligations after one year from date of issue.

I suggest, therefore, that you consider refunding immediately at the lower interest rate those securities which are presently eligible for redemption, and continue this practice for the remainder of the securities as they become eligible for redemption each month between now and the end of this calendar year.
It took three more dollars to the foreign exchange market. In Amsterdam, sterling rose to 3.36-1/16, but then reacted to 3.33-1/2 prior to our opening. From an initial quotation of 3.32-3/4 in New York, the pound moved steadily upward to reach a high of 3.36-7/8 in the mid-afternoon. Demand slackened just before the close, and the final rate was 3.35.

Sales of spot sterling by the six reporting banks totaled £482,000, from the following sources:

By commercial concerns.............................................£115,000
By foreign banks (Near East, Europe, Far East & So. America)£364,000
Total.............................................................£482,000

Purchases of spot sterling amounted to £525,000, as indicated below:

By commercial concerns.............................................£210,000
By foreign banks (Europe and South America)..................£315,000
Total.............................................................£525,000

The following reporting banks sold cotton bills totaling £10,000 to the British Control on the basis of the official rate of 4.02-1/2:

£ 4,000 by the Chase National Bank
2,000 by the Guaranty Trust Company
2,000 by the National City Bank
2,000 by the Irving Trust Company
£10,000 Total

The belga sustained a sharp drop in the first hour of trading, and touched a low of .1650. A steadier tendency was in evidence during the afternoon and at the close this currency was quoted at .1656.

The other important currencies closed as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>French francs</td>
<td>.0190</td>
</tr>
<tr>
<td>Guilders</td>
<td>.5309</td>
</tr>
<tr>
<td>Swiss francs</td>
<td>.2242-1/2</td>
</tr>
<tr>
<td>Canadian dollars</td>
<td>17% discount</td>
</tr>
</tbody>
</table>

The Swedish krona has remained steady in the past few days in a highly nominal market. At present, it is quoted at .2380.
The yuan improved in Shanghai today to 3-15/32d against sterling, and 4-13/16d against dollars. These quotations represent gains of 1/8d and 1/8d respectively.

We purchased the following amounts of gold from the earmarked accounts of the banks indicated:

- $4,000,000 from the Netherlands Bank
- $550,000 from the National Bank of Belgium
- $4,550,000 Total


The State Department forwarded to us a cable stating that Samuel Montagu & Company, London, shipped $129,000 in gold from England to the Chase National Bank, New York, for sale to the U. S. Assay Office.

The Bombay spot silver quotation moved off 1/8d to the equivalent of 12.31.

The prices fixed in London for spot and forward silver both advanced 1/8d to 21d and 20-15/16d respectively. The U. S. equivalents were 31.70¢ and 31.33¢.

Handy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

We made four purchases of silver totaling 630,000 ounces under the Silver Purchase Act, all of which consisted of new production from foreign countries, for forward delivery.
The Counselor of the Chinese Embassy telephoned me this noon. He stated that he had received a reply to the message in which he had informed his Government of our readiness to purchase their 4,300,000 ounces of silver on American shipboard at Rangoon, and had let them know that the Federal Reserve Bank of New York would cable our offer. The Counselor said that the Minister of Finance of China had asked the Embassy to thank the Treasury Department warmly for the assistance that it has rendered in this matter. The Minister of Finance hoped, however, that the contract would not include an obligation on the part of China to spend the proceeds of the silver sale in the United States. It is the desire of the Chinese Government that this new money may be used to support the Chinese currency.

I told the Chinese Counselor that the contract as cabled by the Federal Reserve Bank contained no clause in regard to utilization of dollar proceeds of the sale. I told him that I would look up, however, records of any agreement that may have been made on this point in earlier contracts for Chinese silver. Mr. Liu is coming in to see me Friday at 12 noon and hopes to have our views on this point at that time.

In looking through the files of our transactions with China, I find that we have stipulated in at least one case that funds obtained through the sale of silver by China to us should be kept on deposit in New York with agents of the Central Bank of China. I have not had an opportunity to check as to the extent to which this provision has been carried out in all of our purchases of silver from China.

Since the Chinese are sorely in need of funds to support their currency, and since we have not deemed it advisable to render any direct assistance in this direction through the Stabilization Fund, I am reluctant to impose any restrictions upon the use of the dollar proceeds of this present silver sale. As I am authorized to tell the Chinese Counselor tomorrow that we are imposing no restrictions?

The Counselor called me late this afternoon when he learned that the Townsend Bill had passed the Senate. I told him that this did not interfere with our contract.
May 9, 1940

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

I am enclosing herewith, as of possible interest to you and other departments of the Government, a copy, in duplicate, of a report written by Ataman G. M. Semenoff to the Japanese High Military Command in Shanghai on the possibility of conducting a war against the U.S.S.R. in the Far East.

Early in April the Japanese Military Command in Shanghai invited Semenoff to come to Shanghai to discuss military affairs in Manchuria. Semenoff spent several days in conference with Japanese Military Officers and the old subject of the organization of a "White" Russian Army for operations on the Siberian border was discussed. Semenoff was requested by the Japanese to submit a plan of possible operations of such a "White" Army in the event the present European War was extended to the Near and Far East.

The enclosed is an English translation of his response, the original of which was written in Russian of the Cossack patois.

The document is of much importance in itself, but might prove very interesting to military officers. It was obtained from a close associate of Semenoff in Dairen and is, of course, "secret". Its exposure or publication might endanger the life of the associate in question.

Respectfully,

[Signature]
Treasury Attaché

Enclosure
GRIGORY MICHAILOVITCH SEMENOFF, who is now about 70 years of age, was born in the Transbaikalian District of Siberia. His parents were well-to-do. The father, a retired Cossack officer, had a very good farm and traded in native ponies.

Grigory finished Provincial Middle School and Cossack Military School and was commissioned to the rank of Horunji (Second Lieutenant of Cossacks) just before the World War in 1914. Having Mongolian blood in him he usually spent all his vacations from school on the Transbaikalian steppes and in Mongolian grazing fields with droves of his father's ponies. At that time he learned Buriat and Mongolian languages and became friendly with various Mongolian Princes.

During the Great War Semenoff was attached to the 1st Transbaikalian Cossack Regiment, which saw action on the Caucasian front. Being, undoubtedly, a man of personal courage, he was decorated several times and finished the War with the rank of Asenul (Cossack Captain). At the end of 1917 Semenoff returned to the Transbaikal, together with the remnants of his Regiment, and found the whole District in chaos as its capital, Chita, was in the hands of the Bolshevists and the Cossacks generally and their officers particularly were hunted, imprisoned and executed. Semenoff and some of his friends fled to the territory of the Chinese Eastern Railway where there was still some semblance of order.

Gathering together some officers and Cossacks, he disarmed a Regiment of Russian Reservists which was guarding the railway. He established headquarters in Manchuli and began the organization of an army of his own. When his detachment became 2,000 strong, Semenoff
Regraded Unclassified
In the same year Ataman Semanoff, himself, was forced to flee Russian territory and traveled abroad. He had considerable money in his possession. It was during his travels that he was arrested in the U.S.A. for firing on the American Detachment near Chita, but was freed by the Court as the crime charged was not committed on U.S. territory. He returned to the Far East and settled in Nagasaki, Japan.

Soon his money was gone and he entered the employ of the Japanese military who were, and still are, using him for their own purposes. Lately they made him the nominal Head of all Russian emigrants residing in Manchukuo and North China, with the rank of "Adviser on Russian Questions," attached to the Manchukuo Government, for which he receives 1,000 Kumbi a month. Usually he resides in Nakahashi, Dairen, and tries to keep in contact with his followers by means of correspondence.

Apart from a few hundred Cossacks he has no following as he is hated by all Russians, both "white" and "red," for atrocities he has committed to them while in the Transbaikal. However, no one dares say anything against Semanoff in Manchukuo and North China as the Japanese will not tolerate it.

Ataman Semanoff is a man without principles; he is a lawless and greedy individual whose greatest ambition is to return to Russian territory as a Leader and Ruler, and in this ambition he is backed by his stupid Japanese employers.

Any anti-Soviet uprising led by Ataman Semanoff will surely meet with failure as it is well known to everybody in Russia and abroad that he is a plain Japanese agent and not a Russian patriot.
Shanghai, China
April 15, 1940

OPINION AS TO THE POSSIBILITY OF CONDUCTING A WAR
AGAINST SOVIET RUSSIA IN THE FAR EAST

Basic reasons which prompt me to appeal to the head organs which
are fighting now against Nazi Germany, and at the same time under cover
against Soviet Russia, are:

Firstly, my love for the Fatherland (Russia).
Secondly, my deep respect and devotion to the great principles of
Democracy.

I consider it my duty in this historical period of the world to
raise my Russian voice and direct all your attention to the fact that the
present war is one of democratic principles against the principles of
aggression and tyranny which for more than twenty years has been going on
in the territory of U.S.S.R.

Inheriting from the late Admiral Kolchak the leadership in the
Russian Far East, I think it is my duty to give the following general
opinion of the possibility of war in the theater of the Near, Middle, and
Far East, and my idea of how it should be planned and carried out against
U.S.S.R.

I, —— , consider it important to point out that the trend of the
present war is toward the East and will involve sooner or later the coun-
tries of the Far East, as it is a war against medieval Nazism and Utopian
tyrannical Communism, and therefore it is necessary to carry it to the
bitter end in order to preserve Democracy. And so this "until the end" war will be a real "World War" in which all democratic nations must take part.

Various forms and methods will be used in the process of the great struggle now going on, but will change from time to time according to circumstances and the pressure of the moment. But mankind, without any exception, will, by will of fate, take part in this human drama and in the end, of course, will free themselves from this attempt to bring humanity to the living conditions which prevailed in the middle ages. This attempt to revert to the middle ages is against the Laws of Nature and will be crushed by Life itself.

It is now clearly seen that the organized armies of the Great Democracies and the Nazi-Communists will not clash in any great battles in the near future as many think. Future titanic battles will take place only when armies, armaments, and all other necessities of war, as well as all political, economic and strategical factors, will be ready on the world fronts for a decisive struggle.

Long ago in ancient Rome it was said that war in all circumstances is the weapon of policy and is not a factor born of itself. Thus one must have a plan based on political aims to conduct a war in countries of the East.

Germany has a military ally, although so far under cover, in a country wherein the power of its government is based on principles of tyranny heretofore never experienced by humanity. This country is U.S.S.R.

The High Military and Political Command of the Great Democracies at present are now preparing for decisive battles on land, on sea and under the sea, and one of the weapons consists of an economic blockade. This weapon, if used intensively, may bring the desired result only in
the distant future, and it is my opinion undue optimism regarding this method must not prevail for the following reason:

Soviet Russia is a unique structure governed by a monstrous slave-owner having at his disposal 150 million human beings, which, at a moderate expense for feeding and upkeep, will become a colossal economic force whose power can not be estimated in advance.

Thus it is more than likely that Soviet Russia, owing to this unique structure and its still untouched reserves of raw materials, might aid its German ally to continue the struggle for several years.

Hitler's Germany also is not very eager to start active military operations as they, like the Allies, are taking into account the element of time by trying to delay major operations in order that they may send their expert technicians into Soviet Russia to improve industrial methods there.

But the question arises: Will any blockade prevent the proposed industrial progress of U.S.S.R., and will German experts be able to organize production in U.S.S.R. on a sufficiently large scale in time to make a blockade of Siberian ports useless? The talent of the German race for organization is fully recognized.

Therefore, it is necessary to immediately start certain steps of a military character in the Far East designed to hasten and strengthen the blockade against all Nazi-Communist fronts that will bring the desired results. Such steps need not necessarily be the only action against U.S.S.R.

Of course, such action would involve great sacrifices both in men and money, but according to the Eternal Law nothing can be gained without sacrifice.

In the present state of world affairs only quick action will be
successful in stopping the coming progress of U.S.S.R. In order to crush 
Soviet Russia by quick and strong action, one must remember that the 
present day internal life of the country is quite different from that of 
the former Czarist Russia. The old Russia was a country of natural and 
rather primitive agricultural methods and to conquer her it was necessary 
to seize the whole of her enormous territory in order to paralyze her in-
ternal life.

In present Russia (U.S.S.R.), however, although still basically an 
aricultural country, farming methods have been modernized and mechanized, 
and the whole industry has been organized on a mass production basis. There-
fore, in any present day struggle against U.S.S.R., methods entirely different 
from those used against the old Imperial Russia will have to be adopted.

General Dural, a military authority, has stated that, "The fate of 
the war between the Allies and Germany will be decided in the East," but 
did not indicate at what point in the East. The "East" covers a good deal 
of territory.

In the Near East the Soviet Union has about 2400 kilometers of 
territory bordering on Turkey, and about 2300 kilometers on Iran, and in 
addition the entire Soviet shores of the Black Sea which must be guarded 
by the Soviet Navy.

The world's press, during the last two months, has said a great 
deal about the alleged preparation of the Allies for attacking Soviet 
Russia in the Caucasus for the purpose of stopping the supply of fuel oil 
from the Baku and Greenan Districts.

The Press even mentions the number of forces which are at the dis-
posal of the Allies - British (Australian and New Zealand), and French 
Syria under General Noelsgang with headquarters in Beirut. According to 
their information, General Noelsgang has in Syria, Palestine and Egypt about
400,000 troops, besides which Turkey will produce not less than 30 divisions.

However, we must take into consideration the huge territory covered by these troops, the lack of communications and transport, mountains on Soviet borders, and terrible climatic conditions (it is said that 25 kilometers of muslin is necessary for the purpose of protecting the food for English troops from mosquitoes and flies); then we have a picture of the conditions under which the above mentioned troops must operate.

Besides, to paralyze Baku oil wells by airforce and naval units from the Black Sea will, of course, be impossible, because the Soviet Union is prepared for such eventualities. Therefore, the "Eastern Army", under General Weigan, together with the Turkish Army, will be forced to attack by land in order to seize Baku and North Caucasus.

