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TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY  
WASHINGTON

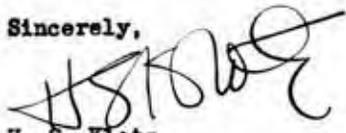
May 10, 1940

Dear General Marshall:

Secretary Morgenthau has asked me  
to send you the enclosed material.

He would like to have you bring it  
to the meeting at 9:15 tomorrow morning,  
as this is the only set of this material  
that he has.

Sincerely,



H. S. Klotz  
Private Secretary

General George C. Marshall,  
Chief of Staff, United States Army,  
2030 Munitions Building,  
Washington, D. C.

May 10, 1945

Dear General Marshall:

Secretary Houghton has asked me to send you the enclosed material.

He would like to have you bring it to the meeting at 9:15 tomorrow morning, as this is the only set of this material that he has.

Sincerely,

H. S. Elets  
Private Secretary

General George C. Marshall,  
Chief of Staff, United States Army,  
2030 Munitions Building,  
Washington, D. C.

*other 2 carbons  
destroyed.*

3

WAR DEPARTMENT  
OFFICE OF THE BUDGET OFFICER  
WASHINGTON, D. C.

May 9, 1940.

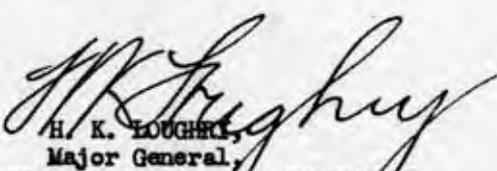
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MEMORANDUM FOR THE DIRECTOR, BUREAU OF THE BUDGET:

In accordance with informal request received from your office, there are transmitted herewith two charts, one relative to the status of principal critical items of equipment for existing units, and the other relative to the status of project airplanes for the Regular Army, the National Guard, and the Organized Reserves.

By authority of the Secretary of War:

*Also notes containing  
to statement as to status  
of airplane equipment  
Army Air Corps.  
5-10-40*

  
H. K. LOUGHERY,  
Major General,  
Budget Officer for the War Department.

Incls:  
Two Charts.

## ARMY AIR CORPS

### Notes Pertaining to Statement as to Status of Airplane Equipment

Of the 3,210 combat planes, shown in column (2), 1,897 designated as operating planes and 1,313 as reserve planes.

All of the 1,897 combat operating planes will be on hand by June 30, 1941, but some of the new purchases under the 1,841 "on order" will be delivered without the latest improvements in the way of self-sealing tanks, armor for pilot, and heavier guns. However, as operating combat planes are replaced later, the replacements will be so equipped and some of the older planes will be modernized, but not all, i.e., old planes with comparatively short life remaining will not be modernized.

In all its contracts the War Department has first priority over foreign orders and can, at any time, demand and get delivery. However, with respect to the 1,313 reserve combat planes, it would be to the interest of the Army Air Corps to defer making demands for deliveries, since a deferment will result in getting a better and more modern type of planes without increasing cost. This would not apply, however, to orders for reserve planes with manufacturers who have no foreign orders, and in such cases reserve planes will be delivered on contract time.

In the 1941 Budget there was included funds for the replacement of 496 planes of all types, covering replacements due to losses, obsolescence, useful life, etc. This number was reduced by the House of Representatives to 57. The War Department has requested the Senate Appropriations Committee to increase the number of replacement planes from 57 to 166, and, in addition, has requested that 27 heavy bombers be provided for in lieu of 103 liaison planes. The granting of this latter request will reduce the 5,500-plane program to 5,424.

None of the 1,534 combat planes now on hand, as shown in column (3), are equipped with modern improvements in the matter of armor, guns, self-sealing tanks, etc. Of the 1,841 combat planes now on order, column (4), some will, when delivered, have all of these improvements and some will not have the improvements. As these 1,841 planes are delivered, they will be placed in operating units of the Army Air Corps and the present planes in such units, except those whose useful life is nearing an end, will be modernized. In addition, all replacement planes will have the modern improvements.

## STATEMENT OF PROJECT AIRPLANES, REGULAR ARMY, ORGANIZED RESERVES, AND NATIONAL GUARD

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Type	Unit Cost (a)	Number Required	On Hand 5/1/40	On Order 5/1/40	Date of Final Delivery (d)	Not on Order 5/1/40 But Funds Available	In 1941 Bill Estimate	Shortage on Completion of Deliveries (c)	Estimated Cost of Shortage (e)
<b>Combat:</b>									
Bombers, Heavy	\$300,000 to \$350,000	205	55	185	June 1941			35	\$15,829,712
Bombers, Medium	118,000 to 157,000	548	456	420	Aug. 1941			66	12,690,515
Bombers, Light	118,000 to 135,000	300	227	184	June 1941				
Pursuit, Fighter	300,000 to 325,000	95	7	11	Jan. 1941				
Pursuit, Interceptor	\$153,000	192	-	79	June 1941			37	7,124,914
Pursuit, 1-Eng.	52,000 to 90,000	807	386	711	Aug. 1941				
Observation, O & D	42,000	263	370	303	June 1941				
Liaison, O & D	24,000	147	-	106	May 1941	41			
Miscellaneous Combat		353							
Modernization (See Note g)									5,000,000
Sub-Total - Combat		3210	1884 (a)	1841 (a)		41		156	\$41,044,139
<b>Miscellaneous:</b>									
Cargo or Transports	57,000	88	80	10	Sept. 1940		8		
Auto	71,000	14	8	8	Sept. 1940				
Amphibian	62,000	44	28	-			14		
Sub-Total - Misc.		146	116	18			22		
<b>Training:</b>									
Primary Training	10,000	900	307	708	March 1941				
Basic Training	20,000	901	318	481	Feb. 1941				
Advanced Training	32,000	322	316	88	Oct. 1940		37		
Sub-Total - Training		2073	945	1217			37		
<b>GRAND TOTAL</b>		5424 (b)	2291	3076		41	87 (496) Budget	156	\$41,044,139

(a) Cost includes airframe, engine, Government Furnished Equipment, Ordnance and Signal Corps equipment.

(b) Reduction of 8500 program to 5424 due to decrease of 103 Liaison and increase of 27 Heavy Bomber airplanes.

(c) 52 Heavy Bomber and 188 Pursuit, 1-Engine, of the 1884 combat airplanes on hand (Col. 3) and all of the 1841 combat airplanes on order (Col. 4) will be modernized in accordance with experience gained thus far in the present European war. Cost incident thereto in the case of airplanes, the delivery of which has been deferred for this purpose, will be borne by the manufacturer. For those not deferred \$5,000,000 additional will be required.

(d) Present contract delivery dates. Does not consider deferment due to the obtaining of improvements in airplanes, such as leak proof tanks, armor and increased armament.

(e) Replacement airplanes only.

NOTE: The difference in the number shown in Column 2 and the sum of Columns 3 and 4 is represented by losses from May 1, 1940 to June 30, 1941.

## STATUS OF PRINCIPAL ITEMS OF EQUIPMENT FOR EXISTING UNITS

Sheet #1

(REGULAR ARMY 227,000 Enlisted; NATIONAL GUARD 225,000 Enlisted; TOTAL 452,000 Enlisted)

Principal Critical Items	Unit Cost	Required	On Hand May 1, 1940	On Order	Date of Final Delivery	Not on Order Funds & Authority Available	In 1941 Bill to Include Supple- mental Estimate Forwarded to Senate	Remaining Shortage	Estimated Cost of Shortage	Remarks
Notes: Total No. of Critical Items - 250										
<u>Antiaircraft Equipment</u>										
Gun, Antiaircraft, Mobile	40,000	514	229	102	Sept 1940		* 64	-	-	* For P.M.F.
Directors	85,000	79	26	12	Sept 1940		* 9	-	-	* For P.M.F.
Height Finders	20,000	79	72	50	Jan 1941		* 9	-	-	* For P.M.F.
Sound Locator	8,000	315	82	164	Aug 1941 *		73	-	-	
Lead Computers	20,000	312	0	0	-	132	130	60	1,800,000	
Gun, 37mm, AA	20,000	525	15	465	Aug 1941 *		408	-	-	
Gun, Machine, Cal .50 AA	2,700	738	838	126	Aug 1940		8	-	-	
Detectors	35,000	73	0	11	Aug 1941 *		52	* 9	178,000	* Actual shortage 19; 10 of which are set up in FY 1942 Estimate.
Searchlights, 60" Mobile	25,000	382	98	106	Nov 1940	20	114	-	-	
<u>Weapons</u>										
U.S. Rifle, Cal .30, M1 - Garand Semiautomatic	20	126,110	36,000	151,799	June 1942 *		* 25,000	-	-	* For P.M.F.
U.S. Rifle, M1903, Cal .30 - Springfield			300,000					-	-	
U.S. Rifle, M1917, Cal .30 - Enfield			1,600,000					-	-	
Machine Gun, Cal .50	1,656	724	226	478	March 1941 *		10	-	-	
mortar, 81mm	1,800	769	182	473	Nov 1940		97	-	-	
Anti-tank Gun, 37mm	2,000	1,096	228	744	June 1942 *		320	-	-	
75mm Gun - Split Trail	2,800	1,276	141	468	June 1941		* 676	-	-	* Includes 71 - 105mm Howitzers.
155mm Howitzer - High Speeded	1,700	694	426	295	March 1941		-	-	-	
105mm Gun, M1 - Mohler	20,000	72	4	28	April 1942 *		40	-	-	
155mm Gun - High Speeded	2,400	128	10	24	Aug 1940		-	-	-	
8" Howitzer	50,000	24	-	-	-		24	-	-	
<u>Combat Vehicles</u>										
Recon Cars	5,600	950	440	-	-		475	-	-	
Combat Cars	24,600	208	114	24	Dec 1940		85	-	-	
Light Tanks, M2A4	25,000	564	10	519	Dec 1940		* 240	-	-	* 78 represent motorized M2A3 types.
Medium Tanks, M3	46,000	162	16	128	Aug 1941 *		18	-	-	
<u>Ammunition *</u>										
* Funds set up for Ammunition in FY 1941 Estimate (\$9,587,850) will complete requirements for existing units. Any situation dictating the employment of our existing forces for a prolonged period of field service, should presume subsequent expansion to the PMO and should be immediately followed by the acceptance of the remaining PMO ammunition requirements as our current procurement objective.										

STATUS OF PRINCIPAL ITEMS OF EQUIPMENT FOR EXISTING UNITS

2-1  
1-5-40

Sheet #2

( REGULAR ARMY 227,000 Enlisted; NATIONAL GUARD 238,000 Enlisted; TOTAL 465,000 Enlisted )

Principal Critical Items	Unit Cost	Required	On Hand May 1, 1940	In Order	Date of Final Delivery	Net on Order Funds & Authority Available	In 1941 Bill to include Supple- mental Estimate Covered in Senate	Remaining Shortage	Estimated Cost of Shortage	Remarks
<u>Aircraft Warning Service -- Total</u> To include frontier installations and the following principal critical items: Detector, SCB-270	10,819,441	10,819,441	100,055	108,840	June 15, 1940	-	2,801,000	-	3,920,010	
Detector, SCB-271		42	-	-	-	-	20	22		
Communication Radio Equipment		52	-	2	June 15, 1940	-	33	17		
		112	-	-	-	-	74	37		
<u>Radio Sets for Combat Units</u>										
Radio Set, SCB-246	3,000	1,441	107	611	April 1941	-	728	-	-	
Radio Set, SCB-192	4,200	252	111	58	Dec 31, 1940	-	22	-	-	
Radio Set, SCB-121	420	740	247	56	June 30, 1940	-	36	-	-	
Radio Set, SCB-171	425	92	20	-	-	-	26	-	-	
<u>Special Equipment for Engineer Troops</u>										
Pontoon Equipment, 10-ton	80,000	27	1	11	Dec 1940	-	18	-	-	
Pontoon Equipment, 25-ton	75,000	5	1	-	-	-	2	-	-	
Bridge, Steel, Portable	5,000	12	2	8	Sept 1940	-	8	-	-	
Mobile Map Reproduction Train	25,000	2	-	1	Sept 1940	-	1	-	-	
Water Purification Units, Motorized	15,000	41	4	6	Sept 1940	-	29	-	-	
Shovel, Gasoline, Motorized	5,000	40	-	11	-	-	29	-	-	
Welding & Cutting Set	500	42	-	12	May 1940	-	29	-	-	
<u>Cloth, Wool, for Uniforms</u>										
		589,850						589,850	1,454,254	
02 Serge, 18-oz, yds	2.59	(187,000)	-	-	-	-	-	(187,000)	(432,800)	
02 Elastic, 18-oz, yds	2.05	(120,000)	-	-	-	-	-	(120,000)	(297,800)	
02 Worsted, 10 1/2-oz, yds	2.12	(142,000)	-	-	-	-	-	(142,000)	(302,400)	
02 Overcoating, 31-oz, yds	2.14	(150,850)	-	-	-	-	-	(150,850)	(322,104)	
Field Range, M-1927	500	4,707	627	1,465	Dec 1940	-	2,140	-	-	
									\$ 6,750,000	← *
<u>Essential Items of High Priority</u>										
Blankets, Wool, 02	4.20	1,366,000	661,126	80,000	Oct 30, 1940	-	-	224,874	2,177,726	* FY 1941 Estimates provide only for normal annual maintenance.
Coats, Wool	7.78	891,540	256,063	49,943	Mar 30, 1941	-	-	285,214	2,161,662	* * * * *
Trousers, Wool	5.48	1,833,563	800,932	120,540	Dec 31, 1940	-	-	452,075	2,641,981	* * * * *
Overcoats, Wool	10.12	872,991	461,365	27,800	Oct 30, 1940	-	-	164,122	2,440,916	* * * * *
Shirts, Worsted	2.81	1,719,682	1,101,981	80,000	June 30, 1940	-	-	507,601	2,193,960	* * * * *



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON

8

May 10, 1940

MEMORANDUM FOR THE SECRETARY

A report just received from the Pratt & Whitney Company indicates that 93% of the machine tools ordered have been delivered.

The Wright Company reports that their deliveries are on schedule as of the first of May. As a matter of fact, some machine tools have been delivered for which no space is available for their installation at present although space being acquired will be available in the very near future.

Mr. Gordon of the Wright Aeronautical Corporation informed me this afternoon in confidence that it is probable they will receive a contract for 1300 additional engines which will require further payments by the Anglo-French Purchasing Board for plant extensions. He promised to confirm this as soon as this deal is closed.

Carbon copy  
to Mr. Young  
5/13/40

May 10, 1940  
12:03 p.m.

H.M.Jr: Hello.

Operator: It will take them about ten minutes to locate Mr. Purvis.

H.M.Jr: Oh -- well, I tell you what we'll do then. I'll talk to him at a quarter of two my time.

O: All right.

H.M.Jr: Tell him a quarter of two my time.

O: All right.

H.M.Jr: Please.

O: Right.

1:47 p.m.

Arthur  
Purvis: Good afternoon, Mr. Secretary.

H.M.Jr: Purvis.....

P: Yes.

H.M.Jr: Morgenthau.

P: Yes, sir.

H.M.Jr: How are you?

P: Fine, thank you. Excitement day.

H.M.Jr: Two things, the unimportant one first. In getting together some statistics yesterday I was surprised and rather shocked to find that we go through Collins' office to -- oh, to some two or three clerks in your place to get them.

P: Oh, really.

H.M.Jr: And I'm sure that you didn't know it.

- 2 -

P: No, I didn't.

H.M.Jr: And I'm sure you won't like it and I don't like it.

P: No, no, no. I mean, anything that comes -- that you want back there -- you mean information wanted in a hurry?

H.M.Jr: Yes.

P: Oh well, of course, it should come right through to me if I'm here.

H.M.Jr: Well, they -- in one case he sent a man up to look at your books and he called some -- two or three clerks quite far down the line to get it.

P: Yes, I see.

H.M.Jr: And I don't like it.

P: I'll arrange that.

H.M.Jr: Now, I was going to make a suggestion. If you like the way we put up that -- those figures.....

P: I did very much.

H.M.Jr: I'd be glad to send the head Treasury statistician up there Monday.....

P: Yes.

H.M.Jr: His name is George C. Haas -- H-A-A-S -- and he could sit down with whoever you have and then arrange that whenever I want figures and I'm entitled to them in your opinion, that they would flow directly to him.

P: I think that would be very good.

H.M.Jr: And -- I mean, it just would cut Collins out on that end.

P: Yes, I really think we could get very good -- quick progress that way.

H.M.Jr: And Haas will take one of his men with him, the man who did that work, and he could stay up there for some days if you wanted him to.

P: Splendid.

H.M.Jr: You see?

P: Well, we'll open the whole works, you see, to him.

H.M.Jr: Because this thing of our going to your -- down your back stairs and getting stuff like that, as soon as I heard it I said, "Well, I don't like to get things like that."

P: No. What we -- what we want to do is to make quite sure that there is the immediate contact that would enable anybody who you wanted to get those things, to get them direct from the man who could most quickly produce them and then for us to give the necessary instructions to that man so that he has everything open to him.

H.M.Jr: Well, I will give Haas a letter to you.

P: Good.

H.M.Jr: And he will appear at your office Monday morning.

P: I'll look forward to seeing him and I'll make it easy.

H.M.Jr: He's our chief statistician.

P: Yes.

H.M.Jr: Now that much for that. Now the other thing, in view of what's happening.....

P: Yes.

H.M.Jr: .....I'm very much interested in how you're getting along with Pratt and Whitney.

P: Yes. Well now, I had a talk last night with Wilson -- yesterday afternoon personally.

H.M.Jr: Yes.

- 4 -

P: And I think that this situation has opened up somewhat.

H.M.Jr: Yes.

P: He agreed, subject to certain details being able to be arranged today or tomorrow, that -- which were in dispute -- that he might be able to "tone up" the deliveries by a couple of months, which would bring us back to the point where we get, not the full amount that we originally hoped for, by any means, but 1700 engines we would get by the end of September '41.

H.M.Jr: Yeah.

P: Now I would like, what I propose to do now is just to go ahead. I talked with Plevan and Self this morning about it and told them exactly where we -- stood from my angle, and we thought we would follow up quickly to see how real this situation is. He had certain points which he made which were all right. On the other hand, I think there has been a little slip back on their part as compared with the original cooperative stand that they took in January. Now, I don't think that that necessarily is anything to be worried unduly about. I think we can probably come to an arrangement with them but we have also, in order to insure the position, Mr. Secretary, Monsieur Plevan and Jacquin and Self yesterday had another talk with Wright and in order to have a sort of sheet to windward, because of this little worry as to whether Pratt and Whitney can really get ahead, whether there's quite -- whether we have the right to have quite the confidence in their ability to get ahead that we had before -- they have developed from Wright a still further expansion which would take care of another part of the quantity which was missing, and to tell you the truth we didn't let any grass grow under our feet in that regard. Monsieur Plevan telephoned me early this morning, and in view of the new developments we closed with Wright for that further expansion tomorrow -- this morning.