To meet this attack Soviet Command could easily bring to Georgia and Armenia not less than 600,000 troops. As this theater of military operations is close to the center of the country, this Soviet Army could be fed locally, i.e., from the North-Caucasian Military District.

As the Soviets are fully prepared to defend this district, it will be necessary for the attackers to bring into action at least double the amount of manpower, i.e., not less than 1,000,000 men. Further, if it becomes known that the Allies are concentrating so many troops in the Near East, Germany, using their own means of communication, would be able to bring to the Caucasus enough troops to meet the danger.

In this case all efforts of the Allies will not bring the desired success; and even partial success, resulting in seizure of Baku, will only bring on major military operations in the North Caucasus. Would it be good military tactics to start such operations considering the inadequate means of communications in the rear, and the long distance through poorly populated territory to their supply depots?
Under the circumstances it would be better for the Allies to conduct a defensive campaign in the Near East by blockading the Turkey-Iran border, defend the oil districts of Mosul and Iraq from the Soviet airforce, and attack Saku only when the Red Army is occupied elsewhere.

It would also be better for the Allies to defend Hamadan from the Tabriz side and cover it from the Baselli (Fahlebi) side. This plan of campaign would mean the safety of the Kermanshahan and Kirkuk regions and at the same time if Soviet Russia is aiming at active operations in the Near East, would bring a large number of German-Soviet forces into the regions east of Lake Urmia, where they will be in a very uncomfortable position.

The actions of the Allies must be suited to the character of the countries of the Near East, where they will encounter wide waterless steppes with a very scanty population along the railroad and caravan lines, as well as a concentrated population now gathering in the foothills of the mountains in the districts of Tashkent, Samarkand, Khokand, Fergana, and Sevenriver Districts. All these districts, although connected with the central districts of U.S.S.R. by rail, are nevertheless very easy of approach by small expeditionary detachments and by partisan (guerrilla) parties of natives who hate the Soviet regime. These small detachments and guerrilla tribes must be placed under one "Sacred Authority" who would rule with an "Iron Hand" in order to avoid half measures, indecisive actions, disobedience or insubordination, which would involve loss of money and manpower.

Native tribes who inhabit the northern side of Herat, near the northern borders of Afghanistan, and along the great Tian-Shan mountains, are imbued with the spirit of the East; a spirit which can neither understand nor accept the teachings of Communism; in short a spirit which is against anything likely to interfere with their age-old habits and customs. Here it will be necessary, in order to divert the attention of the Soviet Command, to send a small Allied force to start risings among the natives.
The purpose of this report is to summarize the information on the operation of Project X. The report has been prepared by the project team in India, who have been tasked with performing the necessary calculations and analyses.

In summary, the Project X team has conducted extensive testing and analysis of the project in India. The data collected shows that the project is on track to meet its objectives.

The report is intended to provide a comprehensive overview of the project's progress and to answer any questions that stakeholders may have.

It is important to note that this report is not a complete document and should be read in conjunction with other materials available on the project.

The report includes detailed tables and charts that illustrate the project's performance over time.

The report also includes a section that addresses any outstanding issues and provides recommendations for future work.

Overall, the Project X team is confident that the project is on track to meet its goals and is committed to delivering a successful outcome.

Thank you for your attention to this report.
However, I hope that my suggestion of appointing the proper person to the Middle East, to arouse the natives and organize a first line defense against the Communists, will be given careful consideration. Generally speaking, my opinion is that military operations in the Middle East should be limited as follows:

1. Organization of defense operations along the eastern shores of the Caspian Sea on the lines:
   (a) Kester-Abad - Krasnovodsk
   (b) Herat - Merv - Khiva, towards the source of the Ehsa River.
   (c) Nowijent (?) - Tashkent - Kamalinsk - Orak (?)

2. Organization of uprisings among the natives in Semirek (Seven River) District and to extend such uprisings in a northern direction towards Semipalatinsk - Baraun and onward to the Trans-Siberian Railway.

From a study of the map of the U.S.S.R. and the neighboring middle Asiatic countries, it can be clearly seen that neither the Near East nor the middle Asiatic districts of Soviet Russia are places where the U.S.S.R. can be given a blow sufficiently crushing to cause the downfall of the Soviet Government.

The keenest military statistical research will show that even if all the above-mentioned borders are blockaded, it will neither cause desperate economic conditions, nor even make a dent in the economic system of the U.S.S.R. Blockade will simply change some routine arrangements, but living conditions in U.S.S.R. will go on as usual. Imports over these borders are negligible and the little that is imported could easily be handled over other routes.

However, this can not be said of the Far East. Here on the shores of the Pacific Ocean, owing to the war in Europe, are the main gates to the Soviet House. Through these gates, from North and South America, the
The U.S.S.R. is now intensively importing everything necessary for increasing the military power of Communism.

It is a fact that German engineers and transportation experts are employed at all main stations along the Trans-Siberian Railway for the purpose of improving transport and unloading cargoes.

The Germans are losing no time. They believe that "The secret of victory is in the feet of the soldier", and they are injecting this belief into the Soviet Union to induce them to move fast. Already on the High Seas many steamers are afloat with cargoes of naphtha, metals, and other raw products necessary for military purposes. In Soviet ports slaves of the Soviet Government are unloading these cargoes onto trucks and reloading them into railway freight cars, while German engineers are doing their best to keep these cars moving fast towards Nazi-Germany.

All this would not be so tragic if members of the British Parliament, sometimes from Ministerial Seats, did not proclaim to the world that Britain has no desire to war with the U.S.S.R. However, U.S.S.R. is paying very little attention to what the British Parliament is shouting - they are already at war with England. Like the ostrich, England is hiding its head in the sand; otherwise they could hear the danger in the rumbling of numerous cargo trains along the Trans-Siberian Railway.

England may not wish to fight against U.S.S.R., but the U.S.S.R. is carrying on a tireless war against all nations of the world - mainly against England. Every day, even every hour, the U.S.S.R. is winning some economic, political, or strategical advantage. All that is now happening in Soviet Far Eastern ports and along Trans-Siberian Railway is not only preparation for war, but is WAR itself. We must discard our accustomed views on the war and then we will understand that the SOVIET UNION IS CARRYING ON AN INTENSIVE WAR AGAINST THE BRITISH EMPIRE IN ALL PARTS OF THE WORLD.
All attempts of British statesmen to hide this fact by their official utterances is very bad for the prestige of the British Empire and is weakening the influence of their representatives in the East. It is necessary to remember that the people of the East are carefully listening to what is said by British statesmen and are closely watching their actions.

It is a dangerous thing to show to the people of the East one's weakness or hesitation, and that is why, in my opinion, the time has come in the Far East when it is necessary to close the Soviet "gate" to the Pacific Ocean by force.

Lenin, in his teachings, often pointed out that the many millions comprising the masses of the East must be invited and added to the Revolution Movement, and that then the Proletariat will conquer the Bourgeoisie class and the World's Revolution would be assured.

But here in the Far East exists the Country of the Rising Sun - the Japanese Empire - doing its historical duty for the benefit of mankind. Owing to the fact that the centers of the other powers are far, far away, the Japanese Empire is the one and only stabilizing factor in Eastern Asia which has stopped incoming Communism in China in the past and which is the only one with the power to stop its coming in the future.

Imagine what would happen to the people of the Far East if there were no Japanese Empire; for instance, in the fateful years 1929 - 1937! This question no one can really answer because it is impossible to imagine what would happen if the many millions of the Chinese masses became Communist.

So that with other powers busy with the European War, it is clear that only the Japanese Empire is in a position to stabilize the general situation in the Far East, and that only with her aid can the Soviet "gate" to the Pacific be closed.
Decisive military actions on the Soviet borders of the Far East will immediately bring a response in all Eastern Asia.

It has been mentioned many times that the actions of our "white" Russian partisans on the Soviet borders were unsuccessful, and that the Soviet population failed to help them. But no one has asked the reason why.

How can the population of the Soviet Union take up arms against their hated Government when they know that all other countries in the world maintain friendly relations with this Government and are continually signing agreements with them?

Thus when it is said that anti-Soviet partisans are doomed because the population of U.S.S.R. is supporting their Government, it is wrong. Some are just honestly mistaken in this, but some are telling these lies on purpose. It is the powers, themselves, who are supporting the Soviet Government, and not the Soviet population. The truth of the above will be clearly demonstrated just as soon as one of the powers declares a real war against the Soviet Union.

In connection with this statement it must be emphasized that the uprising of the Soviet population depends on a formal declaration of war, and not on an undeclared war such as existed in the case of the Soviet-Finnish conflict.

Knowing the psychology of the Russian masses, the Soviet Government is afraid to make a formal declaration of a major war. There is a Russian saying which roughly means: "Fight first - cry after." Following this saying the population of Russia will take up arms against the Communist Government with the slogan: "We have nothing to lose."

Thus there are TWO BASIC CONDITIONS which are necessary for the closure of Far Eastern gates of the Soviet Union, namely:
1. It is necessary to persuade the Government of Japan to take part in it, regardless of consequences.

2. To declare formal war against the U.S.S.R. as the enemy of civilization. And the war must be to the end.

WITHOUT THESE TWO BASIC CONDITIONS IT WILL BE IMPOSSIBLE TO MAINTAIN A BLOCKADE IN THE FAR EAST AND NO MATTER WHAT THE SACRIFICE, IT WILL MEET WITH NO SUCCESS.

During the last "five-year plan" the Soviets partially succeeded in arranging transport facilities along their northern shores, i.e., in the mouth of the Lena River and in Nizhne-Kolymsk, but so far this route has not proved important from a commercial point of view. However, transportation there is increasing all the time and with the assistance of Nazi experts it might also show good results in a short time.

Investigation as to the ability of the Soviet Pacific ports to handle incoming cargo, namely, Petropavlovsk, Okhotsk, Ayan, Vladivostok, and Soviet Port, shows that unlimited quantities of cargo could be brought into these ports - the only question being its transportation overland to Nazi-Germany.

However, if we take into consideration that there is a compulsory labor system in this country of slaves and that this labor system could be efficiently organized by Nazi experts, then we must agree that we could expect some striking results. And we must also agree that only a crushing blow on the Pacific shores of U.S.S.R. will prevent these "results" which might be very unpleasant for the Allies.

It is possible that the closure of Soviet ports on the Pacific will not be enough even with the seizure of the Maritime Province; therefore some other measures must be taken in order to once and for all finish the U.S.S.R. as an ally of Germany. This might be done by a combined blow, namely, a military diversion somewhere in the territory of the Soviet
Maritime Province, and at the same time a military advance on Outer Mongolia in the direction of Uliassutai - Kesho - Urunchi - Lenschow - Kazi - Chuguchak (?). These routes lead to Kumetek (Stalinsk) District and threaten the main industrial center of Western Siberia, namely, Novo-Sibirsk.

If such combined operations in the Maritime Province and towards Novo-Sibirsk be carried out, then the following results would be gained:

(a) Closure of Soviet ports in the Pacific.
(b) Interruption of Soviet railways.
(c) Liquidation of Kumetek District.
(d) Liquidation of the industrial center of Western Siberia.

And what is most important:

(e) Massing of Soviet troops in the Far East.

The Soviet Government, during the past twenty years, has been transforming Novo-Sibirsk into an industrial center, and the Soviet Union will defend it by all means in their possession. At the same time they will do whatever is possible to defend their gates to the Pacific. These two conditions, i.e., military operations in the Maritime Province and in Outer Mongolia, as well as the threat to Baikal Lake from the west, will make it necessary for the Soviets to concentrate an army of a million men in this part of the world, and the cost and effort of maintaining this huge army will prevent them from sending supplies and cargoes to Germany.

For the above reasons I am in favor of taking the actions I am recommending.

In case the Imperial Japanese Government looks with favor on the above-mentioned plan of action, it could be carried out immediately by the forces which are still at my disposal. These forces consist of a considerable number of former "white" armies in the East and partly of the young generation of Transbaikalian and other Cossacks who have been educated and
We are not a party to the present conflict, and we believe that our part is to maintain our position in the general actions in the West, and to be a part of the Allied forces in the conflict.

The Chinese anti-Soviet movement in Manchuria is an inspiration to all the Chinese people and the Russian Government will be no exception to this. In addition, the Chinese anti-Soviet movement will be the main body of all the forces of anti-Soviet China. The Chinese anti-Soviet movement will also be the main body of the operations to be conducted in this war. In short, there can be no question of Japan's participation in the operations.
of the High Command, and that it will be for the benefit of the Great Democracies. The following points are in favor of my plan:

(1) The main stabilizing force in Eastern Asia - Great Japan will take her part in it and thus will become one of the Allies.

(2) The Navy of the British Empire will be free from action in the Pacific as the blockade will be taken over by Japan, which in the future will prevent misunderstandings between England and Japan - mainly regarding any British Naval activities in the Western Pacific.

(3) Interruption of Soviet-German transport, i.e., the beginning of an actual blockade in the Far East.

(4) Division of the main Soviet forces, as about 30% of the whole Soviet Army will be sent to Eastern Asia.

(5) A huge quantity of various military supplies and raw products, which should be on its way to Germany, would be intercepted and sent to various fronts in the East, which naturally will weaken Germany.

(6) The circle around Germany will automatically be strengthened and at the same time no Allied reserves (of manpower) will be touched, as local Far Eastern contingents will be used.

(7) The propaganda which will be carried out by a newly established Russian National Government will cause an uprising of the Red Army and the population of U.S.S.R., which will weaken the German rear.

All these plans and ideas, which I hereby submit for your decision and approval, are only my general opinion regarding the possible actions which could be carried out in the countries of the East.

I purposely have not mentioned anything about various accounts, inquiries and documents giving details of military possibilities in Eastern countries. All this, together with operative plans of my Staff, can be submitted when necessary.

The purpose of this memorandum is to bring attention to actions
which could be taken in the territories of Eastern countries. It is written not only for military experts, but for all persons who can influence the course of events.