H.M.Jr: Really?

P: Well, we're moving up just as rapidly as we know how. Now, the Pratt and Whitney thing, I think it

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will take twenty-four more hours before I can report to you as to how it stands.

H.M.Jr: Well, here's the point. The figures which I got early this morning through Philip Young.....

P: Yes.

H.M.Jr: .....show on airplane engines -- these are supposed to be your figures -- purchased since the first of April.....

P: Yes.

H.M.Jr: .....the British Pratt and Whitney 600 thousand, French 34 million.

P: Yes.

H.M.Jr: And that's practically nothing.

P: Well, that's because they've held up the deal the whole of the month, you see.

H.M.Jr: Yeah.

P: But what we've done, as I say, is to add substantially today and we can send you particulars through very quickly. We -- it was done early this morning, with Curtiss Wright and we're hoping if we can find that the apparent progress made yesterday means what it looks as if it means, we would hope to close with Pratt and Whitney also, though we wouldn't want them to know that yet because.....

H.M.Jr: Well I.....

P: .....they've been just a little bit harsher, you see, in their attitude, and if you could just keep that to yourself for a little while I will give you a report just as quickly as we can.

H.M.Jr: Now, but on airplane engines since the first of April, we have nothing, that you did nothing with Curtiss Wright.

P: Oh, nothing from the first of April?

- 6 -

H.M.Jr: No.

P: Oh well, that's wrong. We did airplane engines with Wright. We had a letter of intention which was sent to them early in April.

H.M.Jr: Well, I have nothing on that from what I got yesterday from you people.

P: Well then there's something gone wrong somewhere and I think that would indicate still further the need for the first step that you talked with with me because we have placed an extremely large order with Wright. In the early days of April.....

H.M.Jr: Well, I have nothing here for Wright, in April. Nothing at all.

P: Well, I think that may be tied up with the difference between exercising options and doing things -- it may be just the technical side, but actually we settled with Curtiss Wright and with -- I mean, with Wright and with Allison in the early days of April and have just now, this morning, closed for still further expansion with Wright. I'll let you have the engine picture, if possible, in a little separate memorandum this afternoon, if that would help.

H.M.Jr: That would help a lot. Now, I -- I sort of cut off everything -- what's happened before the first of April and what's happened since.

P: Yes.

H.M.Jr: Don't you?

P: Oh yes, because our program came through so that we started work on it on the first of April.

H.M.Jr: Right. And to me an option, if you exercise the option, it appears, as far as I'm concerned, the same as a purchase.

P: It would be what?

H.M.Jr: A purchase.

- 7 -

P: Yes, the option should appear as a purchase in the figures we give you.

H.M.Jr: Yes. Well, I have your airplane engines for April Pratt and Whitney 600 thousand, French 34 million 400 thousand, total 35 million.

P: Yes.

H.M.Jr: Pratt and Whitney.

P: Yes.

H.M.Jr: And I have nothing for Curtiss Wright whatsoever.

P: May I just get in touch with that and see what's gone wrong with the statistical section?

H.M.Jr: Right. And if -- in view of the situation, as I say, you need my help -- it gets to a point -- I could give you Sunday afternoon, see?

P: Yes. Yes. Where would you be if I wanted you?

H.M.Jr: I'm going to be here in Washington.

P: Oh, you'll be in Washington.

H.M.Jr: Yes.

P: All right, sir. Then in that case we'll get ahead as fast as we can and we may come to you for that help.

H.M.Jr: But it would be a question of me -- if you want me to bring down Wilson or anybody, I'd get him down.

P: Thank you very much.

H.M.Jr: But I -- I can give you Sunday afternoon for -- if you want it.

P: Thank you so much. I'll -- we'll move forward as fast as we can and let you know.

H.M.Jr: Thank you.

P: Thank you.

May 10, 1940  
4:03 p.m.

H.M.Jr: Hello.

Operator: Mr. Harold Smith.

H.M.Jr: Harold Smith?

O: Yes, sir.

H.M.Jr: Thank you. Hello.

Smith's  
Sec: Hello, Mr. Morgenthau.

H.M.Jr: Yes.

Sec: Just a moment, please.

Harold  
Smith: Hello.

Sec: Secretary Morgenthau.

H.M.Jr: Hello.

S: Hello.

H.M.Jr: Harold Smith.

S: Yeah.

H.M.Jr: Morgenthau..

S: Yeah.

H.M.Jr: Two things, in the first place your men Dasher  
and Martin did a perfectly swell job.

S: Fine, fine. I expect them to.

H.M.Jr: What?

S: I expect them to.

H.M.Jr: They did perfectly swell because the timing was  
marvelous. The President dumped a lot of pieces  
of paper on me that General Marshall had and

- 2 -

I'm trying to put them together, and the General is coming over here at nine-fifteen tomorrow morning.

S: Yes.

H.M.Jr: And I asked -- sent word whether Dasher and Martin could be here also.

S: Yes.

H.M.Jr: Is that all right?

S: Yes.

H.M.Jr: Of course if you'd care to come yourself, I'd be delighted but that's up to you.

S: Yes. Well, I think in view of -- if they can do what you want why.....

H.M.Jr: They did.

S: .....that's fine.

H.M.Jr: They have, but I wanted to know whether it's all right with you.....

S: Yeah, fine.

H.M.Jr: .....if I continue to work with them.

S: All right.

H.M.Jr: Is that all right with you?

S: Yes, absolutely.

H.M.Jr: Fine. That's number one. No, they did a magnificent job. Number two, are you going to take care of our friend Jesse?

S: We're sending this report back. I just signed a letter, so you can send it up to the committee.

H.M.Jr: Well, doesn't it go from you?

S: Well, maybe it does. I didn't think it went direct. I think the letter is to you.

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H.M.Jr: Oh.

S: Yeah. And.....

H.M.Jr: How are you going on this? Which way?

S: Well, we're -- we're merely sending the report up at this time.

H.M.Jr: Well, I mean, how about.....

S: No particular committment from our point of view.

H.M.Jr: I see. Well, here's the thing.....

S: Because I don't think we can resolve it fast enough. In other words, I thought we'd have to do some further clearance and it seemed to us, after we talked about it this afternoon, that the important thing was to get that in Wagner's hands, who I understand wants to go to New York this weekend and take it along. Isn't that the story?

H.M.Jr: Well, the only point is this, that Wagner told me that a little birdie told him that the bill the way Jesse sent it up had the approval of the President.

S: Well, you see I don't know. Jesse did talk to the President about the Finnish thing, but I doubt very much if he talked about the other.

H.M.Jr: Well, just for my own education. Don't you usually report on bills directly to the Chairman of the Committee?

S: No, I think these reports are -- are written to the person submitting them, the secretary submitting them, and they are forwarded then from -- up to the committee from the Treasury, we'll say in this case. That's the formality of it.

H.M.Jr: Yeah.

S: Yeah. The same procedure, as a matter of fact, that

H.M.Jr: Have you asked Federal Depositor Insurance for a report?

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S: No, we haven't.

H.M.Jr: Well, would you do that?

S: Well, we'd be glad to do it and.....

H.M.Jr: I wish you would.

S: And probably Federal Reserve, but we thought that here speed was wanted and the main thing was to get your point of view before the committee.

H.M.Jr: Well, that's all right. That's all right.

S: We can do the later -- we can do the other later, you see?

H.M.Jr: O. K.

S: Yeah.

H.M.Jr: Thank you, Harold.

S: All right.

H.M.Jr: Goodbye.

May 10, 1940.

My dear Mr. Secretary:

I believe you will agree with the enclosed and, at your convenience, I want to come over to chat with you about them. I need your help.

Sincerely yours,

*Louis Johnson*

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

Enclosures

CONFIDENTIAL

May 10, 1940

MEMORANDUM FOR THE PRESIDENT:

1. Because of my responsibility in assuring adequate supplies to the Army in case of emergency, I have had a memorandum submitted as to the adequacy of supply preparedness in the event of a major war. It is attached hereto.

2. The important points are as follows:

a. For sufficient national defense it is believed the American people would expect our existing land and air forces to be fully equipped not only for mobilization and training but also for immediate and continued combat. They would also probably expect the availability, within a relatively few months, of a large reservoir of additional power both for land and air that could be used as circumstances dictate. This involves the two first projects in the War Department's program for war preparedness; namely, the Army in Being (500,000 officers and men) and the Protective Mobilization Plan (1,200,000).

b. Supply preparedness is not adequate for either of the above objectives. To achieve it requires the followings:

Funds to equip fully both with critical items and with essential items the existing force of some 500,000 men, not only for mobilization and training, but also for combat . . . . . \$255,000,000.

Funds to equip fully with critical items the Protective Mobilization Plan force of 1,200,000 men, not only for mobilization but also for combat . . . . . \$840,000,000.

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Funds to reach the present authorized limit of 6,000 planes for the Air Corps, the additional planes to be limited to combat planes, and for the other equipment necessary to support this number of planes . . . . .

. . . . . \$300,000,000.

Funds for industrial mobilization to eliminate or reduce the major bottlenecks, such as, reserve plants, reserve machinery, strategic materials, educational orders, factory plans, etc. . . . .

\$100,000,000.

**TOTAL** **\$1,495,000,000.**

3. I recommend that immediate steps be taken to obtain the authorization and funds necessary to carry out the above program, if you think the objectives outlined conform to public policy.

4. It is important to note that some two years would be required to convert the above appropriations into delivered materials and that some fifteen to eighteen months would be necessary to develop quantity production of planes, weapons and ammunition on the basis of "delivery at the front".

(Signed) LOUIS JOHNSON

**LOUIS JOHNSON**  
**The Assistant Secretary of War**

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May 10, 1940.

MEMORANDUM FOR THE ASSISTANT SECRETARY OF WAR.

Subject: Adequacy of Supply Preparedness of  
the Army in the Event of a Major War.

1. In accordance with your instructions, the following summary is submitted.

2. Adequacy of preparedness depends primarily upon the amount of force the nation expects the armed forces to be able to apply at the start of war and by time intervals thereafter. While the question has been answered in a simple and comprehensive way by public policy in so far as the Navy is concerned - for some years past, a Navy second to none, and now, a Navy some ten percent stronger than any other navy - a similar answer has not been made in so far as the Army is concerned. Such a decision is the basic requirement of an effective military policy because of the long time factor involved in the creation of military power, both from the standpoint of trained personnel and supplies, and this war again emphasizes the vital importance of the synchronization of these two essentials. Until such a decision is made, a determination of adequacy must be nebulous.

3. Various objectives have been planned by the Army, have been discussed with higher authorities and in some cases appropriations have been made at least in partial support of such objectives. These are as follows:

a. Existing Forces - approximately 500,000.  
Regular Army - 227,000 men and 14,000 officers.  
National Guard - 235,000 men and 16,000 officers.  
Total - 462,000 men and 30,000 officers.

The Regular Army mans all the defenses of the outlying possessions, the coast defenses of the United States and the management, training, development and procurement activities of the Army, leaving a field force of some 80,000 men, exclusive of air force. This field force provides only 5 complete infantry divisions with limited amount of Corps and G.H.Q. troops.

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including only one mechanized cavalry brigade and 7 regiments of antiaircraft artillery.

The National Guard mans 18 skeletonized divisions and a limited number of Corps and G.N.C. troops, including 14 antiaircraft regiments.

**b. Protective Mobilization Plan - 1,200,000.**

Strength to be obtained within four months of M-day by bringing all units of existing forces to war strength and by activating additional units to provide a force of two field armies or 9 army corps of 3 divisions each. There is no addition to the mechanized force.

**c. Protective Mobilization Plan. Augmented - some 4,000,000.**

To be achieved through 4 augmentations, extending over a period of 10 months from M-day. This plan doubles the field forces outlined above, provides replacements and increases coast defenses, outlying defenses and G.N.C. troops.

**d. Air Force - 6,000 planes.**

This number, limited by law, includes all serviceable planes, both combat and non-combat. About 60% are fighting planes.

Present program for utilization of these planes provides for 1,862 combat planes in fighting units and 1,335 in reserve.

The war objective of air power has not yet been approved by the War Department, although comprehensive studies have been made and decisions could probably be promptly reached if conditions required.

4. Supply preparedness at any time is dependent upon present stocks, decreased by estimated losses and increased by estimated production or procurement. An application of this test to each of the above objectives follows:

**a. Existing Forces - 500,000.**

Stocks of equipment and supplies on hand, plus those under procurement with funds already appropriated will equip (but not fight) these troops satisfactorily with both critical and essential items except as follows:

Critical items - \$76,000,000.

Essential items - 125,000,000.

As the present appropriation bill passed the House of Representatives, it provided funds for

Critical items - \$51,000,000.

Essential items - 45,000,000.

Thus, additional funds required to equip this force are as follows:

Critical items - \$25,000,000.

Essential items - 80,000,000.

In order to "fight" this force, additional stocks, costing at least \$150,000,000, would be necessary during the time required to create necessary productive capacity.

The shortage in critical items includes antiaircraft artillery with fire control, tanks, combat cars, scout cars, field howitzers, anti-tank guns, aircraft warning service equipment, searchlights and ammunition.

The shortages in essential items include motor transportation, tentage, clothing, medical supplies, engineer field equipment, communications equipment.

Critical items are those necessary to field service which are generally non-commercial in character and difficult to procure in quantity, such as guns, ammunition, military airplanes, fire control, etc. The time required to develop stocks is some 12 - 24 months.

Essential items are those necessary for field service but generally commercial in character and obtainable from existing commercial sources, such as motor transportation, tentage, medical supplies, etc. The time required to develop stocks is some 4 - 12 months.

d. Protective Mobilization Plan, exclusive of air force.

Principal shortages to equip only:

Critical items - \$240,000,000.

Essential items - 400,000,000.

Facilities - 100,000,000.

To "fight" this force, additional stocks required to replace losses until production is adequate - \$500,000,000. The shortages are of the same character as listed under a., above.

e. Protective Mobilization Plan, Augmented.

No figures have been prepared. The following are only roughly approximations:

To equip:

Critical items - \$1,000,000,000.

Essential items - 1,500,000,000.

Facilities - 1,000,000,000.

To fight:

\$5,000,000,000.

The shortages are again similar to those listed under a., above.

In the World War, expenditures for supplies for a corresponding force amounted to over \$12,000,000,000. Large quantities of these stocks are still available for use and their availability correspondingly reduces our present procurement requirements. However, they are not in properly balanced quantities and in many cases must be modernized.

4. Air Force.

Funds so far appropriated and included in the present appropriation bill would provide some 5,400 planes, nearly half of which are still in the procurement stage. There is still a shortage, within the authorization, of 600 planes. To procure these additional planes would cost some \$240,000,000 if all were four-engine bombers. Smaller planes would cost less. Other equipment to balance with these planes is short, perhaps to the extent of \$50,000,000. To provide for war needs during the time necessary for the creation of additional war production, very substantial additional reserves of planes would undoubtedly be required. An estimate cannot be made without a statement of the objective.

5. The Time Factor Involved in Supply Preparedness.

As already stated, supply preparedness is dependent upon stocks and production. Thus, there are two factors involved, the time required to create stocks and the time required to create quantity production. The more rapidly production can be achieved, the less need there will be for stocks and the more rapidly they can be created. Thus the colonial requirements of a major war are considered, the time factor is of transcending importance. Unfortunately, however, and in spite of every effort, it is of very extensive proportions. World experience on the question is of importance.

In the World War, troops were ready to fight within approximately one year after the declaration of war. Our troops fought almost wholly with munitions obtained from the Allies, even at the end of the war. Adequate production - on a delivered to the front basis - would not have been achieved in less than two years after the start of the war in spite of the fact that previous to our entry into the war Allied purchases had created a very substantial munitions industry in this country.

In the present war period, Germany is understood to have started her plans for the creation of large scale munitions power in 1933. Some three or four years elapsed before she had created substantial stocks and substantial productive capacity. At the present time, she undoubtedly has the largest stocks of land and air

fighting equipment and of productive capacity therefore of any nation in the world. I was recently informed by Mr. Evans, Vice President of the General Motors Corporation, recently returned to the United States after having spent eleven years in Germany, that in the case of one multimillion plant with which he was familiar, it had taken Germany in excess of two years to construct the plant and to reach quantity production. It was his impression that other corresponding endeavors involved similar time factors. In a recent speech, Mr. Hitler indicated he had spent some 90 billions of marks on preparedness, the equivalent, perhaps, of 40 billions of dollars in the United States on the basis of work and materials.

In the case of England, we know that the time necessary to create appreciable stocks and productive capacity has been some 4 years in spite of the fact that some 10 billions of dollars have been devoted thereto. We know that some 2 years are required to create new plant capacity in England and to develop quantity production therefrom.

We know from the experience of the foreign governments who have endeavored to procure munitions in the United States that no appreciable deliveries of such items as artillery and ammunition therefor can be obtained in less than some 18 months to 2 years. Even in the case of aircraft, where relatively large commercial capacity exists, quantity deliveries do not start in less than some 12 to 15 months.

At a recent inspection of the Allison Engine Plant, Mr. Evans, in general charge thereof, stated that a new engine plant could not be constructed by his company and brought into quantity production in less than 15 to 18 months. This is in spite of the fact that his company has just completed one such effort and is fully acquainted with all the problems. It must be remembered also that the engines would then have to be delivered to an airplane factory and assembled into planes. This additional time factor approximates 2 months. Since engines are the bottleneck of additional aircraft production, we face a time lag of some 17 to 20 months in erecting additional aircraft production in the event of war, even after industry has been given a green light, and we know that time is required by the management of the government in making the necessary plans and decisions to put individual plants to work.

The obvious question is: That can be done that has not been done to shorten this time factor in the United States? Within the funds that have been available, it is believed that reasonable progress has been made. The war effort has been estimated and

tentative arrangements have been made for industry to absorb the load. These arrangements must be made more exact and dependable through the medium of educational orders and factory plans for which additional funds can be efficiently used. In making the plans, bottlenecks have developed, such as strategic materials and special machinery and some progress has been achieved in providing stocks thereof. Additional funds in appreciable quantities can be used for this purpose. The most important bottleneck in so far as time is concerned is new construction. There are many items of munitions which cannot be obtained by the modification or enlargement of existing commercial plant capacity, such as the loading of ammunition, both high explosive and chemical, and smokeless powder. In these, new construction will be necessary. England faced this same problem and had to create some 38 additional plants. She started this program on the basis of "shadow", or reserve factories and then had to place them in full scale production when war became imminent. The United States might well follow this example in the case of critical items with the larger time factors.