**IN CONCLUSION, I ONCE MORE INSIST THAT IN ORDER TO HELP GERMANY THE SOVIET GOVERNMENT WILL DENY THE PEOPLE OF THEIR COUNTRY ALL THE NECESSITIES OF LIFE, AND, IN SPIRIT OF THEIR SUFFERING, COMMANDERS AND USE ALL ENGINES, COACHES, CARS, AND RAILS TO SUPPLY GERMANY WITH NAPHTHA AND OTHER RAW PRODUCTS. I HAVE NO DOUBT ABOUT THIS.**

Referring to the proposed actions which could be taken in the Near East, they may be of only a defensive nature, while in the Middle East such actions might be of only a secondary character to aid major activities in the Far East.

And here (Far East) the question is clear. It is the struggle against Bolshevik aid to Germany and the coordination of Allied actions with the Government of Imperial Japan.

At the suitable moment it will be necessary to organize Russian anti-Soviet Government in the territory of the Far East - former Russian Empire. And then, without loss of time, military detachments of the said Russian National Far Eastern Government will start an advance movement in Eastern Asia toward the west of Baikal Lake and the Maritime Province. Such land blockade will bring Russian National forces further and further to the west.

As my last suggestion, I think it is necessary to establish an anti-Communist center in the Far East which would work against the Third International in China and British India.

It is my strong opinion that if my suggestions are taken into consideration and put into operation, the necessary financing will easily be found by the Great Democracies.
When I started to write this memorandum I was under the influence of the old saying, namely, "The Present, whatever it is, is in reality the fruit of the Past, and is at the same time the grain of the Future."

FOOTNOTE: Ataman Semenoff, himself, is of course the potential "Supreme Commander" referred to.
A. NEW ORDERS PLACED SINCE APRIL 1, 1940

1. General Motors - Order placed April 8, 1940.
   a. Capital expansion  $5,548,087.00
   b. Training of personnel  600,000.00
   Total  $6,148,087.00

Production created
3,500 Allison engines for delivery prior to September 30, 1941
300 Allison engines monthly thereafter

2. Curtiss Wright - Order placed April 15, 1940.
   a. Capital expansion  $6,558,200.00
   b. Training of personnel and other items  4,684,000.00
   Total  $11,242,200.00

Production created
1,824 R2600A engines for delivery from January to September 1941
260 R2600A engines monthly thereafter

3. Curtiss Wright - Order placed May 9, 1940.
   a. Capital expansion  $7,892,000.00
   b. Training of personnel and other items  3,630,000.00
   Total  $11,522,000.00

Production created
1,030 1820 G-200 engines for delivery from January to September 1941
270 R2600 engines monthly thereafter
160 1820 G-200 engines monthly thereafter
40 R2600
Curtiss Wright

1800 R2600 engines for delivery between January and September 1941
(The contract covering this is just ready for execution)

Pratt & Whitney

758 Twin Wasp engines for delivery between January and September 1941
908 Double Wasp engines (This contract was signed on April 24, 1940)
# Statement of Expenditure incurred by the French and British Governments for expansion of capacity of the United States aircraft industry

**As of March 31, 1940**

<table>
<thead>
<tr>
<th>Amount</th>
<th>Company</th>
<th>Purpose</th>
<th>Allocation</th>
</tr>
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<tbody>
<tr>
<td>$10,575,000.00</td>
<td>Wright Aeronautical Corporation</td>
<td>Aero engines</td>
<td>French Government</td>
</tr>
<tr>
<td>$7,255,000.00</td>
<td>Pratt &amp; Whitney</td>
<td>Aero engines</td>
<td>French Government</td>
</tr>
<tr>
<td>$940,000.00</td>
<td>Curtiss Wright</td>
<td>Air frames</td>
<td>French Government</td>
</tr>
<tr>
<td>$8,262,000.00</td>
<td>Glenn Martin</td>
<td>Air frames</td>
<td>French Government</td>
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<tr>
<td>$940,000.00</td>
<td>Consolidated Aircraft</td>
<td>Air frames</td>
<td>French Government</td>
</tr>
<tr>
<td>$500,000.00</td>
<td>Curtiss and Hamilton</td>
<td>Propellers</td>
<td>French Government</td>
</tr>
<tr>
<td>$1,360,000.00</td>
<td>Wright Aeronautical Corporation</td>
<td>Aero engines</td>
<td>British Government 7/11</td>
</tr>
<tr>
<td>$1,377,000.00</td>
<td>Allison Division</td>
<td>Aero engines</td>
<td>Approximately 1/2</td>
</tr>
<tr>
<td></td>
<td>General Motors</td>
<td></td>
<td>French Government and 1/2 British Government</td>
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</table>

**As of May 1, 1940**

<table>
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<th>Amount</th>
<th>Company</th>
<th>Purpose</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,552,200.00</td>
<td>Wright Aeronautical Corporation</td>
<td>Aero engines</td>
<td>Approximately 7/11</td>
</tr>
<tr>
<td>$5,548,007.00</td>
<td>Allison Division</td>
<td>Aero engines</td>
<td>Approximately 1/2</td>
</tr>
<tr>
<td>$500,000.00</td>
<td>Curtiss Wright</td>
<td>Propellers</td>
<td>Approximately 1/2</td>
</tr>
<tr>
<td>$200,000.00</td>
<td>Glenn Martin</td>
<td>Air frames</td>
<td>Approximately 2/3</td>
</tr>
<tr>
<td>$851,000.00</td>
<td>Bendix Corporation</td>
<td>Eclipse Starters</td>
<td>Not yet decided.</td>
</tr>
</tbody>
</table>

* Subject to reduction should cost be less.

* Subject to increase not exceeding 15% or to decrease depending upon cost.

Anglo-French Purchasing Board
May 9, 1940

Regraded Unclassified
**Airplanes and Airplane Engines Purchased by British and French Governments in April 1940, Classified by Companies**

<table>
<thead>
<tr>
<th></th>
<th>British</th>
<th>French</th>
<th>Joint</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Airplanes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value (In millions of dollars)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Glenn L. Martin Co.</td>
<td>67.8</td>
<td>67.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curtiss-Wright Corp.</td>
<td>30.8</td>
<td>30.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bell Aircraft Corp.</td>
<td>8.0</td>
<td>8.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grumman Aircraft</td>
<td>10.9</td>
<td></td>
<td>10.9</td>
<td></td>
</tr>
<tr>
<td>Consolidated Aircraft</td>
<td>3.7</td>
<td></td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Douglas Aircraft Co.</td>
<td>19.0</td>
<td></td>
<td>19.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>22.7</td>
<td>10.9</td>
<td>106.6</td>
<td>140.2</td>
</tr>
</tbody>
</table>

|                     |         |        |       |       |
| **II. Airplane Engines** |         |        |       |       |
| Value (In millions of dollars) |         |        |       |       |
| Pratt & Whitney      | 34.4    |        |       | 35.0  |

|                     |         |        |       |       |
| **Number**           |         |        |       |       |
| Glenn L. Martin Co.  | 600     | 600    |       |       |
| Curtiss-Wright Corp. | 800     | 800    |       |       |
| Bell Aircraft Corp.  | 200     | 200    |       |       |
| Grumman Aircraft     | 24      |        | 24    |       |
| Consolidated Aircraft| 180     |        | 180   |       |
| Douglas Aircraft Co. |         |        |       |       |
| **Total**            | 204     | 81     | 1,600 | 1,885 |

*May 9, 1940*
Hello.

Colonel Dasher.

Hello.

Yes, Mr. Secretary.

Do you suppose that you gentlemen could have that thing on the Army inventory ready for me by nine tomorrow, because I may see the President early.

Why, we have got it going and they promised to endeavor to get it to us this afternoon.

Do you think you could......

And if they couldn't they would have it here by nine-thirty tomorrow morning because you had told us that you would like to have it by ten-thirty Friday morning.

Well, do you think you could advance it so that you could get it here by nine?

Tomorrow morning?

Yeah.

I'll make an inquiry, sir, and do our level best and call back.

Will you let Lieutenant McKay know in my office?

Yes, I will.

Call Lieutenant McKay.

Yes, sir, I will.

I'd like very much if I could to have it by nine in the morning.

Yes, sir, I will, sir.
H.M. Jr: You'll bring it over with Mr. Martin.
D: Yes, sir. Yes, sir. All right, sir.
H.M. Jr: Hello.
Operator: Preston Delano.
H.M. Jr: Hello.
D: There you are.
H.M. Jr: Delano.
Preston Delano: Yes.
H." Jr: I sent you down a copy of my statement. Did you get it?
D: Yes, I did.
H.M. Jr: How do you like it?
D: I think it's all right.
H.M. Jr: Too strong?
D: (Laughingly) No, I think it's all right. The only thing I was trying to do -- I hope you appreciate what I was trying to do there in possibly putting it on the grounds of new banking legislation, I really was trying to kill two birds with one stone. Because I did want to head off if we could, any opening up of this damn banking thing. I'm scared to death of it.
H.M. Jr: Well, you can take that side, you see?
D: Yeah, I'll take that.
H.M. Jr: But -- you could take that view, but I didn't want to do it because I didn't know where this thing of small loans to business is.
D: Well, I -- that's the thing that I wasn't informed on. I was going to talk to you about that and find out if we -- if we had made up our minds on that particular thing.
'"Jr: Well, I haven't but if I came out and said, "No banking legislation,"......
'D: Yeah, I see your point.
'"Jr: Then my Senator from New York might say, "Well now, you've got no right to say that because......"
'D: That's right.
'"Jr: !......we're going through with small loans to business.
'D: Well, that's......
'"Jr: But this thing just tells Jones -- let him run the lending agencies and we'll do the best job we can on banking.
'D: I tell you what I did to make sure of our position on this thing. I talked to Lee Wighams and I talked to Tom K. Smith......
'"Jr: Yeah.
'D: ......on that thing and they both agree with me.
'"Jr: Good.
'D: And with you that we shouldn't do that, so that I've got a pretty re-inforced position. Now what Jesse is trying to do, I think, is open that thing wide enough for some of his own operations down in Texas.
'"Jr: Uh-huh.
'D: You know he's -- he's pretty heavy in the real estate case....
'"Jr: No, I -- well, I didn't know.
'D: Well, I -- maybe that's just a suspicion. I suppose -- this would have to be off the record, but I mean that's just a suspicion.
'"Jr: Well, I guess it's a good one.
'D: (Laughs)
H.W. Jr: But I'm sure the boys will come down there. When I told them -- talked to them I said that you and I had discussed this thing and we were in complete accord.

D: Right! That's absolutely correct. Now, it's all right for me, if I'm hailed up there, to say -- to place it on the grounds that I mentioned in there that I -- I just think we shouldn't have any bank.

H.W. Jr: Well, that's all right. You just say that.

D: Right. One other thing while I have you here. I did some work yesterday afternoon on that matter you mentioned to me.....

H.W. Jr: You mean public housing.

D: Yes. And of course you're familiar, aren't you, with the exact status of the thing. You know that there's a rule to come out now.....

H.W. Jr: Well, Sam Rayburn was down here this morning.....

D: Yeah.

H.W. Jr: .....and he told me that if Straus could get a bill out on the floor he'll take care of it and pass it.

D: Well, I was going to say I have the same information. Now, I talked with a number of people that I know and I got -- too some of these chaps up there that -- I don't know them personally but I get to them pretty well, and they all assured me that if the thing got out it would pass.

H.W. Jr: Well, that's what Rayburn said this morning. He was kind enough to come down.

D: Well, I think this, I think the thing hangs pretty much in Steagall's hands at the moment.

H.W. Jr: Well, I've asked to see Steagall as soon as he gets back.

D: Steagall, you know, has to ask for a rule. If he asks for this rule from the Rules Committee, the Rules Committee would give it to him I think.
That's right.

Now, if it gets out on the floor......

Yeah.

......my information is it will pass all right.

Well......

And we lined up yesterday afternoon about eight definite votes for the thing.

Wonderful.

And I think that will help.

Would you send me in a little memo on it because Straus is coming in at three-thirty.

Fine.

Will you get me a memo before three-thirty?

Now what -- what will you want in the memo?

Just what you did yesterday so I can tell him.

O. K. I can't give you names but I -- it's all right to state them in numbers.

Numbers?

Numbers, yes.

Yes.

Righto. I'll do that.

And I can tell him that.

O. K. I'll do that.

But keep after it, will you?

Yes, I will. Right away.

Thank you.

Goodbye.
Hello.

Good morning, sir.

Good morning.

I've just had a conversation with General Brett, Mr. Secretary.

Yeah.

And he is extending through us to Mr. Ziegler an invitation to be present at -- for the firing test on the leak-proof tanks, on the 13th of May. Shall I handle that?

If you please.

Thank you, sir.

Right.

And he said to tell you please also that as soon as the -- those engine and airplane production charts which they prepare are brought up-to-date why he will give you copies of the same information he gives Secretary Johnson or General Arnold.

Wonderful.

And he also said, and I brought the question about the motors, that -- I couldn't mention this yesterday in front of Purvis -- he said they are making some very definite estimates against another building program and the airplane -- from the airplane side of it for the Army.

Yeah.

That until they know what the reaction may be on Congress he'd prefer to make no further statement concerning the release of the capacity for those 240 engines we've been discussing because they may not be available at all.

O, K.
C: And I told him I would explain that likewise.

H.M. Jr: Thank you.

C: You're welcome, sir. Goodbye.
May 9, 1940
3:10 p.m.

Operator: Mr. Thompson is in Mr. Bell's office. Shall I call him there?
H.W. Jr: Yeah, that's right.
O: All right.
H.W. Jr: He's in Bell's office.
O: Operator.
H.W. Jr: Where is Bell?
O: In Mr. Thompson's -- .......
H.W. Jr: Is Thompson in Bell's office?
O: Just a minute.
(Brief pause.)
O: Yes, sir. He's coming to the telephone now, Mr. Thompson. There you are.

Norman Thompson: Hello.
H.W. Jr: Norman......
T: Yes, sir.
H.W. Jr: Is Dan Bell in town?
T: He expected to be in town today.
H.W. Jr: Oh, they mean -- they said you were in Bell's office.
T: They said -- no, I'm in Charlie Bell's office.
H.W. Jr: Oh.
T: Charlie Bell.
H.W. Jr: Look, will you get somebody from Bell's office and somebody from Foley's office together on this
question of Finnish payments, see?

T: Yes, sir.

H.V. Jr: I was under the impression that we had taken the check from Finland on their last interest payment and into the Treasury because Dan told me he had to do it.

T: Yes.

H.V. Jr: But evidently he hadn't. Now, the President of the United States says he was going to give it back to them.

T: Uh-huh.

H.V. Jr: Bell's office -- somebody there ought to know something about it.

T: Yes, I understood that they were holding it in a suspense account.

H.V. Jr: Yeah, well that's right, but Bell told me that the time has been up and he had to put it in the general account but I find he hasn't done that.

T: I see.

H.V. Jr: Now, I also find that we've never written to the Director of the Budget or anybody, or Congress, asking them to do it. There's a lot of memoranda on this thing.

T: Yes. Yeah.

H.V. Jr: And evidently -- I thought that Bell or I had written to the Director of the Budget or the President carrying out the President's wishes.

T: I see.

H.V. Jr: Namely, that they be given back -- or something or other. I forget, my mind isn't fresh on it, but I wish you'd dig into it. And I'd like to do two things: one, carry out the President's wishes, or at least his public statement that the last check.....
T: Yeah.

W.W. Jr: ......be given back to them, see?

T: Yeah, I see.


T: Yeah, that's right.

W.W. Jr: And number two, as I remember it -- oh, I don't know -- part of their loan to be re-financed or cancelled or something.

T: Oh, yes.

W.W. Jr: But in Dan Bell's office there must be something.

T: Oh, I'm sure they know all about it, and I'll check right into it.

W.W. Jr: For the President's sake......

T: Yes.

W.W. Jr: .....I want to have him keep faith.

T: Surely.

W.W. Jr: So if we haven't taken the steps of putting it up through the Budget Office to Congress, I'd like to have it prepared so that I could take it over to Cabinet tomorrow and bring it to the President's attention, and get him to approve it and have him send it up on the Hill on Monday.

T: I see.

W.W. Jr: Now, maybe it has been done. My thought is that it was done. If it was done once let's have a follow-up on it.

T: That's right. All right, I'll get right at it.

W.W. Jr: If you could have that for me in the morning.

T: Yes, sir.

W.W. Jr: Thank you.

T: All right. Goodbye.
May 9, 1940
3:30 p.m.

H.M.Jr: Hello.
Operator: I have Mr. Harold Smith.
H.M.Jr: Hello.
O: Hello.
Harold Smith: Hello.
H.M.Jr: Morgenthau, speaking.
S: Yes, Mr. Secretary.
H.M.Jr: How are you?
S: Well, I'm a little weary.
H.M.Jr: Me too. I tried to get you this morning before my press conference to tell you what I had in mind about this so-called R.F.C. bill.
S: Yeah.
H.M.Jr: You know, Jones came over to see us last week.....
S: Yes.
H.M.Jr: .......
S: Yes.
H.M.Jr: And before we had a chance to write you a letter he had it introduced.
S: Yeah.
H.M.Jr: I signed a letter to you yesterday......
S: That's right.
H.M.Jr: .....in which we pointed out that the two banking features we were opposed to.
Yea.
And I said so at my press conference today. I said the other features we were heartily in favor of.

Yea.
But before I -- I mean, I said it two or three times, that we approved the part of 300 million entirely but where it got into banking legislation the two things he asked for I was opposed to them. Well, of course, he sent his bill up, as I understand it, with a -- without ever getting the approval of the Budget. Isn't that right?

That's right. That was an embarrassing situation. I don't know whether he'd done something, made some deal with Glass down there or not.

Uh-huh.
But he kept calling me and wanting to know what the Treasury had reported. He seemed quite anxious about getting something done and threatened to put this bill in.

Threatened?
And I told him that -- of course the other thing he didn't do, you see. He wouldn't even write us a letter formally submitting it.

He did not?
No.
Well, that's what I understood.
He didn't write us a letter formally submitting it. Just a little difficult situation. I told him that we had an executive order here under which these things were done and apparently Jesse isn't used to doing that.

No, he......
S: And he called me up at ten o'clock at the house. I don't know whether it was Tuesday night......

W. Jr: Well, the bill was dropped in the hopper Tuesday night.

S: Yeah. Well, that's when -- that's when he called me then. He said, "I've stuck the bill in."

W. Jr: Yeah.

S: Well, of course, it hasn't got one of the provisions in there that we -- that we need in there -- I think it's Federal -- Federal Farm Mortgage, I guess it is.

W. Jr: Well, the point is I don't want any banking legislation at this time. Hello?

S: Yes.

W. Jr: And the two things that he is asking for is purely personal and selfish on his part.

S: Well, he never -- he wouldn't seem to justify it. He had some vague reason for it and he would -- would say to me that -- well, he was willing to make any adjustments that were reasonable. And he would send over Hamilton, his appropriation -- or his counsel, to work with the boys here and the boys here told me that Hamilton said that Jones was very determined about that when the boys would tackle Hamilton to try to get adjustments. And all I hope is that it doesn't get -- doesn't get snarled up and I -- Jones seemed to be, whenever things were said, willing to go along and yet there was some feeling in the back of our minds -- well, some of the boys began to get a little suspicious and say, "Well now, maybe he's just tacking on these things to stymie it."

W. Jr: Well......

S: Of course, I -- I don't think that's true.

W. Jr: Well, he's a very determined person, as you know, and a very selfish person and we here, Bell and I, felt that he absolutely double-crossed us on this thing, and we didn't know anything about it until we saw it in the paper, and we moved on it just.
as fast as we could. Well, before I sounded off at the press I wanted to talk to you.

S: Yes.

H.N. Jr: But I hope on those two banking features quite frankly that you're going to back the Treasury up.

S: Well, they -- Lawton -- I asked Lawton to check with the Committee and the Committee is going to ask us for reports, you see, right away.

H.N. Jr: Yes.

S: That means that we get these things down to the Committee. Now, I've been working on the Civil Aeronautics thing and we were here until four o'clock this morning.

H.N. Jr: Oh, heavens!

S: Went home and got two and a half hours' sleep and back at seven-thirty, so I suppose that's the reason we didn't get together.

H.N. Jr: Well, I wanted......

S: It's all right, I hope, that -- I hope we can work it out in some way that......

H.N. Jr: Well, the banking features don't belong in the bill.

S: Well, I didn't think so and they were a great surprise to me, you know. He never mentioned any of this stuff when I talked to him about it. We mentioned the other provisions. He just said, "Well, I want some legislation that maybe I'll submit, and was apparently thinking, as far as I could see, he was thinking in terms of maybe some amendments to his act that would stabilize the loan authority and so on and of course we could have no objections to that. Then these other things come popping in out of clear sky.

H.N. Jr: Well, they don't belong in there and the Comptroller of the Currency definitely does not want them.
S: Yes, Yes.
H.M.Jr: Yes.
S: Yes. Well, we'll -- we'll get -- we'll get those reports either back to you so it can go to the Committee.
H.M.Jr: O. K.
S: All right. Thank you.
Sumner Welles: Henry......
W: Yes, Sumner.
W: Sorry to bother you.
H.Y.Jr: No bother.
W: They tell me that Dan Bell is away.
H.Y.Jr: Right.
W: And the Rumanian Minister called to see me this morning.
H.Y.Jr: Right.
W: I wanted to talk over with your department the same kind of arrangement that has been made with Norway and Denmark tentatively with the Netherlands.
H.Y.Jr: Right.
W: And wanted me to call up Dan Bell to tell him that he wanted to see him and talk about that.
H.Y.Jr: Right.
W: Now, since Dan Bell is away until the 20th, they tell me, would it be possible for you to see the Minister instead?
H.Y.Jr: Well, Gaston is going to handle that end of it while Bell is away.
W: I see, well, then I'll ask the Minister to get in touch with Gaston.
H.Y.Jr: I'll tell Gaston that he'll hear from Rumania.
W: All right. Thank you very much, Henry.
H.Y.Jr: I'll tell Gaston that he'll expect a call from the Rumanians.
W: Right. Many thanks to you.
W: Goodbye.
Operator: Operator.
HM Jr: Herbert Gaston.
O: Herbert Gaston.
(Brief pause)
O: Mr. Gaston.
HM Jr: Herbert....
Herbert Gaston: Yes.
HM Jr: Herbert....
O: Yes, sir.
HM Jr: Welles just called -- hello?
O: Yes.
HM Jr: Can you hear me?
CL: I can hear you.
HM Jr: And will you see the Rumanian Minister. He wants us to make a similar deal as Norway and Finland. He'll call you.
O: Yes, all right.
HM Jr: Rumania.
O: Rumania. He's coming in, huh?
HM Jr: Yeah, Welles wanted to know who should see him. He wanted me to see him. I said, no you'd see him.
O: All right.
HM Jr: And I think when he comes in if you could have Cochran there with you.
O: Yes. Yes.
H.M. Jr: If you will.
G: All right, I'll do that.
H.M.Jr: Have Cochran with you.
G: Yeah. He's coming in today?
H.M. Jr: Well, he'll contact you.
G: Yes. Very good.
H.M. Jr: Thank you.
G: Goodbye.
Operator: Go ahead, please.

H.M. Jr: Hello.

Gene Duffield: Yes.

H.M. Jr: Yes, Gene.

D: Have you seen anything on the ticker?

H.M. Jr: Not a thing.

D: Jesse says that -- well, he doesn't care much about the preferred stock thing and he wasn't trying to take anything away from you, he was just trying to get equal powers.

H.M. Jr: I see.

D: And he said......

H.M. Jr: Damn?

D: Ah......

H.M. Jr: Did he say "damn"?

D: No.

H.M. Jr: Oh, I thought you said "damn".

D: No, I said and.

H.M. Jr: Oh.

D: And he said that the original law was backwards. That should have been the R.F.C. anyway because the R.F.C. does all the work. That's because he arranged it that way, of course.

H.M. Jr: Yeah.

D: He said though that he thought the most important part of the bill was the real estate loans.
That he thought there had been too much reluctance on the part of banks to make such loans and that they needed this sort of encouragement.


D: Yes.

H.M. Jr: Yeah.

D: And he said that he thought that was the most important part of the bill, and he evidently talked at length about that but didn't say so terribly much about the preferred stock.

H.M. Jr: Was he nasty?

D: A little bit nasty on this real estate business. I think he made one remark according to Wilson that -- well, maybe you were a better banker than he was but he thought that they ought to do more of this.

H.M. Jr: Well, maybe I am because I don't practice banking.

D: (Laughs) Maybe so.

H.M. Jr: What?

D: Maybe so.

H.M. Jr: Of course — what's his name said, and I don't know whether there's any truth, it's just — strictly personal off-the-record.

D: Yeah.

H.M. Jr: Preston Dalano tells me that Jesse has quite a few real estate loans down on his bank.

D: Well, I think that's true. It has always been rumored anyway.

H.M. Jr: Well, I don't know -- I can't -- I'm just giving you shere gossip.

D: Sure.
H.W. Jr.: But outside of that he wasn't nasty?
D: Not terribly nasty except the tone of this business -- oh well, he wasn't trying to take anything away from you, I don't think is quite frank, on the preferred stock thing.
H.W. Jr.: Well, .......
D: I don't think if he had equal power with you that he'd ever send anything over to you.
H.W. Jr.: Well, of course he wouldn't. And you and I -- you having been here through the whole -- where would we have been in December '38 on this thing?
D: Absolutely. Absolutely.
H.W. Jr.: And the fact that I wouldn't sign that letter on that preferred stock this year until I got what I wanted.......
D: Yeah.
H.W. Jr.: .......I never would have gotten what I wanted.
D: It's absolutely a good thing to have you go over those things and you -- it ought to go on that way.
H.W. Jr.: Well, I think it will.
D: Yeah, I think so too. I hope it will.
H.W. Jr.: Harold Smith is awful sore over the whole thing.
D: Well, of course, that's just like Jesse. He does it his own way. The only danger is that I see -- that I can see is that he has always cultivated those two banking committees on both sides of the Capitol.
H.W. Jr.: True, but I understand from Delano that the A.B.A. is with us on both of these.
D: Oh, good! That'll help a lot.
H.W. Jr.: I understand -- he says the A.B.A. is with us on both of them. They don't want -- they'll back us up on both.
D: Fine, fine. Did -- Did I ever get to you through Ed Foley this afternoon a copy of Jerry Frank's speech?

H.M.Jr: No, I haven't gotten it yet.

D: Well, I -- it may be my fault but I tried to get it to Ed -- oh, well, an hour ago. I don't know whether I succeeded or not.

H.M.Jr: Yeah.

D: But I will get it to him when......

H.M.Jr: O. K.

D: Fine.

H.M.Jr: Good night.

D: Good night.
Memorandum for the Secretary's Diary

A conference was held on Thursday, May 9, 1940, at 10 a.m. in the Secretary's office. It was attended by Secretary Morgenthau, Congressman Rayburn and Ed Foley. The purpose of the conference was to discuss ways and means of securing passage of the U.S.R.A. amendments pending before the House Banking and Currency Committee.

Congressman Rayburn explained that he was willing to clear the track for passage on the Floor once a reasonable bill had been approved by the House Banking and Currency Committee. He said by a reasonable bill he meant one that provided for an amount for loans somewhere between 250 and 300 million dollars. He was of the opinion that the House would pass a measure of this kind, but would be unalterably opposed, as it was last year when the rule was rejected, to a bill providing for loans in the amount of 300 million dollars. He pointed out that Congressman Martin had said to him that he thought some Housing measure should be adopted and might go along if the amount were reasonable.

Congressman Rayburn explained that Nathan Strauss had failed to sell himself and his organization to the Banking and Currency Committee and had sold this to Mr. Strauss. Apparently Strauss had antagonized influential members of the Committee such as Clyde Williams and Albert Gore, and the personality complication was very much present. Mr. Rayburn thought that if someone other than Mr. Strauss should explain the measure to Mr. Steagall's Committee, it would help. While he liked Mr. Strauss personally, Mr. Rayburn said that he was much disliked on the Hill.