But in spite of every effort, the conclusion is inescapable that it will require some two years after appropriations become available to create the corresponding stock piles and it will require some 12 to 20 months, depending upon the complexity of the item and the conditions of the time, to create quantity production in the event of war and deliver the items to the fighting front.

#### 6. Conclusions.

It seems obvious that if this country became involved in a major war effort, the American people would expect our existing land and air forces to be fully supplied, not only for mobilization and training but also for instant and continuous combat.

It is further believed the American people would expect the creation within a relatively few months of a large reservoir of additional power, both for land and air that could be used as circumstances dictated.

Supply preparedness is not adequate for either of the above objectives at this time. Complete adequacy requires large additional appropriations and these cannot be converted into delivered stocks in less than some 18 - 24 months. However, it should be remembered that armies must fight without complete supplies of food, clothing, shelter, transportation and fighting munitions.

The most important action that can be taken today to prepare America for a major war effort is to put American industry to work in a big way.

## 7. Recommendations.

a. That decision be made as to the strength of land and air forces needed, both at the start of war and by time intervals thereafter.

b. That funds be provided to equip fully both with critical items and with essential items the existing force of some 500,000 men, not only for mobilization and training but also for combat.

c. That funds be provided to equip fully with critical items the Protective Mobilization Plan force of 1,200,000 men, not only for mobilization but also for combat.

d. That funds be provided to reach the present authorized limit of 6,000 planes for the Air Corps, the additional planes to be limited to combat planes and for the other equipment necessary to support this number of planes.

e. That adequate funds be provided for industrial mobilization to eliminate or reduce the major bottlenecks, such as reserve plants, reserve machinery, strategic materials, educational orders, factory plans, etc.

The above program would involve additional funds approximately as follows, but of course more detailed estimates would be in order:

b -	\$255,000,000
a -	840,000,000
d -	300,000,000
e -	100,000,000
Total -	\$1,495,000,000

Note:- This memorandum has not been processed through the General Staff, although some of the information contained herein has been obtained therefrom. It is suggested that you get the views of the Chief of Staff on the questions involved.

(Signed) J. H. BURNS

J. H. BURNS,  
Colonel, Ordnance Department,  
Executive.

May 10, 1960.

MEMORANDUM FOR THE PRESIDENT.

Dear Mr. President:

From long conferences over the last two years and from studying our own defense problems and developments abroad, while there are many defense needs of great importance, it is my humble opinion that there is none of more importance than the necessity for putting the Boeing Aircraft Company (which is now operating at about 57% of its capacity) into full production to secure for the United States Army a large additional number of Flying Fortresses. There are now on hand or on order (Consolidated and Boeing) a total of 178. The attached personal memorandum from General Brett, Chief of the Materiel Division, shows the requirement for hemisphere defense of a total of 578. Deducting the 178 on hand, there remains the balance of 400 which could be procured.

If the funds were appropriated, an order could be placed with Boeing for these 400 planes with the understanding that as soon as the four-engine, 5900 mile range bomber (design for which has been drawn and submitted and in a few days will have been cleared by the Army Air Corps, and the construction of which could be started immediately without the testing of a prototype) has been flight tested, the order could be switched over from the present B-17 to the newer long range type. General Brett's estimate is that on this basis approximately 150 of the 400 would be the present superb B-17-D and the remaining 250 would be of the new 5900 mile type, which is an approved Air Board project.

I respectfully urge that I be given clearance to ask the Senate Military Affairs Committee to add the funds for as many of these 400 ships as you presently approve.

(Signed) Louis Johnson

Enclosure

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Washington, D. C.,  
May 10, 1940.

MEMORANDUM FOR - The Assistant Secretary of War.

SUBJECT - Purchase of Additional Heavy Bombardment Type Airplanes.

1. In compliance with your verbal instructions I am submitting herewith my views with regard to the purchase of 400 additional Heavy Bombardment type airplanes.
2. The memorandum for The Chief of Staff from the Assistant Chief of Staff, War Plans Division (copy of which is inclosed) indicates an M-Day requirement of 915 Bombardment airplanes with characteristics conforming to Air Board requirements for Heavy and Medium Bombardment types. Likewise the matter of additional procurement of Heavy Bombardment airplanes has been discussed by the Chief of Air Corps with the Assistant Chief of Staff, War Plans Division, as indicated in memoranda dated October 18 and October 17, 1939, and letter to The Adjutant General dated November 1 inclosed herewith.
3. The range of the Boeing B-17 Heavy Bombardment airplanes commonly referred to as the Flying Fortress is substantially in accordance with Air Board requirements for the Medium Bombardment type. It is envisioned that a Heavy Bombardment airplane meeting Air Board requirements will have a gross weight of at least 80,000 pounds, which is approximately twice the size of the present B-17.
4. The quantity procurement of Heavy Bombardment airplanes should take cognizance of this requirement as determined by the War Department for increased range. However, in my opinion consideration should likewise be given to the requirement for early delivery of the largest airplanes now in production.
5. The immediate requirements for Heavy Bombardment airplanes based upon information obtained from the Office, Chief of the Air Corps indicate a definite requirement for 578 Heavy Bombardment airplanes of the B-17 class, or larger. These airplanes can be utilized to good advantage as basic equipment for tactical units provided in the Aviation Expansion Program. A tentative assignment of Heavy Bombardment airplanes is substantially as follows:

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Memo. for The Ass't Secretary of War,  
May 10, 1940.

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United States

12 Squadrons - Heavy Bombardment - 12 Planes per Squadron -	144
4 Group Headquarters - 2 planes per Group -	8
4 Long-range Reconnaissance Squadrons - 12 planes per Squadron -	48
6 Medium Bombardment Squadrons (converted) - 12 planes per Squadron -	72
2 Medium Bombardment Groups - 2 planes per Group -	4
2 Medium-range Reconnaissance Squadrons - 12 planes per Squadron -	24
	<hr/>
	Total - 300
15% reserve authorized for the United States -	45
	<hr/>
	Total 345

Insular Possessions

Panama

6 Squadrons - 12 planes per Squadron -	72
2 Group Headquarters - 2 planes per Group -	4
2 Reconnaissance Squadrons - 12 planes per Squadron -	24

Hawaii

2 Reconnaissance Squadrons - 12 planes per Squadron -	24
---	----

Alaska

1 Heavy Bombardment Squadron - 12 planes per Squadron	12
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Puerto Rico

3 Heavy Bombardment Squadrons - 12 planes per Squadron -	36
1 Reconnaissance Squadron - 12 planes per Squadron -	12
1 Group Headquarters - 2 planes per Squadron -	2
	<hr/>
	Total - 186
25% reserve for foreign possessions -	47
	<hr/>
	Total - 233

	Grand Total -	578
Deduct on hand and on order -	Grand Total -	178
	Balance	400

6. There are now on order and on hand 178 Heavy Bombardment airplanes. Therefore there remains a definite requirement for 400 additional airplanes of this type.

7. In view of the situation that now exists in the plants capable of manufacturing airplanes of this type, i.e., Boeing, Douglas, Consolidated, and Martin, it appears that the Boeing Aircraft Company can immediately undertake the production of 400 additional Heavy Bombers. It would be desirable to pre-

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Memo. for The Ass't Secretary of War,  
May 10, 1940.

vide for the delivery of not to exceed 150 of these additional Bombers substantially identical to the present Flying Fortress or B-17. The balance of 250 should be of an improved design that will meet the Air Board requirements for range. The Boeing Company have submitted designs and have sufficient experience with the production of both commercial and military aircraft of this type to immediately undertake quantity production of an improved type Bomber without the necessity of first producing a prototype.

GEO. H. BRETT,  
Brig. General, Air Corps,  
Chief, Material Division.

3 Incls:

- Incl. 1 - Copy Memo. to Ass't Chief of Staff, W.P.D., 10-18-39, with incl.
- Incl. 2 - Copy ltr. to The Adj. Gen., 11-1-39.
- Incl. 3 - Copy Conf. Memo. to Chief of Staff, 3-28-40.

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RE GERMAN INVASION OF HOLLAND AND BELGIUM

May 10, 1940  
7:45 a.m.

Present: Mr. Gaston  
Mr. White  
Captain Puleston  
Mr. Schwarz  
Mr. Foley  
Mr. Bernstein  
Mr. Pehle  
Mr. Cochran  
Mrs Klotz  
Mr. Cairns  
Mr. White  
Colonel Dasher }  
Mr. Martin }

*P. 49 on  
w. hand materials all names*

H.M.Jr: This is a telegram to the presidents of all Federal Reserve Banks, May 10. Are you satisfied with this?

Foley: Yes.

H.M.Jr: I will sign it as of 8:00 o'clock. Now, who takes this up to the telegraph office?

Bernstein: We will take it right up to the telegraph operator.

H.M.Jr: Let McKay do it. Which way is normal? It is open here, is it?

Bernstein: Yes, it is open. Mac called them and they are ready for business.

H.M.Jr: Have you got another copy of this?

Foley: Chick wanted a copy. Here is one.

Will you initial that?

H.M.Jr: I thought I would send one over to Mr. Hull's office. While this is going to the Federal Reserve, why don't you go to your room and Chester Davis - tell him that we delivered the thing to his office at 8:00 o'clock. I called Chester Davis early.

(Telephone conversation with Mr. Stone, State Department, follows:)

May 10, 1940  
8:03 a.m.

H.M.Jr: Hello.

Operator: I have Mr. Stone in Secretary Hull's office.

H.M.Jr: Right. Hello.

O: Go ahead, please.

H.M.Jr: Hello.

Stone: Good morning, Mr. Secretary.

H.M.Jr: Mr. Stone.....

S: Yes, sir.

H.M.Jr: .....I've just sent out this telegram as of eight o'clock on freezing the exchanges.

S: Yes, sir.

H.M.Jr: I'll send a messenger over and see that it gets into your hands.

S: Fine, sir.

H.M.Jr: Do you want it explained to you -- should -- maybe -- I'll tell you what I'll do seeing it's so close by. I'll let Mr. Cochran bring it over and explain it to you so you'll know first hand what we.....

S: Well, that would be very nice.

H.M.Jr: Well, Mr. Cochran will come over with one now and this is for Mr. Hull.

S: All right, sir. Fine, thank you very much, Mr. Secretary.

H.M.Jr: And I want you to know we're doing this on verbal orders. We've got nothing in writing, that's for you.

S: Yes, I understand perfectly.

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H.M.Jr: And we're waiting desperately for a Presidential proclamation saying that -- recognizing the state of war in these countries.....

S: Yes.

H.M.Jr: .....so as soon as the State Department acts why the more comfortable I'll feel.

S: Of course.

H.M.Jr: Because we can't notify Customs or Coast Guard until you people get that.

S: Yes. Well, I guess nothing can be done now until the President has his meeting at ten-thirty.

H.M.Jr: Yeah, which I am going to.

S: Which you are going to, of course.

H.M.Jr: The State Department should take that stuff over there.

S: All right, sir.

H.M.Jr: I say, will State -- is State Department going to take over this proclamation at that time, do you know?

S: I don't know and I'll -- I'll -- I think probably they've been working on one to get it ready for the President to sign and it's decided that it's.....

H.M.Jr: Well, if you know would you have -- would you notify Merle Cochran in turn?

S: I will be glad to. I'll probably know by the time he gets here, sir.

H.M.Jr: Will you?

S: Yes, sir.

H.M.Jr: And he'll -- he'll be over there in five minutes and give you a copy of this telegram.

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S: Fine, sir.

H.M.Jr: Thank you.

S: Thank you, Mr. Secretary.

- 2 -

Cochran: This is on the wire now?

H.M.Jr: That is on the wire now.

Cochran: This is the only thing now.

H.M.Jr: That is all.  
(Mr. Cochran left for the State Department)  
Now, what are you fellows fussing about?

Foley: He (Schwarz) wants to know about the press. What he is fussing about is when will you say the President signed the Executive Order upon which this is based. It is up to you to go ahead and act.

H.M.Jr: He doesn't have to get out an Executive Order on this, does he?

Foley: Yes.

H.M.Jr: This one I am talking about?

Foley: Sure. He told you, as I understood it, that he wanted you to go ahead and act and he would sign the Executive Order.

H.M.Jr: We can't do this without the Executive Order.

Foley: This requires the Executive Order.

H.M.Jr: Are there two separate Executive Orders? What will the President sign when I go over there at 10:30?

Foley: You will take over an amendment to the Executive Order that he signed on the 10th of April which will add to that Executive Order these other countries.

H.M.Jr: Where is it?

Foley: It will be in your hands in another five minutes.

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H.M.Jr: I thought you just had to type that one thing in.

Bernstein: We had to retype several pages.

H.M.Jr: But this has nothing to do with the proclamation of a state of war?

Foley: No.

H.M.Jr: This thing you brought in to me for the President was approved by the President before then?

Foley: That is right.

H.M.Jr: He signed it before 8:00 o'clock. We put it on the wires by 8:00. That was authorized by the President. You don't have to say when he signed it. It was signed and authorized by the President before 8:00 o'clock. Why bring that up?

Foley: He wanted a timetable.

H.M.Jr: You don't need a timetable. I gave it out and it was approved. Why bring that out? This was put on the wire at 8:00 o'clock. We had the President sign it and approve it. He approved it before we gave it out. Don't give any time.

Schwarz: Right.

H.M.Jr: Why raise the question in their mind that it is a phony? Don't.

(Telephone conversation with George Harrison follows:)

May 10, 1940  
8:10 a.m.

H.M.Jr: Hello.

Operator: Governor Harrison in New York calling you.

H.M.Jr: O. K.

O: Secretary Morgenthau.

H.M.Jr: Right. Hello.

Harrison's  
Secretary: Oh, yes, Mr. Morgenthau. Thank you.

H.M.Jr: Hello.

Sec: Ready with Mr. Morgenthau.

H.M.Jr: Hello.

George  
Harrison: Hello.

H.M.Jr: Hello, George.

H: Henry, I'm calling you as I said I would.

H.M.Jr: Yes.

H: There isn't any.....

H.M.Jr: We've got it on the wires at eight.

H: Yeah, I see it's out all on the ticker.

H.M.Jr: Yeah. Well, I can't -- but we actually put the wire -- we sent it over to the Fed at eight.

H: I see. Well, it must be coming in then now.

H.M.Jr: It just -- just went over at eight o'clock.

H: Yeah. Well, I'm here and if there's anything that you want me to do I'm of course.....

H.M.Jr: Well, George, let me ask you this, pending your getting this would -- I mean, I spoke to Chester

- 2 -

Davis at seven and he said he'd get out a warning that the rest was coming.

H: Yes.

H.M.Jr: What time do the banks open for business?

H: Well, really most banks won't be doing anything until ten o'clock.

H.M.Jr: Well, then you could give them a telephone call, couldn't you, in the meantime, your committee?

H: Yes, I will, and I'll call Loree at once.

H.M.Jr: Why don't you call Loree at once?

H: Is it a complete freeze on Holland, Belgium and Luxembourg.

H.M.Jr: And their respective possessions.

H: And their possessions too.

H.M.Jr: Right.

H: Well, Henry, I hate to bother you but I think one thing we'll have to do is -- I've been talking to Danny Bell about some general licenses and some have come through but I think our machinery is very apt to break down on account of the volume.....

H.M.Jr: Yeah.

H: .....unless we can get some general licenses of some kind that won't even involve applications to us.

H.M.Jr: Well.....

H: There are certain classes of transactions that I'm sure Danny would recommend, I think he would, a general license for and the quicker we can get those out the better it will be.

H.M.Jr: Well now just hold the wire a minute -- just a minute. Can you hold the wire, because Dan is away until Monday morning.

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H: What's that?

H.M.Jr: Bell is away until Monday morning.

H: I see.

H.M.Jr: Just a minute. (Brief pause.)  
Hello.

H: Yes.

H.M.Jr: During Bell's absence would it be agreeable for you to let Logan call Bernstein?

H: I'll be glad to.

H.M.Jr: Is that all right with you?

H: Yes, fine.

H.M.Jr: What?

H: Yes, fine.

H.M.Jr: Let's let it work that way until Monday.

H: All right.

H.M.Jr: Logan to Bernstein and then Herbert Gaston is acting during Bell's absence, but today and tomorrow between Gaston and myself and everybody else here, we'll do the best we can. But if you've got something like general licenses, let it go from Logan to Bernstein.

H: All right, I'll be glad to do that.

H.M.Jr: Is that a good way for you?

H: I think that's first-rate, because we wrote -- we sent down a memorandum last week, or about a week ago, to Danny about -- suggesting certain general licenses.

H.M.Jr: But I might.....

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H: And Logan knows all about them.

H.M.Jr: But as of ten minutes past eight, Eastern Standard Time, can I ask you formally now to get in touch with Loree and his Committee?

H: I'll do it at once.

H.M.Jr: And tell them to freeze everything.

H: Yeah.

H.M.Jr: Until you get these instructions.

H: All right, I shall.

H.M.Jr: If you please.

H.M.Jr: Now listen to this, gentlemen. This is what the President said. He ordered the credits and cash balances of Holland and Belgium and Luxembourg frozen to prevent their alienation by any other country. As to the question of Dutch merchant ships and ports of 21 American Republics, he hasn't crossed that bridge yet. He ordered preparations in the case of additional countries now involved.

Foley: He will probably sign that when he meets in the Cabinet.

H.M.Jr: I asked Hull's assistant to find out and Merle is over there now.

White: It is only the preparation that has been ordered.

H.M.Jr: The Berlin radio announced that they had occupied The Hague.

Gaston: No, not The Hague.

H.M.Jr: That is what it says here. Now, we are holding everybody there responsible. What do you want in the way of help?

Foley: Well, you can draw on the people in my shop if you need additional help. We will have to hire some new fellows for the Opinion Section.

H.M.Jr: Well, if you can tell me who is working under Pehle --

Pehle: We have got five men.

Foley: Friedman, Miss O'Dell, John Ferguson, Mann, Groman.

Pehle: On this particular work --

H.M.Jr: I could move those people over on the stabilization if you want me to, while they are doing it, including Pehle.

Foley: Well, it would be justified, it seems to me, and that would free up some money for me and I could hire some other people.

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H.M.Jr: Do you want to move them over as of the 15th on the stabilization fund?

Foley: That would be a big help.

H.M.Jr: Because you won't have the other people anyway.

Foley: No, and then I can go ahead and get additional people.

H.M.Jr: These people will be exclusively on this work.

Foley: Yes, that is about all they are doing.

Pehle: They are not working so much on applications, but right now they have been working on emergency work and getting the papers out and so forth.

Foley: But you will be working on applications.

H.M.Jr: Don't guide the witness.

Foley: I almost got the stabilization fund.

H.M.Jr: Pehle goes out and one clerk. I almost lost the fund there.

The German and Hungarian borders were closed by German authorities according to AP. The Stock Exchange in Switzerland will be closed all day.