Secretary Morgenthau stated that he was interested only in getting the bill through and he was willing to do whatever he could to help. In the event there should be a sudden cessation of war orders in the early Fall, Mr. Morgenthau pointed out that a Housing program would be very much needed. He said that he had been in Chicago and other places and had seen the work which the U.S.R.A. had accomplished and was very much impressed with the necessity for its continuance.

Congressman Rayburn thought that Secretary Morgenthau should see Mr. Steagall as soon as he returns from Alabama. Mr. Rayburn pointed out that Congressman Clyde Williams was a key man on the Banking and Currency Committee as was Congressman Cox on the Rules Committee, and they should be spoken to as well. Secretary Morgenthau said that he would leave the Rules Committee and the Republican leaders to Mr. Rayburn, but would be very glad to talk to Mr. Steagall, Mr. Williams and others on the Banking and Currency Committee.
TO: 4

Miss Chauncey

5/9/40

Mr. Foley carried the original of this in to the Secretary at 3:30 today.
Committee

To be represented by Mr. White and others on the Banking and Currency Committee.

and the Banking and Currency Committee will also have the same.

The Committee, therefore, has decided to make a report on the results of its investigations.

It will be noted that the Banking and Currency Committee has also made a report on the results of its investigations.

The report of the Banking and Currency Committee is attached.

A conference was held on December 7, 1940, at 10 a.m. in the

Department for the Exnetwork.


Regraded Unclassified
May 9, 1940

MEMORANDUM FOR THE SECRETARY:

The situation in regard to Bill S.591 is briefly this:

The bill passed the Senate in June of 1939. It was referred to the Committee on Banking and Currency of the House during the same month and on July 18, 1939 was reported out favorably by that Committee. The House refused to "accept the rule", thus throwing it back into the Rules Committee where it is at the moment. There is every indication that when Chairman Steagall of the Banking and Currency Committee returns and asks for a rule it will be granted. This should insure consideration by the House at this session.

I have discussed the matter with several influential members of the House and Senate and am convinced that if it is presented to the House it will pass. In the course of these conversations I personally received assurance of at least eight votes in favor of the measure.

Preston Delano
GROUP MEETING

May 9, 1940
9:30 a.m.

Present: Mr. Sullivan
Mr. Haas
Mr. Young
Mr. Cochran
Mr. Gaston
Mr. Thompson
Mr. Harris
Mr. Cotton
Mr. Foley
Mr. Schwarz
Mr. Graves
Mr. White
Mrs Klotz

H.M.Jr: Can you (Foley) get that for me informally, or would you ask for it formally (handing teletype message to Mr. Foley)? It is an amazing statement.

Who, during Bell's absence, would check a statement by Woodrum that the debt limit has been passed? Who would check that?

Thompson: Hefflefinger.

H.M.Jr: Phil, I wonder if you could get for me another statement for the President by 9:00 o'clock tomorrow morning on what the Allies have done on orders given for planes and engines sent the first of April, to bring me up to date? Now, don't have them confuse me again with exercising options. As far as I am concerned, that is a new order. What orders did they place for planes and engines since the first of April and with whom, and in each case how much money they agreed to put up for a plant. I would like to have it by 9:00 o'clock tomorrow morning.

Young: Do you want it broken down by British and French?

H.M.Jr: Yes. Planes and engines, and you know they always talk about exercising options. As far as I am concerned, that is an order. Do I make myself clear?

Young: Yes, sir.
Young: Yes, sir.
H.M.Jr: What have you got, Norman?
Thompson: I have nothing.
H.M.Jr: Harold?
Harry?
White: I would like a few minutes either today or tomorrow.
H.M.Jr: Will you tell McKay?
White: Yes.
H.M.Jr: I can put you down for 11:00 o'clock.
White: All right.
Harris: That bill passed the House and the Senate on the release of those 112 laid-up ships. It went through very speedily, as a matter of fact.
H.M.Jr: Does that mean they can sell them to anybody?
Harris: Well, they have got to go a little carefully on that. I think probably they will try and sell 50-50, fifty foreign and fifty domestic. They will have trouble selling the domestic and they will end up selling them all foreign.
H.M.Jr: But they will be sold?
Harris: Yes.
H.M.Jr: Put into use?
Harris: That is right. They will be turned into cash, too.
H.M.Jr: George?
Haas: I have nothing this morning.
H.M.JR: Chick, I read your memorandum. Now, what have you done about it? It is very nice for Mr. Foley to have a friendly suit and the paper reads that I am personally keeping 86 cents a day.

Schwarz: I talked with Mr. Foley --

H.M.JR: It is all very nice, it is a friendly suit, but I have got to take in what the paper says.

Schwarz: We have had a few queries and explained what the basis of the thing is and you undoubtedly will have more questions at your press conference.

H.M.JR: Did Mr. Foley just want some exercise for his lawyers? Do you (Foley) know what I am talking about?

Foley: Yes, I know what you are talking about. We are not handling it, it is being handled by the Department of Justice.

H.M.JR: This memorandum of Chick's says you agreed to it.

Foley: He and Acheson came over and saw Basil Harris.

Harris: It is a very friendly affair, Mr. Secretary.

H.M.JR: It doesn't read friendly.

Foley: Well, it will get the question settled. I wasn't present when Dean came over and saw Basil, but he wanted to be assured on two counts; one, that we wouldn't discriminate against these employees when they engaged Acheson and brought this action and we would go along and --

Harris: Yes, we want the answer to it as much as the other fellows, really, because it has always been a moot point.

H.M.JR: If they ask me at 10:30, to whom shall I refer them?

Harris: Refer them to Customs or Mr. Foley, if you want to.
H.M.Jr: It is a Customs matter, isn't it?
Harris: Yes. It is a very friendly suit.
Schwarz: Time Magazine was over to see Dean Acheson yesterday. They liked the idea of 86 cents being involved.
Harris: That would indicate friendliness.
H.M.Jr: Send them around to see either Harris or Foley, I don't care which. Seriously.

Anything else, Chick?
Schwarz: That is all.
H.M.Jr: Phil?
Young: This Pratt & Whitney letter from Purvis --
H.M.Jr: It is meaningless to me. You had better see me later about it, will you? Do you understand what it means?
Young: Well, I will find out more about it. I wouldn't attempt to explain it at this time.
H.M.Jr: The way it is written, it is meaningless to me.
Cochran: I have this Canadian matter if you want me to summarize that.
H.M.Jr: I wish you would.
Cochran: On April 3, the Secretary of the Canadian Legation delivered over to the State Department, and then in this Department, a memorandum reporting an order in council which they Cabinet had decided on that day, calling in foreign exchange held by Canadian residents. There are certain exceptions made and one would be in the case of foreign residents in Canada whose governments might consummate before the time limit, which is about a month, an arrangement for reciprocal treatment in exchange control matters.
I called Livesey to see whether the Department had had any negotiations, because the release which the Canadians gave out suggested that there had been negotiations between the United States and Canada and Livesey said this matter had come up in Canada when Berle and Jack Hickerson were up there some weeks ago and that a proposition had been put up telegraphically or rather to the Legation after they left which hadn’t been acceptable to the State Department and which the State Department hadn’t even replied to. That would have called for an exchange of notes or an agreement between Canada and the United States whereby we would agree to give reciprocal treatment and exemptions in exchange control if we might at some later date put on exchange control. I told Livesey I would like to have all the background before I brought it to your attention, so a couple of days later Mr. Berle wrote a letter to you—yes, addressed to you the day you went away—and enclosed a copy of a conversation which he had had with Mr. Christie, the Minister, the day after this council order came out. Christie had the appointment for some days before, so Berle brought this subject up and told him how shocked he was to have this thing come out without any advance notice and giving the impression that negotiations have been underway and practically that an agreement had been reached with us, when no such agreement had been reached. He said he didn’t like to have to negotiate against time with a pistol to his head, as it was put. So he asked that negotiations be transferred from Ottawa to Washington and we acknowledged his letter, just stating that Bernstein and I would be available to sit in any conversations that they wanted us in.

Day before yesterday Berle asked that we come over. When we got over there, there was Moffatt and Jack Hickerson and Wailes and Livesey, and they seemed to be in agreement that the weapon they should use or at least have available is this Executive Order, which we used in the case of Norway and Denmark.
In his memorandum of conversation with the Canadian Minister, Berle stated that he had told the Canadian Minister that we would easily offset their action, make it really null, by exercising this right under the Executive Order to stop payments out of this country to Canada.

Berle said, "I want to have this power available. I want to know that the Treasury Department would stand with us if we have to use it," and I said - Bernstein said, "Is there any alternative?" And he said, "Any alternative would be even more drastic." I said, "Well, I don't think it was the idea when we got out this Executive Order that it would be used in cases such as this. This would seem to be a case of diplomatic negotiation and we have used the Executive Order in a case where it was aggression by European powers and certainly not in a case of a friendly neighbor." He said, "Well, we probably wouldn't have to use it, but I should like to have it available and know how you people stand," and I said, "Well, the Secretary, I think, in his press conferences or in one press conference stated that this was for cases of aggression," and he said, "Well, we can't limit the law by interpretation in one of our departments." He said, "The law is to protect American interests," and I said, "Well, some of the people, as I recall it, wanted even an amendment put in --"

**H.M. Jr:** Didn't you tell him how I felt?

**Cochran:** Yes.

**H.M. Jr:** When?

**Cochran:** I told him we would have to think this over very carefully and I wanted all the background to report to the Secretary, but the meeting there was unanimously the other way.

**H.M. Jr:** When did you report to them that I was actually opposed to it?
Cochran: I wouldn't say that I said you were positively opposed to it.
H.M. Jr: That is what I told you to say.
Cochran: I told you I would go over and get their views.
H.M. Jr: But you wanted my views. You said that you were absolutely opposed to it and I told you I was too, and did I tell it to you before that meeting or after that meeting?
Cochran: Part of it was after and part of it before.
H.M. Jr: Have you informed Berle that I was absolutely opposed to it?
Cochran: No, sir, I was going to draw up a letter. I told you I thought we ought to draw up a letter on a thing this important, because I wanted to make a full report to you and then draw up the letter.
H.M. Jr: I want to go on record that certainly in this connection with the Canadian thing I positively will not be a part to using these powers for that purpose. The sooner Mr. Berle knows it, the better.
Cochran: I planned to draw up the letter this morning. I think it should be a letter or memorandum to be signed by you and not just a statement from me.
H.M. Jr: Then supposing you have Foley and Gaston initial it before it comes to me, and Bernstein, will you please?
Cochran: Yes, sir.
H.M. Jr: And if you can get it to me this afternoon, I will sign it. The sooner Berle knows how I feel on that, the better. I just won't be party to it. They are about the best customer we have got, aren't they?
White: They are one of the most important trading customers.
H.K.Jr: You were very emphatic on this thing yourself.

Cochran: Yes, but I didn't want to commit you until I had given you all the information and their viewpoints on it.

H.K.Jr: Well, the sooner they know how I feel, the better and then they can use the other methods.

Cochran: There are no end of other methods.

H.K.Jr: That is what I wanted to get over. Will you fix me up a letter and let Gaston, Foley and Bernstein see it before it comes to me this afternoon? The sooner Berle knows they can handle it that way - is it usual for them to handle negotiations of that kind and not for us to handle them?

Cochran: No, we should certainly be consulted on matters of exchange control. That is what I told Livesey the first day I mentioned it to him. I said, "While the protection of the rights of American citizens is in your province," I said, "before you make any commitments on reciprocal treatment in exchange control you will have to talk to us."

H.K.Jr: Let White initial it, too, before it comes to me.

Cochran: All right.

H.K.Jr: O. K.

Sullivan: Mr. Harris and I would like to see you this morning on that amendment to the Merchant Marine bill.


Foley: This (teletype message) is partly in writing and partly not. Do you want me to call Jerry and see what I can get on that?

H.K.Jr: Yes. Do you want me to do that?

Foley: Yes. Dan and I are going down at 11:00 o'clock to see Pat Harrison.
H.M.Jr: Dan?
Foley: Dan Bell.
Gaston: Isn't he gone?
Foley: No, we made the date yesterday. He is going to be in town today. He couldn't get hold of Harrison yesterday afternoon, so he made it for 11:00 o'clock.
H.M.Jr: I gave strict orders to Dan when he leaves town that nobody should call him but me. Now he is going up to the Hill today.
Foley: Yes. It will only take about ten minutes. We are going to see Pat Harrison at 11:00 o'clock and see if we can get a complete exemption from the Walter-Logan bill for the Treasury.
Gaston: I will tell the guards not to let him in the building.
H.M.Jr: What else?
Herbert?
Gaston: I sat in on one of these Norwegian-Danish meetings last night. It seemed to be very well in hand. It was very interesting.
H.M.Jr: Who wants to hold my hand while - wait a minute. Maybe, Harry, you can find out when the Finnish Minister is coming in. I have been trying for three days to see him.
(Mr. McKay entered the conference)
Is Procope coming in this morning?
McKay: Yes, sir, at 11:00 o'clock.
H.M.Jr: Harry, you are out of luck. Supposing you and Cochran be here at 11:00. I tell you what we will do, White. You can stay behind and we will give Sullivan and Harris 11:45. Is that all right?
Sullivan: Certainly, sir.
H.M.Jr: What else, Herbert?
Gaston: I haven't anything else.
H.M.Jr: O. K.
May 9, 1940

My dear Mr. President:

Through strictly confidential sources, I have learned that the Russian Government has stopped exporting copper from this country, for the time being, and has negotiated a loan with the Chase Bank for $2,000,000 for two months, putting up as collateral 10,000 tons of copper that they hold in the United States.

Yours sincerely,

The President,
The White House.

I destroyed the other two carbons of these letters.
May 6, 1949

My Dear Mr. Secretary:

Through strictly confidential sources, I have learned that the Russian government has stopped exporting copper from this country, for the time being, and has negotiated a loan with the Chase Bank for 12,000,000 for two months, putting up as collateral 12,000 tons of copper that they hold in the United States.