(To Lieutenant McKay) Call up the Federal Reserve telegraph room and find out whether it is cleared, whether it has cleared their office. Tell them to notify you and you tell me. I want to know what time it cleared.

Do you (Puleston) want to look at those (teletype messages)?

Klotz: Mr. Gardner of Federal Reserve is outside.

H.M.Jr: I am not going to have him sit in here.

White: Why not keep him informed as to what you did?

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H.M.Jr: Let him go down to - let him wait for Merle Cochran. Tell him Merle Cochran will be back in a few minutes.

Here is a communique issued at Hitler's headquarters. "The German Army has attacked on the largest scale at the Western Front. At the same time the Air Force successfully attacked enemy airdromes and took part in land operations."

Cairns: The communique said that was to keep the French occupied so they couldn't go into Belgium or Holland.

H.M.Jr: (To Lieutenant McKay) Mac, have they cleared that cable yet?

McKay: He is going to call me.

H.M.Jr: Haven't they cleared it yet?

McKay: It will take almost 20 minutes to type it. We couldn't get the Federal Reserve teletype and we sent it to both Postal and Western Union. The man said he would have it cleared through the West Coast by 9:30. He said the three - New York and Boston wanted it right now and he said he would call me right back.

H.M.Jr: Who is that?

McKay: That was the chief of the Federal Reserve telegraph office.

H.M.Jr: Which is the clearing place?

McKay: New York, Boston and Philadelphia.

H.M.Jr: And tell them Richmond, too.

McKay: He will clear all of them just as soon as possible. I will check on that.

(Lieutenant McKay left the conference and returned)

It has gone to the Federal Reserve and cleared here. They are sending it direct to the Federal

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Reserve in New York and they are also sending it over Western Union.

H.M.Jr: Are they using their own teletype now?

McKay: No, they are clearing it now.

H.M.Jr: We could have cleared it on our own teletype.

McKay: That is what we are doing now. It has gone all over by their teletype and it has gone to New York by our own teletype and it is on the way to all banks by Western Union.

Foley: Do you want to send that over to Mr. Hull?

H.M.Jr: No, he has already got one.

Foley: Has he got one?

H.M.Jr: Merle left here at five minutes after 8:00. Isn't this the one the President will sign?

Foley: No, that is the one you just sent out to the banks, you see. Here is what the President signs. That is the Executive Order.

H.M.Jr: Don't I take some letter of transmittal? Do I sign here or does he sign?

Foley: He signs that one. This is the amendment for the regulations. These you sign and he approves. Now, if you want a little memorandum we will give you one.

H.M.Jr: I will sign it. He has got to sign this as of before 8:00 o'clock.

Foley: Yes. He approves there.

H.M.Jr: These two go to the White House?

Foley: Yes.

H.M.Jr: Don't I have to have some kind of a memorandum?

Foley: Yes, we will get it out right away.

H.M.Jr: Bernie, you and Foley come around here.

(Discussion off the record)

(Mr. Cochran returned to the conference)

Cochran: I gave that to Jimmy Dunn, who has been over there all night in his dinner jacket.

H.M.Jr: Do you want to listen to this, gentlemen?

Cochran: I just delivered that message to Jimmy Dunn, who is in charge over there now until Mr. Hull comes. He has been up all night there and he has been talking to Brussels and Paris and The Hague and Amsterdam. He said it seemed like the main thing they were doing as far as France was concerned was trying to bomb the railway connections between Paris and the border to stop any troop movements. They bombed the point - the big railway junction just at the edge of Paris. The bomb that dropped on Swiss territory was just by Delemont, which is an important railway center. One line goes up to Paris from there and it is also on the line between Basel and Lyon. So they couldn't tell whether that was an accident or whether it was on purpose, but anyway they bombed Lyon rather heavily and in Brussels the bombing was heavier than we could tell from the ticker. The bombs had destroyed one house just the second door from the Embassy and killed several people and they are bombing the main street that goes up to the palace. All the Government buildings are concentrated around that one section.

H.M.Jr: Was he glad to get that thing?

Cochran: Yes. I gave him the explanation and he said they would not do anything until the meeting at the White House at 10:30, that they had everything drawn up. I told him you had issued this, but weren't issuing the orders to the Collectors until you heard from them.

White: And they are bombing around Paris.

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Cochran: Around the outside. There have been planes over Paris, but they didn't bomb Paris proper. This is more confidential. Dunn said unfortunately there has been almost an open break between Daladier and Reynaud just day before yesterday and that they were to have a meeting with the President of the Council and Reynaud insisted that this be postponed until they could iron out their own difficulties, so they had sort of a show-down in the Cabinet and Reynaud had to give way some himself or Daladier would have left the Government and somehow they think with this crisis on that they will stand together. Still, the feeling in the Cabinet is not good at all.

White: What was the issue?

Cochran: He didn't tell me what the issue was.

White: Walter Gardner is here and the Secretary said you would keep him informed. He said he should wait to see you.

H.M.Jr: He is over here as an observer.

Cochran: All right, I will go out and see him.

Gaston: The Allies ought to place some airplane orders, I should think, wouldn't they?

(Colonel Dasher and Mr. Martin entered the conference and the others left)

Dasher: What we did, sir, there are 250 items we call critical items not commercially obtainable. We told them to pick out those which are of prime importance. That runs on down to things like a gauge or - something in the end of a shell, but these are the main things that take a long time to get, so we put the unit cost there --

H.M.Jr: Let me just learn my lesson. One gun costs \$40,000?

Dasher: Yes, sir, mobile and anti-aircraft.

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H.M.Jr: Required, 314.

Martin: We have got 338 on hand. This is for the I.P.F. The regular Army, 227,000 enlisted men plus the National Guard, 235, is 425; that is what we have got to date. We call that the Initial Protective Force. In case of an emergency, we would immediately recruit that up to war strength, which would carry us on up toward the mobilization plan. We call it the protective mobilization plan, which is up to a million men.

H.M.Jr: Let me get my lesson very carefully. This which you are giving me to use, anti-aircraft gun, one costs \$40,000. Required --

Martin: For the I.P.F.

H.M.Jr: That is this.

Martin: That is right. Now, we have actually got more than that on hand.

H.M.Jr: But on hand, 338.

Martin: That is right. 102 we have got the money for and the orders have been issued and they are now working on them, 102. Final delivery on those that are on order is September 1940. Now then, there are 36 of those same guns that are in the 1941 appropriation, but that is up to the Senate, 36 of them now.

H.M.Jr: What is a P.M.?

Dasher: That is the Protective Mobilization Plan. That is a million. Now then, you will see that by adding these up together - we also start off with more than we actually need for this force. The surplus, this 36 and others, is a supply for the P.M.P. In theory, that is excess and this 36 plus additional number which makes it 162 altogether, that goes to the P.M.P. But that leaves the I.P.F. with just one gun of each kind, see, no replacements, so that you can call this excess of 162 anti-aircraft mobile

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guns either to be applied on the P.M.P. or if we never have a P.M.P. they are for the replacement in the I.P.F. or whatever force you want to use them for.

H.M.Jr: What do you mean by only one?

Dasher: I mean this, you have your first initial equipment, just like you give a man a uniform. That is initial equipment. If he tears it or loses it, there is nothing to replace it.

H.M.Jr: Before these gentlemen get through, I am going to show them what I am going to take over to the White House today.

Dasher: So that for this I.P.F. and going force, we need 338 of these and we have actually got more on hand, others on order. There are 36 now in the bill, which will give us 162 over our requirements.

H.M.Jr: I understand.

Dasher: That is for the next force. Now, you take those directors - we need 79 directors that go over these guns. These directors, hit finders and sound locators and Lee computers all go over this and the anti-aircraft gun. You take the director and there is one director to four guns.

H.M.Jr: Now, let me just look here a minute.

Dasher: Now, the sound locators and the computers all go with these guns, Mr. Secretary.

H.M.Jr: Let me just see if I am correct. If I have 314 anti-aircraft guns, I need 79 directors - hit finders. My guns aren't any good unless I have got them.

Dasher: Except for judgment firing.

H.M.Jr: But I don't get those until January '42.

Dasher: That is right. You don't get but 30 of them.

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We have got the 72 on hand now, see.

H.M.Jr: Oh, those are on hand?

Dasher: Yes, we are only short 70.

H.M.Jr: So we are only short of 70?

Dasher: That is right.

H.M.Jr: That is not so bad.

Martin: No, sir. Now, over here, Mr. Secretary, you will see this is the remaining shortage and that indicates --

H.M.Jr: Is that the column --

Martin: That is the column to gauge by.

H.M.Jr: Is that the column --

Dasher: These are the shortages that remain after what we have plus what is in the mill upon the Hill now, when more money has been appropriated for them and nothing has been done toward getting them. This isn't shortage and that is the shortage that was covered by the 42 million dollars, of which the President set up 18 and there is still 7 million dollars to come, so that the total for that totals up exactly nearly 7 million dollars, see.

H.M.Jr: Where is the 18 million dollar column?

Martin: That is in this column here.

Dasher: In the 1941 bill, including supplemental to forward to the Senate --

H.M.Jr: And that is roughly 18 million dollars?

Dasher: The supplemental is 18.

H.M.Jr: This is --

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Dasher: The bill itself is 900 million.

H.M.Jr: Oh, but this - does this column total 18 million?

Dasher: No, sir, much more than that. This totals way beyond that. Probably 39 or 40 or 50 million, something like that. But you were wanting to know if we had to put an Army in the field, Initial Protective Force of 460,000 men, here are the things that are short in critical equipment to put those men in the field and it only amounts to things that - here is one shortage, two shortages, and three, four, five shortages, and a few things here, and the total money we needed is six million seven hundred fifty. If we had that, we would have made provision for all of the critical items for 462,000 men.

H.M.Jr: I see.

Dasher: That is all we are short.

Martin: That is from the money angle.

H.M.Jr: Now, let me just run through this thing. Let me just see. On hand, required, gun machines, needed, 738 and we have got this much on hand and we get that by order. Detectors, 76 required. On hand, none. On order, eleven. August '41. Well, isn't that about as bad a thing as anything?

Dasher: Yes, it takes a long time to make those things, 15 months to two years.

H.M.Jr: How about these? Let me mark the ones and I will tell which are the worst. Sound locators, 313 --

Dasher: That goes with anti-aircraft guns.

H.M.Jr: You have got B2 on hand. On order - we don't get those until August '41, isn't that pretty bad?

Dasher: But we are not short any of them.

H.M.Jr: But as to delivery.

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Dasher: Yes, it takes 15 months to two years.

H.M.Jr: I am talking now of delivery.

Dasher: They are on order.

H.M.Jr: But we won't get them until August, and am I right when I say that these guns are no good --

Dasher: Oh, they can be used, undoubtedly, but they are not as efficient and as accurate unless they have these things that go along with them.

H.M.Jr: Isn't it nice to have this?

Klotz: Marvelous, just in time.

H.M.Jr: Now, this is a 37-millimeter gun.

Dasher: That is anti-aircraft. That is a comparatively new gun.

H.M.Jr: Now, this is 26 on hand and we have - we have only got 15 on hand. That also we will star. There is no shortage of money. Now, these detectors, we haven't got any on hand.

Dasher: No.

H.M.Jr: My God!

Dasher: That is a new invention, practically. We have got five of them.

H.M.Jr: Yes, but you have got only one on here. No, you haven't any on here. Has the President ever seen anything like this?

Martin: Not in that form.

Dasher: He never has asked us --  
(Telephone conversation on White House phone)

H.M.Jr: (On phone) Hello.

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.... Yes.

.... Right.

.... Now --

.... Well, last night he said 10:30, you see, but I wish - I have this Order. I tell you what you might do, if you would. Tell him I have the Order on freezing of the credits and I wondered if he wouldn't like to sign that before 10:30, because we gave it out at 8:00 o'clock as though he had signed it. Now, the quicker he sees it, the better, you see. We gave it out as of 8:00 o'clock as though he had signed it and he hasn't signed it and the quicker he signs it, the better, so if he could let me come over before 10:00 o'clock, the sooner the better, and our chances of keeping out of jail are that much better.

Would you, please?

.... I have got the Order for freezing the credits with these three countries. I gave it out at 8:00 o'clock as though he had signed it. Now, the sooner he can sign it, the better.

.... Thank you.

(End of telephone conversation)

Let me just learn my lesson. Surplus, 60. Required - on hand - that is not so bad.

Dasher: No, no.

H.M.Jr: Now, U. S. Rifle, June '42. Here we come along here, 80. Required, 156. On hand, 30. On the rest, we don't get them until '42. I am not going to get into any argument as to whether the rifle is any good.

Martin: We put down below just for your information the two types of rifles.

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H.M.Jr: Right. Machine guns, March '42. Seven hundred twenty-four required. On hand - that is pretty bad.

Dasher: That is for low-flying airplanes.

H.M.Jr: Now, anti-tank guns. June '42. My Lord!

Dasher: That is a practically new weapon. That is the 7-millimeter gun.

H.M.Jr: You have done a nice job.

Dasher: The anti-tank gun, you see, we need a thousand eighty-eight. We have got 228 on hand, but we have got 744 on order and 320 is in the bill, so we will have a surplus of 204 and they will go on to the P.M.P. so we are protected here for the I.P.F., although we haven't got them.

H.M.Jr: What is a split --

Martin: What we did, we took the 75-millimeter field guns left over from the World War, of which we have got hundreds and thousands, and we split the trail and changed the elevation so that now - and we have put a carriage on them to be towed behind a truck so it increases the mobility, the arc of fire and the hit and the range, so that is a modernized 75-millimeter gun, which makes it just about the best gun in the world of its calibre.

H.M.Jr: All right. I get the picture.

Scout cars, automobiles - why the devil - medium tanks --

Dasher: Medium and light tanks.

H.M.Jr: That is a bad picture there.

Dasher: We have done away with the heavy tank.

H.M.Jr: Yes, but that is that.

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Now, April '41. Radio sets.

- Dasher: Those are special radio sets to go in combat units; that is, they go in armored cars and tanks and for the ground troops, you know for communication purposes, for combat units.
- H.M.Jr: Now, we come down to this thing here on blankets. You haven't got the money on that, have you?
- Dasher: No, sir, but you have the unit cost.
- H.M.Jr: Is this what you have got here, the same as that?
- Martin: Yes, sir, the very same thing, but you want to keep in mind the gentleman has in mind the military force.
- Dasher: He was talking about the P.M.P. there, not the I.P.F.
- H.M.Jr: I get you.
- Dasher: He is talking about a million men there, all the way through.
- (Mr. McKay entered the conference)
- H.M.Jr: You take this over to the White House and give it to the usher, Mr. Crim, and go in the front door and he will take it up to the President to be signed. Just ask Foley and Bernstein to show you where the President should sign so that you can show Crim. Just let them show it to you. Let them show you where the President is to sign and you can show it to Crim. You can go to the front door, give it to Crim, wait there until he brings it back, and bring it back to me.
- McKay: And you don't want to see Mr. Foley and Mr. Bernstein?
- H.M.Jr: And the President ought to put on the time there of 7:55. Tell Crim that the President always puts the time on it and he should sign it as of 7:55.

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McKay: And you don't want to see Mr. Foley and Mr. Bernstein?

H.M.Jr: If they are there, yes.

(Mr. Foley and Mr. Bernstein entered the conference)

Foley, Mac is taking the thing over for the President to sign it. Will you show him where to sign it? Just indicate to Mac where the President should sign and I am going to have the President sign as of 7:55.

Foley: O. K., we will put that on the mimeograph, 7:55.

H.M.Jr: Wait until he comes back. But Mac, you tell Mr. Crim to tell the President to put on the time, 7:55.

McKay: Right.

(McKay, Foley and Bernstein left the conference)

Dasher: I don't think I will bother you with our worries so much about this blanket stuff.

H.M.Jr: Here is the thing, gentlemen. This is what I want to get over to you. This is Johnson.

"In checking various things, the Army finds all our troubles not in the so-called critical arms and equipment."

I was much impressed. I asked him and it is so definite a point I am sending you - do you mean to tell me that clothing is more important than the other thing? Isn't Johnson wrong?

Dasher: Absolutely. Those are essential things, things that you can get commercially way yonder quicker than you can get these critical things.

H.M.Jr: Supposing I - can you buy all the Army specification blankets you want?

Dasher: Certainly I can. If it comes to a show-down, look at the blankets in that list.

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H.M.Jr: That is in reserve?

Dasher: The Civilian Conservation Corps have 450,000 blankets in stock and suppose we got in trouble tomorrow. We would just take them away from the CCC.

H.M.Jr: What Mr. Bell says, if his memory serves him right, that they gave all of these old World War blankets - but the CCC owes the Army a lot of stuff?

Dasher: No, but what we did, in the beginning we gave away a lot of stuff free gratis, and then when the stocks started going down we said we had to have replacements so we would issue them to the CCC and the CCC would pay us the fair value for them. That would go back into the appropriation of the Quartermaster General and he would buy new blankets with them, so in that way he kept himself current. The only thing is, he has got enough blankets to run the force that he has got now and maintain that force with so many blankets. In the South, a man needs one blanket. In other climates, he gets two. Up North, he gets four. In Panama, he doesn't get any, or he will get a very light blanket and in Hawaii and Porto Rico, some Quartermaster Generals - naturally, that is a bailiwick and he is worried about blankets.

Martin: I would like to make this point. The General brings up the two matters. One, having to do with blankets and the other as to uniform cloth. Uniform cloth is a critical item. Blankets is not a critical item, because it is a commercial product. You can get it quicker.

Dasher: Uniform cloth is only critical in so far as it is made of wool and we don't grow enough wool in this country. We have to import wool. So in order to provide uniforms for any large number of men, we have to find the wool or do like we did in the last World War, make them out of something else. If we have a campaign, we use cotton, we don't use wool.

H.M.Jr: But you fellows are not convinced on that, are you? Sit down a minute and let me catch my breath. Every man has got his own problems and his own job to fill and it is magnified.

Let me just get this thing, because it is an invaluable aid. I want to go back - I am starting from zero and I have got to absorb this thing and I am just thinking what the excuses are going to be. Supposing the President says, "All right, Mr. Army, why does it take until August '41 to get the rest of the sound locators? What excuse is there for that?"

Dasher: They are a highly technical military device, a more or less recent invention. They are not made in time of peace by anybody. They are only required for the fighting forces, so that in order for a concern to make them who doesn't make them now, we have to find somebody that is capable of making them and have to tool him up, get him his jigs and dies and gauges and then special machines and then get him toolled up - here is an example --

H.M.Jr: Take the sound locators. Is there more than one company that makes that? Is that Sperry or General Electric?

Martin: We don't know.

Dasher: They make them in different parts. Nobody makes them altogether. They buy the different parts from people that can specialize in certain parts of it and they send them to be assembled and then they are assembled and tested out, but they are not made in toto anywhere.

H.M.Jr: I see. Well then, they could spread those parts around.

Dasher: They do.

Martin: They do.

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H.M.Jr: But still they wouldn't be finished until a year from this August.

Dasher: That is when they get all their different parts together and get them assembled and it is getting these things, and some of them, as I say, they are not made now, and special jigs and dies have to be developed to make them and the concern has to - what you say - tool up. I was going to give you an example. Take the Garand rifle of the Winchester Arms Company. We gave them two million dollars to get machines and jigs and dies to get ready to make the Garand rifle and we gave them a 65,000 order for the rifle. They won't be finished tooling up and ready to go until next November. Now, they will start into production next November and by June '42, they will furnish 65,000 rifles, but they haven't furnished a one yet.

H.M.Jr: Let me ask you --

Dasher: A big concern like Winchester making guns, it takes them until next November.

H.M.Jr: In this thing here, can he take - well, of course you have included in this thing money which we haven't yet got from Congress.

Dasher: That is in that '41 column. Well, it has passed the House.

Martin: It has passed the House and is in the Senate.

H.M.Jr: But this stuff here applies to money you already have on hand?

Martin: Yes, sir.

H.M.Jr: And that --

Martin: This is the only money that is yet to be appropriated by Congress that is in the bill.

H.M.Jr: Then they can't say that this stuff here, because you are getting it in August 1941, you haven't got the money yet?

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Dasher: Oh no, sir. For the I.P.F., sir, we have all the money which we need except seven million dollars.

Martin: Including what is in the bills.

H.M.Jr: But everything - I haven't an asterisk on some of those and all those are money already in their hands?

Dasher: That is right.

H.M.Jr: And I take it that this anti-aircraft --

Dasher: No, we have a column there. In the 1940 bill --

Martin: Wait a minute, Charlie, the Secretary is right.

H.M.Jr: The asterisks are stuff where the Army already has the money.

Dasher: Not the asterisks.

Martin: The Secretary has different asterisks.

H.M.Jr: My asterisks are twice as big as yours.

Martin: The point I think you are trying to arrive at, Mr. Secretary --

H.M.Jr: I am trying to think of the argument that everything in this column - they have got the money and it is on order and notwithstanding that stuff, some of the stuff won't come until June '42.

Martin: And there are two questions; one, why is it so long; and two, can't you speed up the time? You can shorten the time by arranging for your contracts.

Dasher: It would cost you 30 percent more. You have got dates running 15 months to two years. If you want to get that shorter than that, than two years, you have got to give them more money. It costs 30 percent more to speed it up and then you have some of these things you can't get

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for a year or 15 months, it doesn't make any difference how money you have got.

H.M.Jr: That is worse than I thought, gentlemen.

Dasher: It doesn't make any difference how much money. It just takes time. These things have to be planned ahead.

H.M.Jr: Well, then I am all right in my statement that everything I have on the date of final delivery is on order and you say that - well, how are you going to speed it up? It will take about 30 percent more?

Martin: It will vary.

H.M.Jr: But it can be done?

Martin: It can be done in some cases. In some cases you will find that it takes just so much time to prepare a special machine to manufacture.

Dasher: The speed-up of this point here, even though it costs you a lot more money, there are some of the things that just can't be speeded up.

H.M.Jr: Well, the most difficult thing is the airplane base.

Dasher: Well, we will come to that.

H.M.Jr: Just put this to one side. You gave me two of these, didn't you?

Martin: Is there anything more you want to talk about?

H.M.Jr: No, I understand it.

Martin: I want to make just one thing clear. Wool for uniforms - now, while all the men are uniformed now and where there is some little surplus, they would be up against it for replacements and it does take about nine months to get that cloth, mainly because of the weaving difficulty.

H.M.Jr: But they could use some other cloth.

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Martin: That is right.

H.M.Jr: And there is plenty of other cloth.

Martin: That is right.

Dasher: For instance, they have insisted that they have got to have regular Army shoes. That is all right for a long service, but initially, they can use a policeman's shoe, the same as we did --

H.M.Jr: I am not impressed by that, but I am - just supposing it isn't just the right color.

Dasher: It doesn't make any difference.

Martin: What you need are those guns, Mr. Secretary, those computers.

Dasher: What the Army is worried about is, if they put a force into the field, they want everybody to have the same kind of uniform and same tint and shade. It doesn't matter if one regiment has got a degree lighter or darker in their khaki or woolen uniform, does it?

H.M.Jr: It doesn't to me, but it does where they have got to rectify that.

Dasher: It does to the military man who wants his things uniform and therefore they spend a lot of time testing this cloth out to get it right, the hue or dye.

H.M.Jr: Well, you people aren't bothered about shoes or uniforms?

Martin: Those computers and those guns are what we are bothered about.

Dasher: We can get all the uniforms and shoes we want long before we can get the guns for the men to go out and fight.

H.M.Jr: It is all the more reason then - let me just take a look at that stuff. The things which

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take the longest time in your experience are what?

Dasher: Are these technical --

H.M.Jr: Hit finders --

Dasher: Take up there under the anti-aircraft program and that whole block up there, you see, it takes 15 months to two years to get these directors and hit finders and sound locators and Lee computers. It takes anywhere from 15 months to two years to get those things. Those are the critical things there. The rifles are not critical any more. We are turning out rifles 200 a day at Springfield. It is only a one shift. If we put three shifts there, we can run that up to 500 a day right now. We had sense enough to give Springfield Army tooling up money here a year or two ago. In a pinch, they can put three shifts on there and turn out 500 rifles a day.

H.M.Jr: Springfield Army, working one shift.

Dasher: 200 a day now. After the first of June they can turn out 500 by increasing the shifts to three shifts.

H.M.Jr: Have we the money?

Dasher: No, we haven't got enough money - well, let's see. The Garand rifle, we have got 156,000 on hand. We need 240,000, 559 for the P.M.P., but for the I.P.F., we are not short any. We have got all of the Garand rifles now.

H.M.Jr: Why June first?

Dasher: Because they will be tooled up and ready to go.

H.M.Jr: I see.

Dasher: They are running 200 a day now.

H.M.Jr: By June 1 --

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- Dasher: Of 1940. We could, by increasing the shifts, turn out four to five hundred guns a day.
- H.M.Jr: O. K. Now, let's see. Evidently a machine gun, 50-calibre, that takes time, doesn't it?
- Dasher: Well, we have got all we --
- H.M.Jr: But I mean, it is a slow process. Where do they make the anti-tank gun, 37-millimeter?
- Dasher: They make them mostly at - they make the bells at some steel concern and the various other paraphernalia goes around, like the recoil mechanism. It is an assembly proposition like I told you a while ago. They buy the parts from different manufacturers and they assemble them at the arsenal.
- H.M.Jr: These tanks are taken on order?
- Dasher: Yes, the tanks are all on order and so far as the I.P.F. are concerned, we are not short any of those things and what we have got here is for the P.M.P., that is, the reserve. You might call those things reserve either for P.M.P. or an Army of any size of for replacements of the I.P.F.
- Martin: Can I make this one suggestion, Mr. Secretary? This is one important column to us, as from the budget angle, what we haven't got money for. Of course, if the President were to say, "Well, is it a question of money?" it is only so far as this problem is concerned. That total is six million seven fifty. Of that, you see, there is a million and a half in this uniform column. The second principal column is this column over here that is on order and the date --
- Klotz: The papers were signed at 7:55 and McKay is on his way back.
- H.M.Jr: Wonderful, it is really remarkable.  
This six, seven fifty?

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Dasher: No, on the first page, there is one thing we haven't detailed that is highly confidential, ammunitions. We have funds set up in the 1941 estimates. The money isn't appropriated yet. There are ten million dollars which will complete the requirements for the existing units, but no man on earth can estimate what we are going to need in the way of ammunitions. It is according to the way the battle develops and the rate of fire and the calibre of the guns that are going to do the firing. So nobody knows. You know, in the World War millions of tons of stuff was shot up and it took thousands of tons to kill one man, but nobody knows what the requirement of ammunition is going to be.

Now, so far as the I.P.F. is concerned, those 462,000 men, we have got enough ammunition to last us with them until we can go into production with industry.

H.M.Jr: Now, wait a minute, with this ten million dollars here, this refers to what?

Dasher: That ten million dollars down in the right hand corner --

H.M.Jr: Have you got it?

Dasher: We haven't got the money, but it is set up in the estimates and Congress hasn't cut it, so we will get that. Then we will buy that ammunition and then we will have enough ammunition for 462,000 men --

H.M.Jr: But you haven't got that yet?

Dasher: All except ten million dollars worth of it. We have got an ammunition reserve.

H.M.Jr: Is that slow to get?

Dasher: Fairly slow. What we will have to do is build some powder factories.

H.M.Jr: We are in the process of that with Allied money.

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I went down to Indian Head, as a result of which I recommended to the President the next day they put them on three shifts - two shifts, which they will do on the first of June. Indian Head goes on two shifts.

Dasher: DuPont and all these people can expand, you know.

H.M.Jr: I have all that on account of my dealing with the Allies.

Dasher: That helps materially, but we have got all the ammunition right now on hand to run this force of 462,000 men --

Martin: We are not terribly concerned about this ammunition.

Dasher: Not for the I.P.F., but for a larger force - but this will hold the turn until we can get into production. Of course, we will need money to get into production with. But the thing you are talking about today is the Initial Protective Force of 462,000 men and we are not short on ammunition, but we put that down so you would see how we stood.

H.M.Jr: Well, it is safe to make this statement, that these 450,000 men, the full equipment in many cases won't be until the middle of next year and in some cases until '42.

Dasher: That is right, sir. They would be fully equipped. In other words, they couldn't take the field tomorrow. They would be shy a great deal of critical equipment.

H.M.Jr: It just burned me up when the President sat there at Cabinet just asking for this. It has never been set up this way, has it?

Dasher: No, sir, they don't bring the right men over there. Mr. Woodring - of course, I don't suppose he can be expected to know all these details, but if he would bring the Chief of Staff along with him, he could probably answer the questions.

H.M.Jr: Well, it always reminds me of the first six weeks

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when I was here and when I succeeded Mr. Woodin. I found that the deficit was three million dollars worse off than what they had told the President and I had to tell him that. Hughes was Assistant Secretary, Fiscal, and I asked him why he didn't - he said, "He never asked me."

Martin: We asked this one question of the budget officer, how many men would be fully equipped to go into action tomorrow. 75,000.

H.M.Jr: When did you ask him that?

Dasher: Yesterday.

H.M.Jr: Nothing ever gets out of this room, you know.

Dasher: If we got a call tomorrow to put a fighting force into the field, fully and completely equipped with critical items and all the essential items, all we could muster to meet every eventuality would be 75,000.

(Mr. McKay entered the conference)

H.M.Jr: Have you got the thing?

McKay: Yes, sir.

H.M.Jr: Wonderful. I tell you what you do, Mac. Ask Foley to get you in Gaston's office and give it to him there. I will tell him.

(McKay left the conference)

Put it this way: Today, fully equipped with critical items --

Dasher: That is, with the tanks and anti-aircraft and everything complete.

H.M.Jr: That is regular Army?

Dasher: That is everything.

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H.M.Jr: But that is regular Army, isn't it?

Dasher: Well, it is everything, all we have got.

H.M.Jr: Critical items --

Dasher: 75,000 men.

H.M.Jr: Put 75,000 men into the field.

Dasher: To fight a battle.

H.M.Jr: All right.

Dasher: By the end of 1942 we can put 462,000 men in.

H.M.Jr: The end of when?

Dasher: 1942. Of course, all these critical items would be coming in.

H.M.Jr: But that is today.

Dasher: And that can grow day by day as these things come in.

H.M.Jr: I understand. What else can you give me like that? That is the whole picture. Now, shall we go to planes or have you something else?

Dasher: Yes. You have a statement there about planes. This is terribly complicated, because of what has been done recently.

H.M.Jr: I need two of these. These are photostated, aren't they?

Dasher: I can get another one, sir.

H.M.Jr: Well, if you can, I can have my own photostats made but I want to go to the President when he grabs mine off.

Martin: If you want to use this one, all right, but we have noted here the excess.

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H.M.Jr: I won't use that. I am going to give this to the President.

Dasher: That will be your copy, then.

H.M.Jr: I will keep this and give it back to you.

Dasher: Those penciled notes on the outside mean excess of those articles over what is required for the I.P.F., which would go to the P.M.P.

H.M.Jr: Now, what is the plane situation?

Dasher: We have the same column arrangement, Mr. Secretary.

Martin: We have three groups there, combat, miscellaneous and training. That is in the first column.

H.M.Jr: Where is this?

Martin: Over here. Three different types of planes. In the combat group you will notice that 3210 is the number required. We have on hand 1534. We have on order 1841. The date of final delivery is under the present contract and we understand there are certain requirements being made which will change this final delivery date, but in each case, you understand, where foreign orders take precedence, we are going to get a better plane at no additional cost.

H.M.Jr: That is right, and in many cases with less money.

Martin: And where the --

H.M.Jr: Usually less money.

Martin: Where a concern has no foreign orders, we get our planes on time.

Dasher: But of course planes are not equipped with the modern things like armor to protect the pilot, the self-sealing tanks.

H.M.Jr: I was there this week. They took me into the room where they are working on a self-sealing

- 32 -

tank. They thought that day they had a tank. They thought --

Dasher: Well, Glenn Martin over here had a demonstration yesterday or day before and he says he has got a self-sealing gasoline tank that is better than the British or French or Germans have got.

H.M.Jr: I will believe it when I see it.

Dasher: As you said the other day, there are really only 250 combat planes equipped now with any of these modern devices. That 1500 and some-odd planes there, none of them, not a single one of them, could go to battle tomorrow.

H.M.Jr: Of the 1534, not a one of them?

Dasher: That is, they wouldn't last long because they are not equipped. They have all got 50-calibre machine guns. They shot down a German plane behind the lines and they counted 10,000 bullet holes. It made a sieve out of the wings and fuselage, but it didn't disable the plane. They are putting a heavier gun in so if it hits a wing it tears the plane all to pieces. There is no sense in sending these combat planes in now with nothing but these 50-calibre machine guns and they are so - they are putting heavier guns and self-sealing tanks in. All of the 1897 --

H.M.Jr: Well, there is 3210 combat planes. 1897 are designated as operating planes and 1313 of them would be reserve planes.

Martin: In this particular group of 3210, there are a certain number of planes required as a reserve for replacements. So we wanted to know of the 3210 how many are going to be operating planes and how many are going to be reserve planes and the figure we got is --

Dasher: The distribution of that number there, of the 3210, there will be 1897 of them that will be in operation; that is, assigned to technical use of the Air Corps commensurate with the strength of the Air Corps that is now authorized

- 33 -

and provided for. They will be operating planes. Now then, we have got 713 that we were going to buy and put in reserve and we were going to rotate them and as these operating planes with technical units became obsolete or damaged or anything of that kind, or run a certain number of hours where they had to be overhauled, we would pull them out of the technical units and put a reserve plane in, so we always have 1897 combat planes flying at all times. But the thing that you and your colleagues have been doing, we have this 1313 reserve planes we were going to buy and we are not buying them. We deferred that, you see.

When Congress authorized this plane program, the Army never did expect to have actually flying the whole 5500 planes. They were going to put a certain number in reserve. Now, if they had done that and gotten them in a hurry, which you stopped, they would have had a lot of obsolete planes, so therefore instead of buying these reserve planes and putting them in a hangar and letting them become obsolete, we are deferring that because if industry gets geared up as you are doing it now, eventually we can get all the planes we want and get modern planes, the latest type, fully equipped.

H.M.Jr: I have that picture, but what I want to ask is this, irrespective of the shifts and so forth and so on, is the column number eight the one I should look at?

Martin: Yes.

H.M.Jr: As I understand it, just looking here, they have on hand 53 bombers and on order 125. Short, 33. Is that right? That has nothing to do with the delay of orders?

Dasher: No, that is not delayed orders.

Be ready to shoot (11)  
in exchange control  
on Holland. Belgium  
Luxembourg first  
thing in the morning  
12.15. 17. M. (The Pres.)  
~~He~~ He can not get  
anyone in Europe  
on telephone. Thinks  
there is big raid  
on in England.  
afraid they will attack  
Sweden.

May 10, 1940

74

12:25 P.M.

Spoke to Cadell Hall 2  
said I said I  
thought I <sup>ought</sup> not set out  
executive order as Pres  
suggested until I knew  
more. I could freeze  
all exchanges in <sup>the</sup>  
morning on volunteer  
basis first. Cadell  
agreed as said I ought  
to check first thing  
in the morning.

May 10, 1951

74-A

Peres called (8.)  
at 2:00 A.M.

Definitely get out  
executive order as of  
8:30 Eastern Standard  
Time for Holland -  
Belgium and their  
possessions and Lux company

I should come to White  
House at 10:30

May 10, 1948

- 74-B

*To the Sec's Diary*

May 10, 1940

In the very early morning of May 10, it was announced that the President was ordering the freezing of Dutch, Belgian and Luxembourg property in this country, and that this Order would go into effect before the opening of business May 10, 1940.

The President signed the new Executive Order freezing Belgian, Dutch and Luxembourg as well as Danish and Norwegian property at 7:55 A.M., E.S.T., May 10. At the same time the Secretary of the Treasury, acting with the approval of the President, issued regulations carrying out this Order. This Order and Regulations were approved as to form and legality by Attorney General Robert H. Jackson.

At 8:00 A.M., E.S.T., the Secretary of the Treasury sent telegraphic instructions to the Presidents of all the Federal Reserve banks advising them of the new Order and Regulations and instructing them as to what action to be taken. Immediately thereafter the Order and Regulations were also telegraphed to the Federal Reserve banks. A little later in the day the Treasury Department telegraphed to the Federal Reserve banks five general licenses and also airmailed copies of all the foregoing documents, as well as various application and license forms to the Federal Reserve banks.

During the course of the day appropriate instructions were also given to Collectors of Customs, the Postmaster General and to the other Government agencies dealing with the territories and possessions of the United States.

All the documents were promptly handed to the press during the course of the day.

*F. W. H.*

May 10, 1945

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(FOIA(b)(7)(D) M. W. F., Jr.

77  
May 10, 1940

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(Initialed) E. H. F., Jr.



Office of the Attorney General  
Washington, D.C.

May 10, 1940

The President,

The White House.

My dear Mr. President:

I am herewith transmitting a proposed Executive order entitled "Amendment of Executive Order No. 8389 of April 10, 1940, Amending Executive Order No. 6560, Dated January 15, 1934", together with a proposed Regulation entitled "Amendment of Regulation", to be issued by the Secretary of the Treasury in connection with the proposed order.

The proposed order and the proposed Regulation, informally submitted to me this date by the Secretary of the Treasury, have my approval as to form and legality.