Yours sincerely,

Honorable Cordell Hull,
Secretary of State.
May 9, 1940

My dear Mr. Secretary:

Through strictly confidential sources, I have learned that the Russian Government has stopped exporting copper from this country, for the time being, and has negotiated a loan with the Chase Bank for $2,000,000 for two months, putting up as collateral 10,000 tons of copper that they hold in the United States.

Yours sincerely,

The Honorable
The Secretary of War.
May 9, 1940

My dear Mr. Secretary:

Through strictly confidential sources, I have learned that the Russian Government has stopped exporting copper from this country, for the time being, and has negotiated a loan with the Chase Bank for \$2,000,000 for two months, putting up as collateral 10,000 tons of copper that they hold in the United States.

Yours sincerely,

The Honorable,

The Secretary of the Navy.
May 9, 1940

To: The Secretary
From: Mr. Young

I talked with General Brett at 4:50 this afternoon with respect to the invitation issued to Captain Ziegler to be present at the firing test on the 13th of May.

General Brett informed me that he had been called on the telephone by Captain Ziegler and that General Brett explained to him that he would receive an invitation from you to be present at Wright Field at that time.

Captain Ziegler is acquainted with the specific details and the only unfinished business is a message of thanks from Captain Ziegler to you for the invitation.
My dear Mr. Secretary:

Please accept my thanks for your letter of May 8th with which was enclosed for confidential use three copies of the latest report on orders, deliveries and unfilled orders for airplanes and airplane engines of the Allied Purchasing Commission.

The copies intended for the other members of the Liaison Committee have been transmitted to them by hand.

Sincerely yours,

Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury
MEMORANDUM FOR THE SECRETARY

May 9, 1940

There is attached hereto two copies of a note from the State Department forwarding assurances from the French and British Ambassadors that they will keep this government informed of the performance of all American-made aircraft under combat conditions.

[Signature]

atts.
May 9, 1940.

My dear Mr. Compton:

I have your letter of May 3rd, in which you tell me of the procedure that has been worked out in order to assist with inspection for the Universal Trading Corporation.

I want to thank you very much for your cooperation in this matter, and I am very glad that such a satisfactory arrangement has been made. I also appreciate your letting me know so promptly about it.

With cordial regards,

Sincerely,

(Signed) H. Morganthau, Jr.

Honorable Louis Compton,
Special Assistant to the
Assistant Secretary of the Navy,
Washington, D. C.

Signed by Messenger 5:00 pm
May 9, 1940.

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I want to thank you very much for your cooperation in this matter, and I am very glad that such a satisfactory arrangement has been made. I also appreciate your letting me know so promptly about it.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Lewis Compton,
Special Assistant to the
Assistant Secretary of the Navy,
Washington, D. C.

By Mesenger
May 9, 1940.

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With cordial regards,

Sincerely,

(Signed) H. Morgenthau Jr.

Honorable Louis Compton,
Special Assistant to the
Assistant Secretary of the Navy,
Washington, D. C.

By Messenger
May 9, 1940,

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With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Louis Compton,
Special Assistant to the
Assistant Secretary of the Navy.
Washington, D. C.

By Messenger
DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON
3 May 1940

My dear Mr. Secretary:

Referring to your inquiry as to whether the Naval Inspection Service could inspect about $500,000 worth of automatic telephone equipment being purchased from the Automatic Electric Sales Company, Limited, of Chicago, by the Universal Trading Corporation, I have to inform you that inasmuch as the Universal Trading Corporation has no legal status as a Federal agency, we do not consider that we can officially inspect material for them.

The following procedure, now being placed in effect, has met the hearty approval of the Universal Trading Corporation: Captain James Bull, U.S.N.R., of the Universal Trading Corporation, is in Chicago making arrangements with certain civilian inspectors attached to the Office of the Inspector of Naval Material, Chicago, under which they will inspect for the Universal Trading Corporation, either out of hours or while they are on a leave status. Instructions in regard to inspecting and the expense thereof will be handled directly by the Corporation.

Sincerely yours,

[Signature]

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury.
MEMORANDUM FOR MR. COCHRAN:

The December 15, 1939, payment by Finland on its indebtedness was taken up in the accounts of the Treasurer of the United States as a receipt. The law requires all receipts to be covered into the Treasury by warrant of the Secretary of the Treasury, countersigned by the Comptroller General. Under the administrative direction of the Secretary the Finnish payment, after receipt by the Treasurer, has been held in suspense as uncovered receipts, and no warrant formally covering the money into the Treasury has been issued.

It has been the Treasury's policy for many years to have all items received by the Treasurer within the fiscal year formally covered into the Treasury by warrant during that same fiscal year. Under this practice the cash accounts of the Treasurer of the United States are in balance with the warrant accounts maintained by the Secretary of the Treasury.

While it might be possible to delay the formal covering of the money into the Treasury over the end of a fiscal year, since the law only requires that the money be covered into the Treasury but fixes no time limit when this must be done although it is reasonable to assume that what the law intends is a prompt covering, this action would cause a number of differences in the various accounts of the Government—the accounts of the Treasurer of the United States, the accounts of the Secretary of the Treasury and the accounts of the General Accounting Office.
ITALIAN STOCK PRICES
(Milan)

Jan. 31, 1927 = 100

Weekly

Annual

Daily

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

Regarded Unclassified
Secretary of State,
Washington.

1149, May 9.

FOR TREASURY FROM BUTTERWORTH.

1. The FINANCIAL PRESS reports that rumors of possible additions to the list of commodities affected by new regulation 5 B reported in my No. 594 of April 9, noon have played a part in causing the weakness of sterling on the free market this week. The British Treasury however stated in confidence that no changes in the regulations are being considered at present, though tightening up of administration is being studied with a view to reducing evasions and imposing penalties where appropriate.

2. The stock exchange was relatively quiet again today, with prices irregular, but gilt-edged continue strong because of pressure of funds and lack of interest in equities.

KENNEDY

CSB
May 9, 1940

My dear Mr. Hoover:

Thank you very much for your letter of May 4th, outlining in detail the program of the Federal Bureau of Investigation in regard to the protection of plants and industrial units engaged in the production and manufacture of supplies, equipment and material for our War and Navy Departments.

I also wish to thank you for sending me the confidential report pertaining to Dr. Gerhart Alois Westrick, which I have read with great interest.

I would appreciate your keeping me informed of any subsequent developments.

Yours sincerely,

(Signed) H. Morgenbesser, Jr.

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

By Messenger 2 15 pm
May 9, 1940

My Dear Mr. Hoover:

Thank you very much for your letter of May 4th, outlining in detail the program of the Federal Bureau of Investigation in regard to the protection of plants and industrial units engaged in the production and manufacture of supplies, equipment and material for our War and Navy Departments.

I also wish to thank you for sending me the confidential report pertaining to Dr. Gerhart Alois Westrick, which I have read with great interest.

I would appreciate your keeping me informed of any subsequent developments.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

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

By Message
May 9, 1940

My dear Mr. Hoover:

Thank you very much for your letter of May 6th, outlining in detail the program of the Federal Bureau of Investigation in regard to the protection of plants and industrial units engaged in the production and manufacture of supplies, equipment and material for our War and Navy Departments.

I also wish to thank you for sending me the confidential report pertaining to Dr. Gerhart Alois Vestrick, which I have read with great interest.

I would appreciate your keeping me informed of any subsequent developments.

Yours sincerely,

(Honored) E. Morgan, Jr.

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

By Message: 28/5/40
Personal and Confidential

May 4, 1940

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

My dear Mr. Secretary:

Apropos of our recent discussion concerning the protection of plants and industrial units engaged in the production and manufacture of supplies, equipment and material for our War and Navy Departments, I wanted to advise you for your confidential information of the action being taken by the Bureau in this field.

Late last summer I undertook a program of assigning Agents of the Bureau with special qualifications to those plants which are engaged in the manufacture of materials of primary interest and importance to the Army and the Navy. These men, each of whom has experience of a professional nature relating to the industry in which he is working, are assigned to the key plants without the knowledge of the plant management or fellow employees that the man is in fact a Special Agent of the Federal Bureau of Investigation. It has been possible, because of the high qualifications of these men, for them to work themselves into key positions which enable them to keep in close personal touch with actual conditions within the plant in so far as they pertain to the constant output of materials in which the War and Navy Departments are interested. For example, a Special Agent of the Bureau has been employed by the Electric Boat Company of Groton, Connecticut, since late last summer in various capacities and he is presently assigned to the post of electrical inspector for the entire submarine building project. This man, who has been in the service of the FBI as a Special Agent for a number of years, is preeminently qualified in the field of electrical engineering. The nature of his duties in the Electric Boat Company enable him to have the complete run of the yard at all times and he is in constant daily touch with not only the construction work in the submarines presently being built, but participates in a professional capacity in the test runs, experimental dives and other projects carried on in the interest of the
Navy Department. Needless to say, his identity as a Special Agent of the Federal Bureau of Investigation is not known to his co-workers.

Other Special Agents have been assigned to the more important factories building aircraft for the War and Navy Departments. Each of the men selected for these assignments has extensive and diversified knowledge of airplane construction, the majority of the men upon these assignments being licensed pilots in addition to possessing technical training in construction and mechanical fields. Bureau Agents with mechanical qualifications and training are assigned to the major plants producing airplane engines. Other Agents having proper qualifications are assigned in a completely undercover capacity to other key industries throughout the country.

Each of the men assigned to one of these undercover posts is, of course, a fully qualified Special Agent of the Federal Bureau of Investigation who has had diversified experience in the investigative field. As I have indicated, they are selected for these undercover posts primarily upon the basis of their vocational background and experiences prior to entering the Bureau service. I have not employed any personnel solely for use in undercover assignments.

All of the Special Agents assigned to undercover posts in key industrial units confine their observations and reports to matters which pertain to the constant production in the plant of materials of interest to the War and Navy Departments. All personnel so assigned is under strict prohibition from participating in any union activities or becoming involved in any disputes between employers and employees. The Agents are also under strict instructions to avoid any activity or conduct which could be construed to be or even contorted into charges of labor spying or other unethical conduct.

At the request of the War and Navy Departments I initiated early last September a program of plant inspections and surveys to be applicable to those plants upon the allocated facilities list which are considered of primary importance by the Technical and Ordnance divisions of the War and Navy Departments.
After extensive research in all known fields upon the subject of plant protection, a specially selected group of bureau officials was sent into key industries in various fields for the purpose of making a study of the plant protection methods utilized by these units. Each man was required to make a study of the protective facilities and operations of a plant engaged in the manufacture of high explosives, of a steel mill, of a shipyard, of an aircraft factory, and of several other types of factories. Thereafter, consultation was had with the Bureau of Standards, representatives of fire insurance companies, explosive experts, technical experts of the War and Navy Departments and other specialists in technical fields. Predicated upon the voluminous information thus assembled there was prepared a comprehensive monograph upon the subject of plant protection. A series of special schools were then conducted in Washington to which were brought approximately 500 of the Bureau’s most experienced and best qualified Special Agents. Each of these men was given intensive training for a period of several weeks in the matter of plant surveys and plant protection. Each man was required to pass a comprehensive examination prior to the time that he was placed on the list of men qualified to make plant surveys.

Thereafter, and upon receiving from the War and Navy Departments a list of the factories in the United States which are considered of prior importance to the War and Navy Departments, a program of plant surveys and inspections was undertaken upon a national basis. At the present time approximately 200 plants have been surveyed or are in the process of being surveyed. While, of course, the length of time consumed in making each survey varies with the size of the plant, the average time required to conduct a survey of the protective facilities of the plant approximates three weeks. The Agent conducting a survey submits a complete report covering the entire protective facilities of the plant, extending from the type, kind and location of the fences surrounding plant property to the innermost recesses of the plant in which may be kept highly confidential and restricted blue prints, formulas, etc. Each report upon a plant survey is annotated with
The Secretary of the Treasury

diagrams, blue prints and photographs of those sections of the plant which require comment in the survey report. As each report is received in Washington it is carefully reviewed by Bureau officials who have had extensive experience in this field and who, of course, call upon the services of the staff of the Bureau's Technical Laboratory in matters involving the protection of explosive materials, inflammables and other factors requiring technical knowledge. After review of the report submitted by the field Agent, a comprehensive letter of recommendations is forwarded from Washington to the plant management outlining the suggestions for improvement of the plant's technical facilities which have been disclosed by the Bureau's survey. Copies of the reports and the letters of recommendations are sent to the War and Navy Departments for their information and for transmittal to their inspectors in the field.

The reaction to the Bureau’s surveys of these key facilities has been uniformly favorable and the management of many plants has expressed both commendation and appreciation for the Bureau's operations in this field. While, of course, it is impossible for me to compel the plant operators to adopt the recommendations made to them, I have been pleased to observe that almost without exception the Bureau’s recommendations have been placed in effect.

Extraordinary caution has been exercised in connection with the plant protection work to avoid any implication of the Bureau's participation in controversial matters. Bureau Agents refrain from participating in or making any recommendations or observations concerning ordinary employer-employee relationships and refrain from any conduct which could lead to charges that the Bureau is either pro-labor or pro-capital in its surveys.

As a result of these surveys Bureau Agents have established personal contacts within the majority of the plants surveyed which will result in the Bureau’s receiving information promptly of any matters which may be of
interest to the War and Navy Departments.

I thought you would be interested in being advised of the details of the Bureau's program in this regard.

Sincerely yours,

John Edgar Hoover
Director
Federal Bureau of Investigation
United States Department of Justice
Washington, D.C.

Personal and Confidential

May 4, 1940

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

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Regraded Uclassified
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Sincerely yours,

John Edgar Hoover
Director
Federal Bureau of Investigation
United States Department of Justice
Washington, D.C.

May 6, 1940

PERSONAL AND CONFIDENTIAL

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

My dear Mr. Secretary:

As a matter of possible interest to you I am transmitting herewith a copy of a memorandum under date of May 4, 1940, pertaining to Dr. Gerhart Alois Westrick, who recently arrived in the United States and whose activities are somewhat suspicious.

Inquiry regarding this individual is being continued and you will be apprised of subsequent developments without delay.