Respectfully,

  
Attorney General.

GENERAL REGULATIONS

Money and Finance: Treasury  
Secretary Office, Department of the Treasury

TREASURY DEPARTMENT,  
Office of the Secretary,  
May 10, 1940.

AMENDMENT TO REGULATIONS

The Regulations of April 10, 1940, are amended to read as follows:

\*REGULATIONS

\*Relating to Transactions in Foreign Exchange, Transfers of Credit, Payments, and the Export or Withdrawal of Coin, Bullion and Currency, and Transfers, Withdrawals and Exportations of, or Dealings in, Evidences of Indebtedness or Ownership, and to Reports of Foreign Property Interests in the United States. (\*)

\*Section 130.1. Authority for regulations. These regulations are prescribed and issued under authority of Section 5(b) of the Act of October 6, 1917 (40 Stat. 411), as amended, and Executive Order No. 6560, dated January 15, 1934, as amended. (\*)

\*Section 130.2. Definitions.

\*(a) The term 'Order' shall refer to Executive Order No. 5560, of January 15, 1934, as amended.

\*(b) The term 'regulations' shall refer to these regulations.

\*(c) The terms 'property' and 'property interest' or 'property interests' shall include, but not by way of limitation, money, checks, drafts, bullion, bank deposits, savings accounts, any debts, indebtedness or obligations, financial securities commonly dealt in by bankers, brokers, and investment houses, notes, debentures, stocks, bonds, coupons, bankers' acceptances, mortgages, pledges, liens or other right in the

(\*) Sections 130.1 to 130.6: - Sec. 5(b), 40 Stat. 415 and 966; sec. 2, 48 Stat. 1; Public Resolution No. 69, 75th Congress; 12 U.S.C. 93a; Ex. Order 6560, Jan. 15, 1934; Ex. Order 3389, April 10, 1940; Ex. Order 3405, May 10, 1940.

nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, any other evidences of title, ownership or indebtedness, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, vendors' sales agreements, land contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trade-marks, copyrights, insurance policies, safe deposit boxes and their contents, annuities, et cetera.

\*(d) Safe deposit boxes shall be deemed to be in the 'custody' not only of all persons having access thereto but also of the lessors of such boxes whether or not such lessors have access to such boxes. The foregoing shall not in any way be regarded as a limitation upon the meaning of the term 'custody'.

\*(e) For the meaning of other terms reference should be made to the definitions contained in the Order. (\*)

\*Section 130.3. Licenses to engage in foreign exchange transactions, etc. Applications for licenses to engage in foreign exchange transactions, transfers of credit, payments, the export or withdrawal from the United States or the earmarking of gold or silver coin or bullion or currency, or the transfer, withdrawal or exportation of, or dealing in, any evidences of indebtedness or evidences of ownership of property, involving property in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect, or in which the Netherlands, Belgium or Luxembourg or any

national thereof has at any time on or since May 10, 1940, had any interest of any nature whatsoever, direct or indirect, shall be filed in duplicate with the Federal Reserve bank of the district or the Governor or High Commissioner of the territory or possession of the United States in which the applicant resides or has his principal place of business or principal office or agency, or with the Federal Reserve Bank of New York if the applicant has no legal residence or principal place of business or principal office or agency in a Federal Reserve district or a territory or possession of the United States. Application forms may be obtained from any Federal Reserve bank, mint or assay office, or the Secretary of the Treasury, Washington, D. C. Applications shall be executed under oath before an officer authorized to administer oaths, or if executed outside of the United States, before a diplomatic or consular officer of the United States. The applicant shall furnish such further information as shall be requested of him by the Secretary of the Treasury or the Federal Reserve bank or other agency at which the application is filed. Licenses will be issued by the Secretary of the Treasury, acting directly or through any agencies that he may designate, and by the Federal Reserve banks acting in accordance with such rules, regulations, and instructions as the Secretary of the Treasury may from time to time prescribe, in such cases or classes of cases as the Secretary of the Treasury may determine in rules, regulations, and instructions prescribed by him. The Federal Reserve bank or other agency at which an application is filed will advise the applicant of the granting or denial of the license. Licenses for the export or withdrawal of currency or gold or silver coin or bullion or evidences of indebtedness or evidences of ownership of property, after having been cancelled by the collector of customs or the postmaster through whom the exportation or withdrawal was made, may

be returned by such collector of customs or postmaster to the licensee. Appropriate forms for applications and licenses will be prescribed by the Secretary of the Treasury. Licensees may be required to file reports upon the consummation of the transactions. The decision of the Secretary of the Treasury with respect to the approval or disapproval of an application shall be final. (\*)

\*Section 130-4. Reports of Property Interests of Norway, Denmark, the Netherlands, Belgium, Luxembourg and Nationals Thereof.

\*(a) On or before May 15, 1940, reports shall be filed on Form TFR-100, duly executed under oath, containing the information called for in such Form, with respect to all property situated in the United States on April 8, 1940, in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect. Within thirty days of the publication of these regulations in the Federal Register, reports shall be filed on Form TFR-100, duly executed under oath, containing the information called for in such Form, with respect to all property situated in the United States on May 10, 1940, in which the Netherlands, Belgium or Luxembourg or any national thereof has at any time on or since May 10, 1940, had any interest of any nature whatsoever, direct or indirect. Such reports shall be filed by:

\*(1) Every person in the United States directly or indirectly holding, or having title to, or custody, control, or possession of such property including, without any limitation whatsoever of the foregoing, every partnership, association, or corporation organized under the laws of the United States or

any state or territory of the United States, or having its principal place of business in the United States, in the shares of whose stock or in whose debentures, notes, bonds, coupons, or other obligations or securities Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect, or in which the Netherlands, Belgium, or Luxembourg or any national thereof has at any time on or since May 10, 1940, had any interest of any nature whatsoever, direct or indirect; and

\*(2) Every agent or representative in the United States for Norway, Denmark, the Netherlands, Belgium or Luxembourg or any national thereof having any information with respect to any such property.

\*Provided, That no report on Form TFR-100 need be filed where the total value of all property interests to be reported is less than \$250.

\*(b) Reports shall be executed and filed in triplicate with the Federal Reserve bank of the district or the Governor or High Commissioner of the territory or possession of the United States in which the party filing the report resides or has his principal place of business or principal office or agency, or if such party has no legal residence or principal place of business or principal office or agency in a Federal Reserve district or a territory or possession of the United States, then with the Federal Reserve Bank of New York. A report shall be deemed to have been filed when it is received by the proper Federal Reserve bank or other agency or when it is properly addressed and mailed and bears a postmark dated prior to midnight of the date upon which the report is due. The Federal Reserve bank and other agencies shall promptly forward

two copies of every report filed with it to the Secretary of the Treasury.

\*(c)(1) All spaces in the report must be properly filled in. Reports found not to be in proper form, or lacking in essential details, shall not be deemed to have been filed in compliance with the Order.

\*(2) Where space in the report form does not permit full answers to questions, the information required may be set forth in supplementary papers incorporated by reference in the report and submitted therewith. Supplementary documents and papers must be referred to in the principal statement in chronological or other appropriate order and be described in such manner that they can be identified.

\*(d) A separate report under oath must be filed by each person required to file a report except that persons holding property jointly may file a joint report.

\*(e) The Secretary of the Treasury may, in his discretion, grant such extensions of time as he deems advisable for the making of any or all of the reports required by these regulations.

\*(f) Report Form TFR-100 may be obtained from any Federal Reserve bank, mint or assay office and the Secretary of the Treasury, Washington, D. C. (\*)

\*Section 130.5. Penalties. Section 5(b) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, provides in part:

\* \* \* \* \* Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more

than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both. As used in this subdivision the term 'person' means an individual, partnership, association, or corporation.' (\*)

\*Section 130.6. Modification or Revocation. These regulations and any forms or instructions issued hereunder may be modified or revoked at any time. (\*)\*

*Henry M. Quinlan*  
Secretary of the Treasury.

APPROVED: *May 10*, 1940.

*7.55 a.m. E.S.T.*

*Franklin D. Roosevelt*

EXECUTIVE ORDER

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AMENDMENT OF EXECUTIVE ORDER NO. 8389 OF  
APRIL 10, 1940, AMENDING EXECUTIVE ORDER  
NO. 6560, DATED JANUARY 15, 1934.

Executive Order No. 8389 of April 10, 1940, is amended  
to read as follows:

AMENDMENT OF EXECUTIVE ORDER NO. 6560,  
DATED JANUARY 15, 1934, REGULATING  
TRANSACTIONS IN FOREIGN EXCHANGE,  
TRANSFERS OF CREDIT, AND THE EXPORT  
OF COIN AND CURRENCY.

"By virtue of the authority vested in me by section 5(b)  
of the Act of October 6, 1917 (40 Stat. 411), as amended,  
and by virtue of all other authority vested in me, I,  
FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF  
AMERICA, do hereby amend Executive Order No. 6560, dated  
January 15, 1934, regulating transactions in foreign ex-  
change, transfers of credit, and the export of coin and  
currency by adding the following sections after section 8  
thereof:

"Section 9. Notwithstanding any of the  
provisions of sections 1 to 8, inclusive, of  
this Order, all of the following are prohibited,

except as specifically authorized in regulations or licenses issued by the Secretary of the Treasury pursuant to this Order, if involving property in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect, or if involving property in which the Netherlands, Belgium or Luxembourg or any national thereof has at any time on or since May 10, 1940, had any interest of any nature whatsoever, direct or indirect:

\*A. All transfers of credit between any banking institutions within the United States; and all transfers of credit between any banking institution within the United States and any banking institution outside the United States (including any principal, agent, home office, branch, or correspondent outside of the United States, of a banking institution within the United States);

\*B. All payments by or to any banking institution within the United States;

\*C. All transactions in foreign exchange by any person within the United States;

\*D. The export or withdrawal from the United States, or the earmarking of gold or silver

coin or bullion or currency by any person within the United States;

\*'B. All transfers, withdrawals or exportations of, or dealings in, any evidences of indebtedness or evidences of ownership of property by any person within the United States; and

\*'F. Any transaction for the purpose or which has the effect of evading or avoiding the foregoing prohibitions.

\*'Section 10. Additional Reports.

\*'A. Reports under oath shall be filed on such forms, at such time or times and from time to time, and by such persons, as provided in regulations prescribed by the Secretary of the Treasury, with respect to all property of any nature whatsoever of which Norway, Denmark, the Netherlands, Belgium or Luxembourg or any national thereof is or was the owner, or in which Norway, Denmark, the Netherlands, Belgium or Luxembourg or any national thereof has or had an interest of any nature whatsoever, direct or indirect, and with respect to any acquisition, transfer, disposition, or any other dealing in such property.

\*'B. The Secretary of the Treasury may require the furnishing under oath of additional and supplemental information, including the production of any books of account, contracts, letters or other papers with respect to the

matters concerning which reports are required to be filed under this section.

"Section 11. Additional Definitions. In addition to the definitions contained in section 7, the following definitions are prescribed:

"A. The terms "Norway" and "Denmark", respectively, mean the State and the Government of Norway and Denmark on April 8, 1940, the terms "the Netherlands", "Belgium", and "Luxembourg", mean the State and the Government of the Netherlands, Belgium and Luxembourg on May 10, 1940, and any political subdivisions, agencies and instrumentalities of any of the foregoing, including territories, dependencies and possessions, and all persons acting or purporting to act directly or indirectly for the benefit or on behalf of any of the foregoing. The terms "Norway", "Denmark", "the Netherlands", "Belgium" and "Luxembourg" respectively, shall also include any and all other governments (including political subdivisions, agencies, and instrumentalities thereof and persons acting or purporting to act directly or indirectly for the benefit or on behalf thereof) to the extent and only to the extent that such governments exercise or claim to exercise the jure or de facto sovereignty over the area which, on April 8, 1940, constituted Norway and Denmark and which on May 10, 1940, constituted the Netherlands, Belgium and Luxembourg.

\*B. The term "national" of Norway or Denmark shall include any person who has been or whom there is reasonable cause to believe has been domiciled in, or a subject, citizen or resident of Norway or Denmark at any time on or since April 8, 1940, but shall not include any individual domiciled and residing in the United States on April 8, 1940, and shall also include any partnership, association, or other organization, including any corporation organized under the laws of, or which on April 8, 1940, had its principal place of business in Norway or Denmark or which on or after such date has been controlled by, or a substantial part of the stock, shares, bonds, debentures, or other securities of which has been owned or controlled by, directly or indirectly, one or more persons, who have been, or whom there is reasonable cause to believe have been, domiciled in, or the subjects, citizens or residents of Norway or Denmark at any time on or since April 8, 1940, and all persons acting or purporting to act directly or indirectly for the benefit or on behalf of the foregoing.

\*C. The term "national" of the Netherlands, Belgium or Luxembourg shall include any person who has been or whom there is reasonable cause to believe has been domiciled in, or a subject, citizen or resident of the Netherlands, Belgium or Luxembourg at any time on or since May 10, 1940, but shall not include any individual domiciled and residing in the United States on May 10, 1940, and shall also include any partnership, association, or other organization, including any

corporation organized under the laws of, or which on May 17, 1940, had its principal place of business in the Netherlands, Belgium or Luxembourg, or which on or after such date has been controlled by, or a substantial part of the stock, shares, bonds, debentures, or other securities of which has been owned or controlled by, directly or indirectly, one or more persons, who have been, or whom there is reasonable cause to believe have been, domiciled in, or the subjects, citizens or residents of the Netherlands, Belgium or Luxembourg, at any time on or since May 10, 1940, and all persons acting or purporting to act directly or indirectly for the benefit or on behalf of the foregoing.

"D. The term "banking institution" as used in section 9 includes any person engaged primarily or incidentally in the business of banking, of granting or transferring credits, or of purchasing or selling foreign exchange or procuring purchasers or sellers thereof, as principal or agent, or any person holding credits for others as a direct or incidental part of his business, or brokers; and, each principal, agent, home office, branch or correspondent of any person so engaged shall be regarded as a separate "banking institution".

"Section 10. Additional Regulations. The Regulations of November 12, 1934, are hereby modified insofar as they are inconsistent with the provisions of sections 9 to 11,

inclusive, of this Order, and except as so modified are hereby continued in full force and effect. The Secretary of the Treasury is authorized and empowered to prescribe from time to time regulations to carry out the purposes of sections 9 to 11, inclusive, of this Order as amended, and to provide in such regulations or by rulings made pursuant thereto, the conditions under which licenses may be granted by such agencies as the Secretary of the Treasury may designate."

*Franklin D. Roosevelt*

THE WHITE HOUSE,

*May 10 1940*

*7:25 P.M.T. A.M.*

May 10, 1940.

**MEMORANDUM FOR THE PRESIDENT:**

Annexed is an Executive Order and Regulations which amend the outstanding Executive Order and Regulations relating to Danish and Norwegian property so as to apply the same control to Dutch, Belgian and Luxembourg property in this country. This control, of course, also applies to the property in this country belonging to the territories and possessions of the aforementioned countries.

The documents have been cleared with the Attorney General.

TREASURY DEPARTMENT  
Office of the Secretary  
May 10, 1940.

AMENDMENT TO REGULATIONS

The Regulations of April 10, 1940, are amended to read as follows:

"REGULATIONS

"Relating to Transactions in Foreign Exchange, Transfers of Credit, Payments, and the Export or Withdrawal of Coin, Bullion and Currency, and Transfers, Withdrawals and Exportations of, or Dealings in, Evidences of Indebtedness or Ownership; and to Reports of Foreign Property Interests in the United States. (\*)

"Section 130.1. Authority for regulations. These regulations are prescribed and issued under authority of Section 5(b) of the Act of October 6, 1917 (40 Stat. 411), as amended, and Executive Order No. 6560, dated January 15, 1934, as amended. (\*)

"Section 130.2. Definitions.

"(a) The term 'Order' shall refer to Executive Order No. 6560, of January 15, 1934, as amended.

"(b) The term 'regulations' shall refer to these regulations.

"(c) The terms 'property' and 'property interest' or 'property interests' shall include, but not by way of limitation, money, checks, drafts, bullion, bank deposits, savings accounts, any debts, indebtedness or obligations, financial securities commonly dealt in by bankers, brokers, and investment houses, notes, debentures, stocks, bonds, coupons, bankers' acceptances, mortgages, pledges, liens or other right in the nature of security, warehouse receipts, bills of lading, trust receipts, bills of sale, any other evidences of title, ownership or indebtedness, goods, wares, merchandise, chattels, stocks on hand, ships, goods on ships, real estate mortgages, vendors' sales agreements, land contracts, real estate and any interest therein, leaseholds, ground rents, options, negotiable instruments, trade acceptances, royalties, book accounts, accounts payable, judgments, patents, trade-marks, copyrights, insurance policies, safe deposit boxes and their contents, annuities, et cetera.

(\*) Sections 130.1 to 130.6: - Sec. 5(b), 40 Stat. 415 and 966; sec. 2, 46 Stat. 1; Public Resolution No. 69, 76th Congress; 12 U.S.C. 95a; Ex. Order 6560, Jan. 15, 1934; Lx. Order 8389, April 10, 1940; Lx. Order 8405, May 10, 1940.

"(d) Safe deposit boxes shall be deemed to be in the 'custody' not only of all persons having access thereto but also of the lessors of such boxes whether or not such lessors have access to such boxes. The foregoing shall not in any way be regarded as a limitation upon the meaning of the term 'custody'.

"(e) For the meaning of other terms reference should be made to the definitions contained in the Order. (\*)

"Section 130.3. Licenses to engage in foreign exchange transactions, etc. Applications for licenses to engage in foreign exchange transactions, transfers of credit, payments, the export or withdrawal from the United States or the earmarking of gold or silver coin or bullion or currency, or the transfer, withdrawal or exportation of, or dealing in, any evidences of indebtedness or evidences of ownership of property, involving property in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect, or in which the Netherlands, Belgium or Luxembourg or any national thereof has at any time on or since May 10, 1940, had any interest of any nature whatsoever, direct or indirect, shall be filed in duplicate with the Federal Reserve bank of the district or the Governor or High Commissioner of the territory or possession of the United States in which the applicant resides or has his principal place of business or principal office or agency, or with the Federal Reserve Bank of New York if the applicant has no legal residence or principal place of business or principal office or agency in a Federal Reserve district or a territory or possession of the United States. Application forms may be obtained from any Federal Reserve bank, mint or assay office, or the Secretary of the Treasury, Washington, D. C. Applications shall be executed under oath before an officer authorized to administer oaths, or if executed outside of the United States, before a diplomatic or consular officer of the United States. The applicant shall furnish such further information as shall be requested of him by the Secretary of the Treasury or the Federal Reserve bank or other agency at which the application is filed. Licenses will be issued by the Secretary of the Treasury, acting directly or through any agencies that he may designate, and by the Federal Reserve banks acting in accordance with such rules, regulations, and instructions as the Secretary of the Treasury may from time to time prescribe, in such cases or classes of cases as the Secretary of the Treasury may determine in rules, regulations, and instructions prescribed by him. The Federal Reserve bank or other agency at which an application is filed will advise the applicant of the granting or denial of the license. Licenses for the export or withdrawal of currency or gold or silver coin or bullion or evidences of indebtedness or evidences of ownership of property, after having been cancelled by the collector of customs or the postmaster through whom the exportation or withdrawal was made, may

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be returned by such collector of customs or postmaster to the licensee. Appropriate forms for applications and licenses will be prescribed by the Secretary of the Treasury. Licensees may be required to file reports upon the consummation of the transactions. The decision of the Secretary of the Treasury with respect to the approval or disapproval of an application shall be final. (\*)

"Section 130.4. Reports of Property Interests of Norway, Denmark, the Netherlands, Belgium, Luxembourg and Nationals thereof.