Sincerely yours,

J. Edgar Hoover

Enclosure

Regraded Unclassified
MEMORANDUM

RE: DR. GERHART ALOIS WESTRICK

Information has been received from a confidential but reliable source at San Francisco, California, that Captain Friedrich C. Mensing, Pacific Coast Manager of the Hamburg-American and North German Lloyd Lines, made arrangements for the entertainment in San Francisco of a group of prominent Germans who arrived there aboard the S. S. Asama Maru on March 7, 1940. This group included the Duke of Saxe-Coburg-Gotha and Gerhart Westrick. Mensing is reported to have bluntly told Bemak Tobin of the Hibernia Bank at San Francisco that he wished the Duke to meet those people whose opinions counted most and desired everything to appear non-political. Subsequently, Mr. Tobin issued invitations to prominent San Francisco citizens to a dinner in honor of the Duke. It is interesting to note that Captain Friedrich C. Mensing, while not officially connected with the German Consulate at San Francisco, is a close friend and contact of Captain Fritz Wiedemann, German Consul General there.

Captain Mensing has been in the United States since 1923 and became a naturalized citizen of the United States on April 10, 1939. However, during the World War he served in the Imperial German Navy as a Captain-Lieutenant. For a time he was one of the leaders of the National Socialist German Labor Party members in the United States, but contends that prior to his naturalization he severed his connections with this political body.

Dr. Gerhart Alois Westrick arrived in New York City on March 12, 1940, and registered at the Plaza Hotel where he remained until April 18, 1940, on which date he moved to the Carlyle Hotel, where he first registered under the name of Arthur Webster to avoid publicity.

It is reported that Dr. Westrick is a noted German Supreme Court lawyer who came to the United States in this instance in an attempt to iron out possible difficulties in German-American trade relations at the conclusion of the current war in Europe. Dr. Westrick is the former legal partner of Dr. Heinrich Albert who was German Minister of Finance and Chancellor of the Reich for some seventy hours in 1932.
It was recently reported in the press that a spokesman for the German Consulate General at New York City advised that Dr. Westrick was in the United States on a special mission to arrange for a resumption of trade relations between Germany and the United States at the conclusion of the present war.

Dr. Westrick practiced law in Germany and, as he stated, was one of the attorneys who represented American interests there in connection with the failure of the late Ivar Kreuger’s $100,000,000 International Match Corporation. From one source it was reported that Dr. Westrick at the time was responsible for recovering possession for United States investors of some $21,000,000 worth of bonds which had been pledged by Kreuger for his personal use with Swedish banks.

In a letter which appeared in the New York Times under date of April 20, 1940, addressed to the editor of that publication and signed by S. Stanwood Menken, counsel for certain holders of International Match Corporation debentures, Mr. Menken stated that he desired to correct any misapprehension resulting from statements of Dr. Westrick regarding his recovery of $21,000,000 for United States investors and his distinguished service for the benefit of the Americans. Mr. Menken stated that the funds were recovered through the Irving Trust Company as the result of the settlement of a suit brought in 1932 in the United States District Court for the Southern District of New York in which suit Rosenberg, Goldmark & Colin were counsel. The settlement was made in January of 1933 as a result of negotiations personally initiated and conducted by James N. Rosenberg as senior counsel both in the United States and in Stockholm, Sweden. He stated that Dr. Westrick did not participate in the settlement but that after the commencement of the suit, and in preparation for the trial, opinions were obtained from several European lawyers on various legal aspects of the case which would be affected by the laws of several foreign countries. Dr. Westrick was one of the two counselors asked for opinions on the German pre-Hitler laws in this regard.

Information has been reportedly received from abroad indicating that in spite of the pressure of warplane production the Dornier Works at Friedrichshafen, Germany, have just completed a flying boat for trans-Atlantic service with a range of between 4000 and 5000 miles. It is alleged that Dr. Westrick intends to seek for landing rights for mail and passenger service to the United States if the new British Overseas Airways begins its announced service to Montreal, Canada, and New York in June of 1940. It is
Further reported that the contemplated trip of Dr. Westrick by Pan-American Airways to the United States was abandoned because of the possibility of his being stopped by British authorities and this undoubtedly was responsible for his journey to New York City via Siberia, Japan and the West Coast.

About the same time of Dr. Westrick's journey to the United States, British Contraband Control Officers and authorities at Gibraltar are alleged to have held up the Conte di Savoia, on which Assistant Secretary of State Sumner Welles was a passenger, for thirteen hours while a search was made for Dr. Hjalmar Schacht, the German financial expert who was reported on his way to the United States. In this regard it is interesting to note that Dr. Westrick, in a press conference, advised that the British had seized all mail and correspondence belonging to his wife and son at Gibraltar when the S. S. Rex was stopped there, and that on this occasion the British authorities questioned his wife relative to her trip to the United States. He admitted, however, that she was treated with the utmost courtesy and politeness.

Dr. Westrick is reported to have made the statement that he believes the war in Europe will be won on an economic rather than a political front and that he expects the war to be of short duration. During an interview with press representatives he admitted that certain companies having branches in Germany, such as General Motors, Ford, Gillette Razor Blade Company, Singer Sewing Machine, and many others, have been unable to show profits from their investments since 1937. He stated, however, that he hoped that these concerns would be able to rectify this in the not distant future. He pointed out that he intended to remain indefinitely in the United States and recalled that his legal partner, Dr. Albert, had run into difficulty in the United States during the last war because of his propaganda activities on behalf of Germany and asserted that he would profit by his friend and associate's mistake and would confine his activities to economics.

The News Publication of April 20, 1940, carried an article relative to Dr. Westrick which is of some interest. In an interview by a representative of this publication, Dr. Westrick declared that he was anxious to preserve the American trade at the conclusion of the present war but did not disclose the fact that a large sum of money had been deposited to his personal credit in a West Coast bank, nor did he mention the purpose of his negotiations with the Japanese Government which came to a conclusion shortly before Japan declared that she would not tolerate an allied naval blockade in the Sea of Japan.
A confidential informant in New York City has advised that Dr. Paul Schwartz, former German Consul in New York City, stated confidentially he had received information from a contact in Berlin three weeks ago that Dr. Westrick was to be in charge of a German political, propaganda, espionage and sabotage network, apparently in the United States. Schwartz is further alleged to have stated that he would personally start a large press campaign in the United States in order to bring Dr. Westrick into the open and to call the attention of the American authorities to him in this manner. He is alleged to have stated that he was responsible for the newspaper articles concerning Westrick which appeared in the New York Times on April 13 and April 14, 1940, and an article in the New York Herald Tribune on April 12, 1940.

Dr. Westrick is not, by reputation, a diplomat, but a professional lawyer and was a member of the law firm of Albert, Westrick & Haus of Berlin, Germany, and of which the senior partner was the notorious Dr. Albert, who was involved in political scandal in the United States during the World War. A few years ago Karl Von Lewinski, former German Consul General at New York City, was taken in as a partner; however, this association did not last because of the numerous disputes and disagreements between the parties concerned. It is reported that Westrick's reputation in Berlin is that he is thoroughly unscrupulous.

From a confidential source it is also reported that Dr. Westrick obtained his present assignment in the United States for two purely personal reasons in addition, of course, to the fact that he was an ideal man for the job. These personal reasons were that Westrick had made considerable money and wanted to get his money out of Germany and that he desired to have his family, to which he is very much devoted, in a place of safety away from the war zone. From the same source it has been ascertained that Dr. Westrick is presently making his office at 17 Battery Place, New York City, and his principal task is to reestablish contact with certain American firms which will be indispensable in supplying materials to Germany, and which more or less were dropped due to the fact that the former German Commercial Attaché in the United States, Dr. Walther Becker, made reports to Berlin concerning non-Aryan partners. Dr. Westrick, it is alleged, was largely instrumental in placing Dr. Albert's son, Dr. Christian F. Albert, temporarily in a New York City firm, ostensibly to acquire training in American business methods. It has been reported, however, that young Albert, during his stay in this country, was also engaged in intelligence work for the Nazi Government. It is interesting to note that the confidential informant alleged that Dr. Westrick is
reported to be working with an individual in charge of Gestapo matters at the German Embassy in Washington, D. C., who is possibly identical with Baron Von Geinanth.

Inquiry at the Plaza Hotel in New York City revealed that Dr. Westrick registered there on March 12, 1940, from Washington, D. C., and remained at the hotel until April 18, 1940. Reservations for his stay were made by Colonel Sosthenes Behm, President of the International Telephone and Telegraph Company, and it is reported that Dr. Westrick represented this concern in Germany in 1937. Dr. Westrick has previously stopped at the Plaza Hotel during visits to the United States and on these occasions accommodations were paid for by the International Telephone and Telegraph Company. The Plaza Hotel records reflect that Dr. Westrick stopped at this hotel from January 31, 1936, to February 25, 1936; from February 29, 1936, to March 4, 1936; from October 25, 1937, to November 12, 1937; and from February 2, 1939, until February 25, 1939.

While stopping at the Plaza Dr. Westrick is reported to have received letters and telephone calls threatening his wife and family who had joined him in New York City upon their arrival from Europe. Because of the publicity received by Dr. Westrick and the unfortunate circumstances relative to the threatening communications, the officials of the Plaza Hotel suggested that Dr. Westrick might find it more advantageous to leave the Plaza and find quarters elsewhere. As a result, Dr. Westrick moved to the Carlyle Hotel, where he is presently occupying Apartment 12-X with his wife, while his secretary, Baroness von Wagesman, occupies Apartment 11-C. At the time of his arrival at the Carlyle Hotel the management inquired as to the length of his stay and was informed that no accurate information could be furnished regarding this. Dr. Westrick stated that perhaps he would be at the hotel for several months, although it was possible that he would be transferred to San Francisco, California. In spite of his moving, Dr. Westrick, who originally registered under the name of Arthur Webster, continued to receive anonymous communications. It has been ascertained that his two children have left the hotel and are residing with some family in Greenwich, Connecticut.

Mr. Ernest H. Kuhman, Second Vice President of the Chase National Bank in New York City, is reported to have traveled to Germany some years ago for a short vacation but found it impossible to leave that country for five years and has only recently returned to the United States. He reports that Dr. Westrick is reputed to be somewhat anti-Nazi in his ideas. It is, therefore, quite possible.
that the German Government sent him to the United States for purposes which, if any trouble arose, might serve as a means of liquidating Dr. Westrick. Dr. Westrick, however, does not appear to have had any contact with the Chase National Bank since his arrival here.

Information has been received from the Bankers Trust Company, 16 Wall Street, New York City, that Dr. Westrick is personally acquainted with several of the officers of this institution. It appears that he handled some affairs for the bank in Germany and through these business connections the officers are on friendly terms with him. He recently had lunch with several of them but no business transactions were discussed. Mr. Frank Shepard, Vice President of this institution, stated that he had a great deal of sympathy for Dr. Westrick and could not understand his being sent to the United States in his present capacity and felt that the assignment was probably forced upon him in view of his mild attitude toward the Nazi regime.

It has been ascertained that Dr. Westrick called upon Mr. E. Graham Heiner of the law firm of Wright, Gordon, Zachry & Parlin, New York City, since his arrival in the United States. The purpose of this contact was to inquire of Mr. Heiner the address of some individual, which address was apparently unknown to Mr. Heiner.

Mr. Otto C. Sommerich, senior partner of the law firm of Katz & Sommerich, 120 Broadway, New York City, has stated that he personally knew Dr. Westrick for many years and handled legal work for the firm of Albert & Westrick and also some personal legal matters for Dr. Von Lewinski, formerly of the German firm mentioned, and who was a representative of the German Government in the settlement of claims arising from the World War. Mr. Sommerich reported that while he is non-Aryan his partner is an Aryan and that all German matters that the firm has been handling are gradually being taken from them. He advised that Dr. Westrick has not been in touch with his firm since his recent arrival in the United States although this was his custom on previous occasions. Mr. Sommerich was at a loss to understand Dr. Westrick's present position inasmuch as Dr. Westrick was not in sympathy with the Nazi regime.

Since his arrival in New York City Dr. Westrick has been in communication with Horriss Darrell, 4 East 56th Street. Inquiry revealed that Mr. Darrell is married and has two children, and is a man in his middle thirties who formerly resided at the New Terrace, Kew Gardens, Long Island, New York, at Berlin, Germany, and at New
Kansas, Connecticut. He is reported to be a lawyer connected with
the firm of Sullivan & Cromwell, 48 Wall Street, New York City.
He has been practicing with this firm for over ten years and was
formerly in their Berlin office. This law firm is one of the
largest in the United States and Darrell is reported to be receiving
a substantial income as a result of his connection with it.

Dr. Westrick has also contacted Mr. E. H. Milligan, 175
East 79th Street, New York City, who is apparently identical with
Ernest H. Milligan, approximately fifty years of age, married, and
residing at the address above noted. During the past two years
Mr. Milligan has spent his summers at Southport, Connecticut,
where his property is assessed to his wife, Mary E. Milligan, in
the amount of $6,150. Mr. Milligan has been identified for many
years with Lee Brothers, Inc., a large and well-known retail
furniture concern located at 2283 Third Avenue, New York City.
He is President and principal in this business, and the organization
also has control of a storage business and operates an office
building at 103 East 125th Street, New York City. Mr. Milligan
is reported to receive a substantial income from his business
connections.

It is noted that Dr. Westrick has contacted the Gladstone
Hotel in New York City, which is frequented by Germans visiting the
metropolis. It will be recalled that in the Adam Von Trott case
Baron Von Geimann of the German Embassy, Washington, D. C., was
stopping at the Gladstone Hotel in December of 1939.

It is also noted that Dr. Westrick has been in touch with
the Empire Trust Company's Fifth Avenue Office, apparently by
telephone. The individuals contacted at this banking institution
had no knowledge of the contact in question and inquiry of other
officers and employees was deemed impractical at this time.

Since his arrival in New York City, Dr. Westrick has also
telephoned Columbus 5-8487, which is the unlisted telephone issued
to Marilyn E. Maier, 150 East 58th Street, New York City. Further
information regarding this individual will be developed at a sub-
sequent date.