"(a) On or before May 15, 1940, reports shall be filed on Form TFR-100, duly executed under oath, containing the information called for in such Form, with respect to all property situated in the United States on April 8, 1940, in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect. Within thirty days of the publication of these regulations in the Federal Register, reports shall be filed on Form TFR-100, duly executed under oath, containing the information called for in such Form, with respect to all property situated in the United States on May 10, 1940, in which the Netherlands, Belgium or Luxembourg or any national thereof has at any time on or since May 10, 1940, had any interest of any nature whatsoever, direct or indirect. Such reports shall be filed by:

"(1) Every person in the United States directly or indirectly holding, or having title to, or custody, control, or possession of such property including, without any limitation whatsoever of the foregoing, every partnership, association, or corporation organized under the laws of the United States or any state or territory of the United States or having its principal place of business in the United States, in the shares of whose stock or in whose debentures, notes, bonds, coupons, or other obligations or securities Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest of any nature whatsoever, direct or indirect, or in which the Netherlands, Belgium, or Luxembourg or any national thereof has at any time on or since May 10, 1940, had any interest of any nature whatsoever, direct or indirect; and

"(2) Every agent or representative in the United States for Norway, Denmark, the Netherlands, Belgium or Luxembourg or any national thereof having any information with respect to any such property.

"Provided, That no report on Form TFR-100 need be filed where the total value of all property interests to be reported is less than \$250.

"(b) Reports shall be executed and filed in triplicate with the Federal Reserve bank of the district or the Governor or High Commissioner of the territory or possession of the United States in which the party filing the report resides or has his principal place of business or principal office or agency, or if such party has no legal residence or principal place of business or principal office or agency in a Federal Reserve district or a territory or possession of the United States, then with the Federal Reserve Bank of New York. A report shall be deemed to have been filed when it is received by the proper Federal Reserve bank or other agency or when it is properly addressed and mailed and bears a postmark dated prior to midnight of the date upon which the report is due. The Federal Reserve bank and other agencies shall promptly forward two copies of every report filed with it to the Secretary of the Treasury.

"(c)(1) All spaces in the report must be properly filled in. Reports found not to be in proper form, or lacking in essential details, shall not be deemed to have been filed in compliance with the Order.

"(2) Where space in the report form does not permit full answers to questions, the information required may be set forth in supplementary papers incorporated by reference in the report and submitted therewith. Supplementary documents and papers must be referred to in the principal statement in chronological or other appropriate order and be described in such manner that they can be identified.

"(d) A separate report under oath must be filed by each person required to file a report except that persons holding property jointly may file a joint report.

"(e) The Secretary of the Treasury may, in his discretion, grant such extensions of time as he deems advisable for the making of any or all of the reports required by these regulations.

"(f) Report Form TFR-100 may be obtained from any Federal Reserve bank, mint or assay office and the Secretary of the Treasury, Washington, D. C. (\*)

"Section 130.5. Penalties. Section 5(b) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933, provides in part:

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"\*\*\*\* Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both. As used in this subdivision the term 'person' means an individual, partnership, association, or corporation." (\*)

"Section 130.6. Modification or Revocation. These regulations and any Forms or instructions issued hereunder may be modified or revoked at any time. (\*)"

HENRY MORGENTHAU, JR.

Secretary of the Treasury.

APPROVED: May 10, 1940, 7:55 A.M., E.S.T.

FRANKLIN D. ROOSEVELT

EXECUTIVE ORDER

35

AMENDMENT OF EXECUTIVE ORDER NO. 8389 OF  
APRIL 10, 1940, AMENDING EXECUTIVE ORDER  
NO. 6560, DATED JANUARY 15, 1934.

Executive Order No. 8389 of April 10, 1940, is amended  
to read as follows:

"AMENDMENT OF EXECUTIVE ORDER NO.  
6560, DATED JANUARY 15, 1934, REG-  
ULATING TRANSACTIONS IN FOREIGN  
EXCHANGE, TRANSFERS OF CREDIT, AND  
THE EXPORT OF COIN AND CURRENCY.

"By virtue of the authority vested in me by section 5(b)  
of the Act of October 6, 1917 (40 Stat. 411), as amended, and  
by virtue of all other authority vested in me, I, FRANKLIN D.  
ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do hereby  
amend Executive Order No. 6560, dated January 15, 1934, regulat-  
ing transactions in foreign exchange, transfers of credit, and  
the export of coin and currency by adding the following sections  
after section 8 thereof:

"Section 9. Notwithstanding any of the provisions  
of sections 1 to 8, inclusive, of this Order, all of  
the following are prohibited, except as specifically  
authorized in regulations or licenses issued by the  
Secretary of the Treasury pursuant to this Order, if  
involving property in which Norway or Denmark or any  
national thereof has at any time on or since April 8,  
1940, had any interest of any nature whatsoever, direct  
or indirect, or if involving property in which the  
Netherlands, Belgium or Luxembourg or any national  
thereof has at any time on or since May 10, 1940, had  
any interest of any nature whatsoever, direct or indirect:

"A. All transfers of credit between any  
banking institutions within the United States;  
and all transfers of credit between any banking  
institution within the United States and any  
banking institution outside the United States  
(including any principal, agent, home office,  
branch, or correspondent outside of the United  
States, of a banking institution within the United  
States);

"B. All payments by or to any banking  
institution within the United States;

"C. All transactions in foreign exchange by any person within the United States;

"D. The export or withdrawal from the United States, or the earmarking of gold or silver coin or bullion or currency by any person within the United States;

"E. All transfers, withdrawals or exportations of, or dealings in, any evidences of indebtedness or evidences of ownership of property by any person within the United States; and

"F. Any transaction for the purpose or which has the effect of evading or avoiding the foregoing prohibitions.

"Section 10. Additional Reports.

"A. Reports under oath shall be filed on such forms, at such time or times and from time to time, and by such persons, as provided in regulations prescribed by the Secretary of the Treasury, with respect to all property of any nature whatsoever of which Norway, Denmark, the Netherlands, Belgium or Luxembourg or any national thereof is or was the owner, or in which Norway, Denmark, the Netherlands, Belgium or Luxembourg or any national thereof has or had any interest of any nature whatsoever, direct or indirect, and with respect to any acquisition, transfer, disposition, or any other dealing in such property.

"B. The Secretary of the Treasury may require the furnishing under oath of additional and supplemental information, including the production of any books of account, contracts, letters or other papers with respect to the matters concerning which reports are required to be filed under this section.

"Section 11. Additional Definitions. In addition to the definitions contained in section 7, the following definitions are prescribed:

"A. The terms "Norway" and "Denmark", respectively, mean the State and the Government of Norway and Denmark on April 8, 1940, the terms

"the Netherlands", "Belgium", and "Luxembourg", mean the State and the Government of the Netherlands, Belgium and Luxembourg on May 10, 1940, and any political subdivisions, agencies and instrumentalities of any of the foregoing, including territories, dependencies and possessions, and all persons acting or purporting to act directly or indirectly for the benefit or on behalf of any of the foregoing. The terms "Norway", "Denmark", "the Netherlands", "Belgium" and "Luxembourg" respectively, shall also include any and all other governments (including political subdivisions, agencies, and instrumentalities thereof and persons acting or purporting to act directly or indirectly for the benefit or on behalf thereof) to the extent and only to the extent that such governments exercise or claim to exercise de jure or de facto sovereignty over the area which, on April 8, 1940, constituted Norway and Denmark and which on May 10, 1940, constituted the Netherlands, Belgium and Luxembourg.

"B. The term "national" of Norway or Denmark shall include any person who has been or whom there is reasonable cause to believe has been domiciled in, or a subject, citizen or resident of Norway or Denmark at any time on or since April 8, 1940, but shall not include any individual domiciled and residing in the United States on April 8, 1940, and shall also include any partnership, association, or other organization, including any corporation organized under the laws of, or which on April 8, 1940, had its principal place of business in Norway or Denmark or which on or after such date has been controlled by, or a substantial part of the stock, shares, bonds, debentures, or other securities of which has been owned or controlled by, directly or indirectly, one or more persons, who have been, or whom there is reasonable cause to believe have been, domiciled in, or the subjects, citizens or residents of Norway or Denmark at any time on or since April 8, 1940, and all persons acting or purporting to act directly or indirectly for the benefit or on behalf of the foregoing.

"C. The term "national" of the Netherlands, Belgium or Luxembourg shall include any person who has been or whom there is reasonable cause to believe has been domiciled in, or a subject, citizen or resident of the Netherlands, Belgium or Luxembourg at any time on or since May 10, 1940, but shall not include any individual domiciled and residing in

the United States on May 10, 1940, and shall also include any partnership, association, or other organization, including any corporation organized under the laws of, or which on May 10, 1940, had its principal place of business in the Netherlands, Belgium or Luxembourg, or which on or after such date has been controlled by, or a substantial part of the stock, shares, bonds, debentures, or other securities of which has been owned or controlled by, directly or indirectly, one or more persons, who have been, or whom there is reasonable cause to believe have been, domiciled in, or the subjects, citizens or residents of the Netherlands, Belgium or Luxembourg, at any time on or since May 10, 1940, and all persons acting or purporting to act directly or indirectly for the benefit or on behalf of the foregoing.

"D. The term "banking institution" as used in section 9 includes any person engaged primarily or incidentally in the business of banking, of granting or transferring credits, or of purchasing or selling foreign exchange or procuring purchasers and sellers thereof, as principal or agent, or any person holding credits for others as a direct or incidental part of his business, or brokers; and, each principal, agent, home office, branch or correspondent of any person so engaged shall be regarded as a separate "banking institution".

"Section 12. Additional Regulations. The Regulations of November 12, 1934, are hereby modified insofar as they are inconsistent with the provisions of sections 9 to 11, inclusive, of this Order, and except as so modified are hereby continued in full force and effect. The Secretary of the Treasury is authorized and empowered to prescribe from time to time regulations to carry out the purposes of sections 9 to 11, inclusive, of this Order as amended, and to provide in such regulations or by rulings made pursuant thereto, the conditions under which licenses may be granted by such agencies as the Secretary of the Treasury may designate."

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

May 10, 1940, 7:58 A.M., E.S.T.

THE SECRETARY OF THE TREASURY  
WASHINGTON

May 10, 1940

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

The President has issued an Executive Order and has approved Regulations by the Secretary of the Treasury, both of which, order and regulations, will be telegraphed and airmailed to you.

The new Executive Order amends Executive Order No. 8389 of April 10, 1940, so as to extend the prohibitions therein to property in which the Netherlands, Belgium and Luxembourg, or any national thereof, has at any time on or since May 10, 1940, had any interest of any nature whatsoever.

The new Order also specifically prohibits all transfers, withdrawals or exportations of, or dealings in, any evidences of indebtedness or evidences of the ownership of property. You will note that the new Regulations eliminate the requirement to file reports on Form TFR-200 relating to Norwegian and Danish property interests.

You are requested to have copies of the new Executive Order and Regulations promptly prepared and distributed to all banks, including non-member banks, in your district and to such other persons as you may deem appropriate. You are authorized and requested to take such action as you may deem appropriate to see that the provisions of Executive Order No. 6560 of January 15, 1934, as amended, are fully complied with in your district, keeping this Department advised of the action which you are taking. You are requested to advise this Department promptly of any circumstances which indicate violations of such provisions so that appropriate action may be taken.

Copies of modified application, license and report forms are being sent to you by airmail, and you should have additional copies of such forms promptly prepared. In the meanwhile use existing forms. Copies of the modified application forms should be available for distribution to all interested persons. Form TFER-1 has been modified to eliminate the requirement of reports on Form TFER-1. You are authorized to request applicants to file under oath with the application any additional information which you may deem appropriate. You are hereby authorized to grant licenses covering foreign exchange transactions, transfers of credit, payments, and the export or withdrawal from the United States and earmarking of gold and silver coin and bullion and currency, and the transfers, withdrawals or exportations of, and dealings in evidences of indebtedness and evidences of ownership in cases in which you are satisfied cover normal commercial and business requirements

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or reasonable traveling and other personal requirements, and which do not exceed \$1,000 in amount in any one month for any one applicant. All other applications should be forwarded as expeditiously as possible to the Treasury Department. You will be advised (generally by telegraph) whether the license is granted or denied. If the license to be issued relates to the export or withdrawal of currency or gold or silver coin or bullion or evidences of indebtedness or evidences of ownership, a copy of the license should be furnished to the Collector of Customs at the port of exportation or the postmaster at the place of mailing. Such licenses should be cancelled at the expiration thereof and may be returned to the licensee by the collector of customs or postmaster. Copies of all licenses issued by you and the originals of all reports filed with you should be forwarded to the Department.

Copies of appropriate report forms TFR-100 relating to Netherlands, Belgian and Luxembourg property interests in the United States will be sent to you later.

Any person having any question as to whether a particular transaction is permitted only under license should forward his inquiry with a statement of all appropriate facts and circumstances either to you or to the Secretary of the Treasury, Washington, D. C. Your cooperation in answering such inquiries and forwarding to the Secretary of the Treasury any inquiries which you are unable to answer will be greatly appreciated.

H. MORGENTHAU, Jr.  
Secretary of the Treasury.

5/10/

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Note on French airplane engine purchases

As of the end of April the French Government had purchased 10,400 airplane engines valued at \$159.3 millions. These figures are the same as those cited in the "black book" and are in accord with the records of the French Mission. For the month of April alone, the attached table shows that the French Government purchased 1,666 engines with a value of \$34.4 millions. These data incorporate revisions in the monthly distribution which have been made necessary by the receipt of later information. They differ somewhat from the figures shown in the "black book" for purchases during April. The differences are caused by changes in the distribution by months of the cumulative purchases made through the end of April. The monthly figures in the "black book" will be redistributed accordingly.

Dy.  
5/10/40

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Expenditures Incurred by the British and French  
Governments for Expansion of Capacity  
of the Aircraft Industry  
(In thousands of dollars)

	: British :	: French :	: Unallocated :	: Total :
<u>Through March 31:</u>				
Airplanes:				
Curtiss-Wright Corp.		940		940
Glenn L. Martin Co.		3,292		3,292
Consolidated Aircraft		940		940
		<u>5,172</u>		<u>5,172</u>
Engines:				
Wright-Aeronautical Corp.	865	10,867		11,732
Pratt & Whitney		7,255		7,255
Allison	69	68		137
	<u>934</u>	<u>18,190</u>		<u>19,124</u>
Accessories:				
Curtiss-Wright Corp.		500		500
Total	<u>934</u>	<u>23,862</u>		<u>24,796</u>
<u>During April:</u>				
Airplanes:				
Glenn L. Martin Co.	133	67		200
Engines:				
Wright-Aeronautical Corp.	4,173	2,385		6,558
Allison	2,774	2,774		5,548
	<u>6,947</u>	<u>5,159</u>		<u>12,106</u>
Accessories:				
Curtiss-Wright Corp.	250	250		500
Bendix Corporation				851
	<u>250</u>	<u>250</u>	<u>851</u>	<u>1,351</u>
Total	<u>7,330</u>	<u>5,476</u>	<u>851</u>	<u>13,657</u>
<u>Through April 30:</u>				
Airplanes:				
Curtiss-Wright Corp.		940		940
Glenn L. Martin Co.	133	3,359		3,492
Consolidated Aircraft		940		940
	<u>133</u>	<u>5,239</u>		<u>5,372</u>
Engines:				
Wright Aeronautical Corp.	5,038	13,252		18,290
Pratt & Whitney		7,255		7,255
Allison	2,843	2,842		5,685
	<u>7,881</u>	<u>23,349</u>		<u>31,230</u>
Accessories:				
Curtiss-Wright Corp.	250	750		1,000
Bendix Corporation				851
	<u>250</u>	<u>750</u>	<u>851</u>	<u>1,851</u>
Total	<u>8,264</u>	<u>29,338</u>	<u>851</u>	<u>38,453</u>

May 10, 1940.

Regraded Unclassified

CONFERENCE IN MR. GASTON'S OFFICE  
RE SWISS BALANCES

May 10, 1940  
10:50 a.m.

Present: Mr. Bernstein  
Mr. Cochran  
Minister Bruggmann  
Mr. Somary

Bruggmann: Mr. Secretary, what is your opinion about the situation as it is explained there? What do you think could be done or what could we now speak about or what are the questions you would ask us?

Gaston: I think that the situation is one that will have to be handled as it develops.

Bruggmann: Yes, sir.

Gaston: We sincerely hope that you are not going to face the situation that these other countries are facing. The idea of the regulations that we have imposed in the case of Denmark and Norway and that have just been imposed this morning in the case of Holland and Belgium is, of course, the protection of the interests of the nationals of those countries.

Bruggmann: Yes.

Gaston: As well as American interests.

Bruggmann: Yes.

Gaston: Against improper diversion of their properties.

Bruggmann: Yes, sir.

Gaston: I would assume that if a similar state of events should develop as to Switzerland, that we should have to follow the same precedent, the same pattern. Of course, we are going to be guided by the fact that this is a measure instituted very largely for the protection of those countries and their nationals and their interests.

Bruggmann: Yes, sir.

Gaston: Do you want to make any comment on that, Mr. Bernstein?