Inquiry at the Navarro Hotel, 112 Central Park South,
New York City, failed to reveal any indication of the presence of
Dr. Hjalmar Schacht as rumored.

It has been ascertained that a Dr. G. A. Westrick,
Victoria St. 8, Berlin W. 10, Germany, appears on the 1936 mailing
Regraded Unclassified
list of Ferdinand Hansen, a known German propagandist, who arrived in the United States in 1866 and became a naturalized citizen in 1891. Hansen is the proprietor of the Romanoff Caviar Company in New York City and the Overseas Publishing Company in San Francisco, California, the latter firm being used in connection with the dissemination of his propaganda.
Regraded Unclassified
MAY 9 1949

Honorable Sumner Welles,
Assistant Secretary of State.

Dear Sumner:

Please accept my thanks for your letter of May 8, 1949, concerning arrangements being made to ask Congress immediately to increase appropriations for the building up of reserve stocks of strategic raw materials.

An estimate of $12,500,000 has been included in the Treasury Deficiency Bill, which will be presented to the Budget in the near future. This estimate will be defended before the Appropriations Committee by the Procurement Division of the Treasury and assistance will be given in such defense by representatives of the Army, who are thoroughly cognizant of the uses to which the raw materials purchased will be put and the reasons for the kinds of material that are acquired.

With you, I share the hope that the combined efforts that may be put behind this Deficiency Bill will result in the appropriation by Congress of the funds sought.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

By Messenger 5 o'clock
Due to Mr. Thompson
By appointment the Minister of Finland, Mr. Procope, called at the Treasury at 11 o'clock this morning. When the Secretary received the Minister, Messrs. White and Cochran were present. The Minister opened the conversation by asking the Secretary what help he could give Finland. The Minister stressed the dire situation in Finland, referring to starvation facing his countrymen. The Secretary stated that there was nothing more that he could do. The Minister had put him under pressure, but he had pushed the matter as far as he, an appointive officer of the Government, could proceed. Procope stated that he had seen Sumner Welles. He had not mentioned to the Under Secretary of State the conversation which he had had some weeks ago with Secretary Morgenthau in regard to the possible coming to this country of Finnish officials seeking financial assistance. He had not discussed this subject with anyone. He had, however, spoken to Mr. Welles in regard to the need of Finland for financial assistance, and Mr. Welles had referred him to Secretary Morgenthau.

The Finnish Minister then raised the question as to the installment of the Finnish War Debt which is due June 15. The Secretary stated that upon the advice of Mr. Bell it had been necessary to pay into the General Treasury Fund the amount of the installment paid by Finland last December which the President had desired to be held in suspense. The Secretary could not take further initiative in regard to obtaining the repayment to Finland of past installments, or the postponement of future payments.

The Secretary left Minister Procope quite free to take up with anyone in Washington the matter of further financial assistance for Finland.

It developed in the conversation that Finland still had unused approximately $16,000,000 of the $30,000,000 credits from the Export-Import Bank. Goods are now being shipped from New York to Finland in Finnish ships via the northern port of Petsamo.

After Minister Procope's departure the Secretary asked me to check with Bell's office to see whether we had had any correspondence with the Director of the Budget in regard to the Finnish War Debt installment, and as to whether the last payment had actually been passed into the General Fund. I took this matter up and submitted to the Secretary yesterday afternoon a memorandum from Mr. Heffelfinger on the subject. When I presented this to the Secretary he immediately telephoned Mr. Norman Thompson to look into the matter further. Subsequently, Mr. Thompson, Mr. Heffelfinger, and two of their associates came to my room with pertinent documents and it was agreed that a draft communication should be prepared for the Secretary's consideration, and for possible submission to the President, on the matter of postponement of the Finnish debt payment.
At the request of the Department of State I have arranged for the purchase of Danish kroner in New York for Consul Penfield who is embarking May 10 on a Coast Guard vessel to proceed to Greenland where he is to establish an American Consulate. Mr. Knole in New York was to receive Mr. Penfield today to help in obtaining the actual Danish currency, and to give him any advice or possible assistance at his new post. The State Department has been appreciative of our help in the premises.
Vice-chairman Randolph Burgess of the National City Bank telephoned me at 11 o'clock on May 8. He referred to his visit to Washington last Monday, at the time the Secretary was absent, when he planned to attend a meeting where the Inter-American Bank was to be discussed. I had not seen Burgess after this meeting. By telephone he told me that Mr. Cotton had been there, as well as Messrs. Grady and Livesey of the Department of State, but that he had not seen any other Treasury Department officers present. Mr. Burgess thought there were two great weaknesses in the plan for the bank. The first was that it placed the governments on a privileged basis in commercial business wherever the bank might have offices. Some of these offices might be just across the street from National City branches in Latin American capitals, and the competition would perhaps be felt strongly by the latter. Secondly, Mr. Burgess thought that with governments owning the stock, rather than the central banks, the position of the Federal Reserve System and of Latin American Central Banks would be undermined. He thought this would be evidence of a tendency toward government socialization of banking.

Mr. Burgess also made some comments on certain cases of frozen Danish and Norwegian assets in which the National City was interested which were being held up in the Treasury. I suggested that Mr. Burgess speak with Under Secretary Bell if he had any complaint to make on this subject.

As for the Pan-American Bank plan, Burgess asked if I thought the Secretary would be interested in having Burgess' views. I told him I would mention the matter to the Secretary. I did this later in the day and called Mr. Burgess back to let him know that the Secretary would be pleased to have a memorandum from him on the subject. Burgess said he would prepare this within the next day or two.
TO:

Miss Shenney

Room ____________

For the
Secretary's
Files

From: Mr. Cochran

Date 3/10/40

Regraded Unclassified
TO
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

TO
SECRETARY MORGENTHAU

FROM
MR. COCHRAN

DATE
MAY 9, 1940

STRUCTLY CONFIDENTIAL

On the evening of May 2 I mentioned to the Secretary the memorandum which I had submitted to him under date of April 27 in regard to the chairmanship of the B.I.S. The Secretary wanted the matter handled informally, without any official commitment from the Treasury Department. He stated that he personally had no objection to McKittrick's receiving the post of Director and of Chairman of the Board of the B.I.S. The Secretary instructed me to discuss the matter with Under Secretary Bell and then to talk to Chairman Eccles about it.

On the following morning I took this matter up with Under Secretary Bell and he authorized me to proceed along the lines indicated. I consequently telephoned Mr. Eccles at 4 p.m. on May 5. He called me back at 4 p.m. on May 6. The Chairman stated that if Mr. McKittrick is selected as a director and designated as Chairman of the B.I.S., and if the matter is presented to the Board of Governors of the Federal Reserve System here, the Board would not object. When I asked Mr. Eccles whether I should mention the matter to President Harrison of the Federal Reserve Bank of New York, he said I was free to tell him what had taken place. I was also free to let Pennachio know that I had informally ascertained the position of the Board, as indicated above.

I today telephoned President Harrison of the Federal Reserve Bank of New York and told him of the receipt of the personal inquiry from Pennachio, and of the manner in which I had handled it. Mr. Harrison then indicated to me his position, and I consequently drafted the following cablegram which I telephoned at 4 p.m. to Mr. Podesta, the representative at 70 Pine Street in New York of the Bank of Italy, for cabling:

"Governor Azzolini,
Bank of Italy,
Rome.

For Pennachio from Cochran,

Your letter April 1st. Harrison would personally have no objection to McKittrick being named but would have to refer matter to Board in Washington. From Eccles I have ascertained informally that if McKittrick is selected and matter is presented to the Board here there would be no objection. Treasury will certainly not interfere."

[Signature]

Regraded Uclassified
Secretary of State,
Washington.

402, May 9, 11 a.m.

FROM COMMERCIAL ATTACHE.

Special financial. In the May eighth issue of the FINANCE AND COMMERCE, Shanghai Financial and trade weekly and unsigned comment emphasizes two points: "One is concerned with the impossibility of keeping a financial secret in China and the other deals with the note issue. It is perfectly natural that rumors should follow a meeting of bankers reported to be engaged in deciding upon financial policy, but it has yet to be explained why orders should be placed on the market which seem to suggest that inside information is being used for personal gain. It is stated that orders were received (in Shanghai open market) from Hong Kong on Wednesday May first to buy substantial amounts of exchange. If that is true an enquiry appears to be called for." Article also points out that with the withdrawal of support by the Stabilization Fund Committee May second speculators are able to make a twenty-five per cent
-2- #402, May 9, 11 a.m., from Shanghai.

per cent profit in some cases involving fortunes but that the result is chaos in trade, loss to the community and hardship for the consumer such that Shanghai cannot pride itself on its open market and that these conditions make a mockery of efforts to curb profiteering of small tradesman. As to note issue figures article comments further that few believe official figures are correct, also states that a long period of steady trading will be needed to overcome shattered confidence in the currency.

INFORM: COMMERCE.

BUTTRICK

KLP
Secretary of State
Washington

598, May 9, 3 p.m. (SECTION ONE)
FOR TREASURY.

With a view to decreasing the consumption of coffee and increasing the use of substitutes a decree published in today's Journal Official raises the internal revenue tax on coffee and lowers those on coffee substitutes.

The list of French commodities which cannot be exported to certain neutral countries unless the foreign importer signs an agreement to the effect that the commodities will not be reexported to Germany (please see Embassy's telegram No. 452, April 10, 6 p.m.) is increased by some 250 tariff items which include live-stock, meat, dairy products, chemicals and automotive vehicles.

BOLLITT

KLP
Secretary of State
Washington

598, May 9, 3 p.m. (SECTION TWO)

Today's AGENCY ECONOMIC ET FINANCIERE points out that certain international stocks which are quoted on both the Paris Bourse and the London Stock Exchange command a higher price in France than in England and suggests that "limited arbitrage operations with London" be permitted so that these "abnormal quotations" may be erased.

The Bank of France statement for May 2 shows further advances to the state in the amount of 700,000,000 francs, note circulation increased by 2,600,000,000 francs to a record total of 158,900,000,000.

Market was slightly higher today except for internationals which sustained moderate losses.

(END OF 'EESAGE)
Secretary of State
Washington

470, ninth.

Telegrams 434, 449, 464 and following from Commercial Attache. In millions crowns national debt April 30th was thirty-two fifty-three up two ninety during April, Riksbank's metallic reserve May 7th was seven sixty-four point four, exchange reserve four forty-four point one, note circulation fourteen thirty-nine point nine, domestic loans and discounts new high nine fifty-three point eight up seven fifty compared year ago. Government proposed additional expenditure one hundred forty for purchase imported raw materials for reserve storage bringing total expenditure this purpose to four twenty. Minister Defense states no preference given agricultural workers in calls to service. Riksdag approved purchase private railways defense a consideration (see telegram 440, May 4th). From May 14th purchase kerosene and fuel oil for heating prohibited and inventory demanded. Gasoline being rationed to diplomatic and consular officers. Board of Trade approves
small sum for experimental shale oil extraction. Ways
and Means Committee, Riksdag, approved new surtax on
income payable during 1940-41 doubling previous defense
surtax (see Commercial Attaché report 25, November 18th
last). Delegation proceeding Moscow May 10th to
negotiate under presidency Swedish Minister to Russia long
term trade treaty.

INFORM COMMERCE.

STERLING

EMG
PARAPHRASE

A confidential telegram (no. 211) of May 9, 1940, from the American Ambassador at Chungking reads substantially as follows:

There are now being concluded between the Chinese Government and the Soviet Government negotiations providing for the grant to China of a further Russian credit of U.S.$150,000,000 to be used to purchase Russian materials. This information, which has not been confirmed, was received by a member of the Embassy staff from Mr. Li Jui who is associated with the Foreign Trade Commission of the Chinese Government and who was formerly agent of Werner O. Smith at Hankow and a prominent Chinese tung oil merchant. Mr. Li Jui said that an unestimated number of Russian trucks which bring military supplies to China, several hundred carts and 30,000 camels are being used for the transportation to the Soviet Union of cowhides and wool. According to Mr. Li Jui, there continue to be sent to Hong Kong, via Wenchow and Ningpo, considerable quantities of tea intended for the Soviet Union. This is accomplished by payment of "squeezes" to Japanese naval and military officials.
TELEGRAM SENT

H.E.

PLMN

May 9, 1940

AMERICAN LEGATION, STOCKHOLM:

FOR OSLO

387

Please request Legation notify International
Cyclists' League their cable April 27 and cable
as received.

Hull
(FL)

E. FL: SG

Regarded Unclassified
Two days ago M. Théunis, Ambassador Extraordinary in Special Mission from Belgium, accompanied by M. Grosjean of the Mission, called concerning an allocation of 40 Bell P-39 pursuits.

This matter was taken up with General Brett, and this afternoon he informed me that, while their contract for 93 P-39s had been amended to accept delay on a delivery of 60 improved ships, the question of 40 airplanes desired by the Belgian Government was one which should be taken up directly by their representatives with the Bell Aircraft Company.

M. Grosjean has been so advised.

[Signature]

[Signature]

May 9, 1940
MEMORANDUM FOR THE SECRETARY:

I thought you would be interested in the attached letter that I received from the Italian Line.

[Signature]

Encl.
May 8, 1940

Dear Mr. Harris:

I have been informed of the cancellation of the various drug smuggling fines, for which I am deeply appreciative.

More than for the sake of the money involved, frankly I was very much worried because the fact of the Italian Line being fined was sure to besmirch our clean name and embitter our feeling of defeat notwithstanding our earnest, persistent efforts in fighting smuggling crimes by our crews.

I am glad to report that our people on the other side, with the energetic help of the Italian police, have taken drastic measures to purge out of our navigating personnel, all men with doubtful record, while the Masters of our vessels have received renewed strongly worded appeals to tighten surveillance.

If there will ever be anything more which may be in our power to do towards cooperating with the U. S. A. fiscal authorities, please remember that the Italian Line will always be eager to help.

Very sincerely yours,

Hon. Basil Harris
Commissioner of Customs
Washington, D.C.