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- Bernstein: I have nothing to add to that except one possible point, that of course under the system of control we have a licensing arrangement and I take it in the situation that you envisage where funds are sought to be used by a government or its nationals for customary trade purposes, the purchase of materials, and so on, and there is no evidence of the possibility of aggression in the action, it would be readily passed.
- Gaston: Yes, we would certainly endeavor to facilitate those transactions.
- Bruggmann: You see, you have heard of the protections we have taken. Of course, we appreciate the attention and we see how important and necessary it is with respect to Denmark and Norway. But in Switzerland we have taken preparatory measures to a great extent which have the effect that the aggressor in Switzerland wouldn't get a thing of the money that is over here because of the transfer of the seats of our societies in the occupied areas, and so of course at the same time we would like to arrange here that our money isn't tied up so strongly as it ought to be if you just take the measure as if we hadn't done a thing and in order to combine those two actions is the reason of our visit to see before how we can arrange things so that we will be as free as possible in disposition of those funds and at the same time a full guarantee that nothing would go to the invader.
- Gaston: It is important that you have taken, as I assume that you have, the steps that are necessary so that Swiss property will remain in the control of the Swiss Government and Swiss nationals, and of course that very fact, no matter what situation may develop, that very fact will facilitate our working very promptly with you if it should be necessary to impose an Order.
- Bruggmann: Of course, you have an interest to protect, American goods and claims, and there of course, as Mr. Feis probably told you, would be all the guarantees that nothing at all will be lost by Americans in Switzerland, because we have much

- 3 -

money here; investments of America in Switzerland were very small. We are quite astonished at the smallness of it. There is a few million dollars invested in American money. Of course, there might be some Society which might have property there or might hold some things, but for which probably no one would have to take - because it is a property which goes the same way as the Swiss property. It can be destroyed by the invader as well as Swiss property and I think for that the Swiss Government wouldn't be responsible. I think you haven't any trouble as to that part.

Gaston: This pattern of control we are putting into effect in the case of these other countries is quite a flexible instrument, Mr. Minister.

Bruggmann: Yes.

Gaston: And the facts will determine how quickly and how freely the transactions can move. At the same time, I think that if you have a large scale invasion and a considerable part of your country is occupied, I think that this device will be a very valuable protection for you, don't you think so?

Bernstein: I think so.

Gaston: And if you have, as you say, - and I assume that you have - in fact, I know that you have - taken all the necessary steps in regard to movement of headquarters of corporations or, if necessary, changes in officership of corporations --

Bruggmann: Yes, that is consummated.

Gaston: And necessary transfers of title so that everything is in order, that will make it very easy for us to operate the controls with the least possible inconvenience to you and at the same time preserving the protection which the fact of the control will have over some isolated cases.

Bruggmann: You see, the main thing for us is to know exactly your objective. If you say it is to protect

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American rights in Switzerland, we say, "Well, here is the protection, the full guarantee that will include anything," because it is so small that of course one could take the guarantee very easily by the money we have here. We need the money which is here to make war. It would be tied up in a way that we can't dispose of it just for war purposes, which we are absolutely sure we will have to do. So I think what we would like to have, as you said, is an arrangement which takes into consideration also - so that you just look how far you are satisfied and how far things are exactly as you have to - want to have them, even if the form is different than what you have done with other countries. I think there you agree, whether you do it yourself in the way you did or whether we --

GASTON: The practice of administration may be in the one case quite facile, quite quick and easy, while in another case because of a different set of circumstances we might have to consider each particular case with a very fine scrutiny.

BRUGMANN: Now, Mr. Somary, of course, as a banker, is more in a position to give you the particulars and to speak about the situation.

Somary: Mr. Secretary and Mr. Cochran and Mr. Bernstein, you will see the situation is very complicated. In fact, it is different from Norway and Denmark. Geneva is only two miles from the French lines. The fate of Geneva would not be a decisive factor in our existence and would not break down our very strongest resistance, so that the situation which has occurred in Denmark and Norway - the entire country being practically in the hands of the Germans and the government not being found - we hope this situation could not come in Switzerland.

The great part of Switzerland would not be invaded by the enemy, since they have to continue to work. For instance, Geneva is a very important banking base. They have to continue to work. In this

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case it would be a very complicated thing if for every transaction a license would be necessary. We were thinking of requiring the affidavits of banks in the occupied territory that no payments should be made to the invaders' country nor in the occupied Swiss territory if there is a case of doubt. Naturally, it would be forbidden not only by civil law but also by military law in Switzerland to pay anything to the enemy or to pay anything into occupied territory. Therefore, they are cooperating.

We feel that our situation would be different from the Norwegian and the Danish situation. If war were to continue six or nine months, then the banks would continue to operate. Signatures in occupied territory have no value, so that you have not much to fear from a frontier station on orders coming from occupied territory. The American banks could execute those orders in compliance with Swiss law. In the territory remaining under Swiss control, there would be no danger, since the licensing system must eventually be used for all banks continuing in operation.

The banking operations of our government are being shifted more and more from London to New York. The greater part of the payments we are now making to Argentina, and so on, are being made through New York, as well as those payments to Netherlands India and to South Africa.

So far as the discretion of the bank is concerned, it would be necessary that a very easy-going system be used, because in case of invasion Switzerland would have to use its cash in America and would need it immediately. We would prohibit the payment of Swiss francs into German occupied territory. It is necessary that our interests should be handled in such a way that we are free to use these funds for our defense and our economy.

There will be also the question of the Swiss national residing in the United States, and

of dummy societies in the United States controlling funds for corporations located in territory that may become occupied by the Germans. We believe they should be treated in the same way as the accounts located in that part of Switzerland not occupied by the invader as long as no money is sent to the occupied territory.

In the event the greater part of Switzerland became occupied by the invader, many of the people would flee to other countries. We believe they should be able to obtain any funds they own in the United States as long as it can be proved satisfactorily that they are not in the territory occupied by the Germans. They would need this money if the Swiss banks were closed.

Mr. Somary: Yes, but you yourself, Mr. Somary, would want to pass on such cases, wouldn't you?

Mr. Somary: Yes. You see, the government would be disposed to give the signatures. The banks would give affidavits that no money was to be paid over to occupied territory. In the event the war lasted four years, for instance, all our people would starve to death before they could get their money from the Swiss banks. We would take the responsibility of seeing that no funds went to the occupied territory. It would be very important for us if the signatures of the recognized Swiss Government representatives would be sufficient for you. There would be a declaration that would say nothing should go into occupied territory.

Mr. Bernstein: Well, I take it that that is a problem which would be considered in connection with the granting of the licenses.

Mr. Carter: Well, I should think so.

Mr. Bernstein: The situation that Mr. Somary refers to of a resident who is domiciled in the United States, as in the case of Norway, would not mean that the resident who was only temporarily here

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could not get his money. We have many such cases and we pass on such applications with great frequency and with great rapidity and we have worked out systems whereby we will grant them a license for a thirty or a sixty or a ninety-day period, so that every time they draw a check they don't have to get a license.

In the case of a man who is living, let's say, temporarily in New York and whose living expenses are fifteen or twenty-five thousand dollars in a month, we don't sit very much as a surrogate to pass on these things and we allow him to have two or three months' living expenses, or if he needs the money to purchase goods in legitimate business transactions - the shipping concerns, let us say, in the case of Norway and Denmark, they have been granted licenses over sixty and ninety-day periods. They file periodic reports with us. Maybe for the first day or two or three days, there is a little bit of delay until the thing gets going, but thereafter it works so smoothly it is almost done on a daily basis and where the application is filed and the license is granted and then where you get the general kind of a license, it permits them to operate over sixty or ninety days, so that I don't think there is any reason to feel that simply because the order covers that that these people will have to starve for lack of - not being able to get to their funds in this country.

Gaston: No, that is a question, I should say, Mr. Somary, of the administration of the Order and of course it would appear to be quite unfeasible to modify the Order itself to take in such cases as those you mentioned. The Order just couldn't be explicit as to that. It can be explicit as to those that are domiciled in this country, but those cases of which you speak are cases on which we would have to rely upon information that would come through the Minister.

Bruggmann: I know that the diplomats are not included in that Order. We have to pay from Washington or

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from New York to all the diplomats of Switzerland in case of invasion. You see, this is not included in the Order, for instance. It is dependent on the license which we would have absolute understanding that you would give us the license, but who can take the responsibility for a lot of years? You can take only the responsibility for the actual transaction. There is another question for us because we have in this country a lot of the resources of our country and since we are dependent on this question of a license, it is - but you see, we must have a little more surety in the question if we can dispose at any time in the entire period of war of this money. It may be that this war would last over a long period and we would have no difficulties at all, so that we would make another step - you see, you have to protect American claims.

We are stating that American claims are about - after a very careful estimate - not more than half of our assets here. Therefore, they are practically insignificant. We would be glad to give you the government's guarantee of American claims, if you would need it. Switzerland has no loans in the States contrary to Denmark and Norway. The only loan we are making has been paid. You can be practically sure that no harm would be done to American citizens in Switzerland. These claims, I am sure, are not more than between two and a half and four million dollars. Therefore, they are practically insignificant.

On the other hand, the bank balances and national bank assets here are without the security of the loan about 250 times this amount, so that from this point of your protection of your interests, this question can very easily be settled.

From the point of safeguarding against the invader, we have the greatest interest in doing the same thing. Switzerland would fight. There is no doubt that we will do all that is possible to defend ourselves. The Swiss Government will take the full responsibility that nothing would be sent to the invaders' country or to the occupied country and that we have the right to use these funds for these purposes. It is necessary for

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us, because practically all of the wealth of the country is here and also the assets of the Swiss National Bank. Switzerland is an internal country. Because we are buying things in Argentina and such places, we have to be sure that we are getting the license. This is our problem.

I would not suggest that you people should get a separate proclamation for Switzerland. I would only suggest that the Treasury would say then it is absolutely sure that nothing would go to the invaders' country nor to the occupied territory and if the representative of the government is giving his declaration that he is sure that Swiss owners have the right to get the money --

Gaston: I think I can assure you, Mr. Minister and Mr. Somary, that if the facts should make it necessary - developments should make it necessary for us to impose exchange restrictions on Swiss monies as we have had to do in other countries, that the Order would be administered in a thoroughly helpful way and everything possible will be done to expedite the legitimate transactions of the government and its nationals. Is that a fair statement, Bernie?

Bernstein: Yes. I think these things present worries as you look at them in prospect that will be entirely satisfied by the method of administration.

Gaston: And the very facts that you cite as to your preparations and your method of handling it will govern very largely the method of administration. It will affect very greatly the method of administration.

Somary: Yes.

Cochran: And you are going to stay here, Dr. Somary?

Somary: I have to stay here.

Cochran: So we have the benefit of his expert knowledge.

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Summary:

I have to stay here. Contrary to Belgium and the Netherlands, we are making preparations very carefully. I was coming to the States last year in May to prepare our contracts, our treaties with the United States Government. Our case is different from that of Belgium and the Netherlands. Switzerland may become a battlefield or it may remain neutral. An invasion of the entire country is practically impossible.

This is our property. We have to get our money as soon as possible for all payments. For example, if we would need a hundred or a hundred and fifty million dollars for our preparations to transfer goods from the West Atlantic Coast, we must get this immediately. Our position is very difficult because we have no access to the Sea. Since the Mediterranean Sea is not close to us, we must transfer our preparations to the West Atlantic Coast, say, of France. It costs a lot of money. We have to buy coal here in Pennsylvania and ship it to our country. We have to send our locomotives and our cars to the western part of France. There are a lot of things which we cannot yet judge. We go from one difficulty to another. Our government wants to be sure that we have this money at our disposal at any time we are needing it and at the same time that none of this money will be sent to the invader is certain. We need this money for our own purposes. We cannot foresee the legitimate purposes, because compared with peace, it is quite different. We will have to construct a lot of things in the West Atlantic part of France. We must better its railroads from these ports and a lot of other things. Whatever we are needing, we can justify. We have to do this, you see. It is not true that we can come and ask if it is necessary, if it is justified or not, because what we are doing we have to do for defense purposes. What we need is the independence of our government and our private owners and disposition of their funds, at the same time surety being given that nothing is going to the invaders or to the occupied territory.

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Bernstein: We agree with that.

Bruggmann: And of course we appreciate your intentions very much and we are not afraid of your intention, we are only afraid of complications.

Gaston: I don't foresee any difficulty, Mr. Minister, and I don't think you have occasion to fear that you will be embarrassed in your necessary financial transactions. Is that safe to say, Bernie?

Bernstein: I think so. I think it is too easy to compare this system with other systems of exchange control. It will lead you to false facts.

Gaston: Under what we know of Switzerland in the past, supported by what Mr. Somary has said, we are sure that you are prepared for all eventualities and well prepared.

Bruggmann: Yes.

Gaston: And we are pleased to know that.

Bruggmann: Thank you for your understanding and your time.

Gaston: Very glad to have seen you, gentlemen.

CONFERENCE IN MR. GASTON'S OFFICE  
RE BELGIAN BALANCES

May 10, 1940  
2:30 p.m.

Present: Mr. Cochran  
Mr. Bernstein  
Mr. Foley  
Count de Gruben  
Mr. Aerts

Gruben: All that we know is the text of your Executive Order concerning Norway. We don't know what you have in sight concerning us.

Gaston: We have issued with respect to Belgium and the Netherlands the identical Order. Now, of course, the administration of one of these Orders depends upon the circumstances, on the facts that develop with respect to the particular transactions. In other words, the rigidity of the supervision over transactions depends upon the circumstances surrounding it. The Order itself is general.

Gruben: I see.

Gaston: And as to any country, we anticipate that we have, to a certain extent, to feel our way. We have to examine the transactions that come up and then we can adopt general rules to apply to the transactions.

Gruben: One of the questions is if the territory is occupied or not by a foreign power, because I suppose you take precautionary measures for a country which is still sovereign and does not have the rule of a military foreign power.

Gaston: It will affect the character and the speed of our decision, as to any particular case. I might say generally about these regulations, the object is, I should say, fully as much to protect the interests of friendly nations and their nationals as it is to protect the interests of the United States. It is protecting the interests of the United States from two standpoints, one of them being our integrity, so to speak, as a custodian of foreign funds, to see that they are disbursed to the persons who are by law and by right entitled to them.

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Gruben: And your other interest --

Gaston: Pardon me. It just came over the ticker that Winston Churchill will form a new Cabinet. That, no doubt, will mean the participation of the Labor Party which had declined last night to serve in the Chamberlain Cabinet.

Gruben: You told me, Mr. Gaston, that your interest is two-fold. What is your other interest?

Gaston: Of course, these Orders have to be based on the protection of the interests of the United States of America. That is the legal basis upon which these Orders are issued.

Gruben: I see. Well, I suppose that every operation will be subject to authorization or license delivered by the Treasury Department.

Gaston: The routine of it is that the applications are mailed to the bank, by the bank with which the foreign government or national transacts his business, from the bank to the Federal Reserve Bank of New York, if the receipt of the transaction is in New York and they, the Federal Reserve Bank, take them up with us either in writing or by telephone or by telegraph.

Now, as to many types of transactions, we give the Federal Reserve authority to act. As to others, we do not.

Gruben: But isn't there a great deal of trouble in the transaction of a corporation?

Gaston: I think that you will find that it will not be great. Mr. Bernstein, who passes on these things quite regularly, as in the case of the Norwegian and Danish interests, can tell you more about the practical operation of the thing.

Gruben: Who would be in charge of the administration of this Act, Mr. Bernstein?

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- Gaston: Well, Mr. Bernstein will have a great deal of the responsibility. He is in the General Counsel's office. We have several other people working on it. The whole operation has headed up heretofore under Mr. Bell, the Undersecretary, who happens to be away for a week, and under me during his absence.
- Gruben: I see. And the notes that are transmitted through the Department of State and are communicated through you are to be rendered to us?
- Gaston: You have copies of those?
- Bernstein: Yes. We talked about it yesterday, that the Baron left it with Mr. Bell two days ago. You left some documents with Mr. Bell.
- Gruben: I left a memorandum with Mr. Bell, a memorandum referring to two previous notes sent to the State Department, which was supposed to forward them to the Treasury.
- Bernstein: We have gone over all of the documents very carefully. We are fully familiar with those documents.
- Gruben: Yes, but you didn't take into account for requests initialling all of them.
- Bernstein: Well, I think the question of your requests can be dealt with under the Order through the system of licensing.
- Gruben: That is what I thought.
- Bernstein: And the passing on of the applications and the issuance, perhaps, in certain situations of general licenses. The Order throws a cloak over the whole situation permitting us to operate in that area covered by the Order and depending upon the facts of the particular situation we are able to move with more or less rapidity and as you say, the absence of actual invasion permits much greater facility in dealing with applications

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or in granting general licenses in particular situations.

On the question that you raise as to the problems that are presented to the corporations and others who have business dealings, we attempt to meet those in a number of ways. We have just issued five general licenses, which means that in a large number of routine cases, we have just made it public --

Gruben: Five types?

Bernstein: Five types of general licenses have just been made public so as to eliminate the necessity of specific licenses in a considerable number of rather routine situations. That is just an example of the way we will be able to deal with the problems as they arise with great facility.

Gruben: Just to give you an idea in case you haven't read it, that is the text of the memorandum left with Mr. Bell. Mr. Bernstein, would you allow me some day to discuss this matter more thoroughly with you and look for a way to adapt all requests --

Bernstein: At any time.

Gruben: To find a way to adapt all requests to your rules and establish a sort of procedure by which we would communicate through the name of societies we have and have transferred their activity abroad or whose Board of Directors has gotten special authorization, and so on.

Gaston: We shall hope to be able to get in touch with you fairly frequently on these things. I think there will probably be a good many types of transactions come up that we should want to consult you about. Don't you think that would be the case, Mr. Bernstein?

Bernstein: Yes.

Gruben: Of course, this is not endorsed. You have seen my memorandum. I don't know myself of any

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society which has transferred its activity abroad as a consequence of the present advance or of any society which had delegated a part of its Board of Directors' powers. I don't know anything about that, but if I learn something, I will communicate to you. Is that all right?

Bernstein: We are here for that purpose, sir.

Grubent: All right. Well, Mr. Secretary, unless you have something else to say, Mr. Aerts would like to expose to you his specific situation.

Aerts: I am in a very unique situation in New York at the present time. I am agent for the Bankbelge, who are the overseas bank for the Belgian Government and is incorporated in London. The bank is called the Bankbelge, because the capital belongs to Belgium. Now, being a British company whose capital is controlled by Belgium --

Gaston: It is a British corporation wholly owned by Belgians?

Aerts: Exactly. Now, in New York my friends have deposits in the bank. Consequently, if I leave it properly, each payment that I have to make even under a license, if I should apply for a license - that check which is going to be presented to my bank in New York will not be honored because there are friends involved of a foreign company but controlled by Belgian interests.

Bernstein: It will come within the Order.

Aerts: But I believe, you see, that it would be much simpler if those banks with whom I am dealing would be authorized ipso facto - I mean, that if I could obtain the licenses, the necessary license for each transaction that I will make in the spirit of the law, that it is not necessary that they license everything that I do.

Bernstein: That is precisely what happens under the license.

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If there are several parties to a transaction and, for instance, you apply for a license to either draw out a hundred thousand dollars from the National City Bank, either you or your organization might apply for the license or the National City Bank might apply for it.

Aerts:

But I am not withdrawing money, you see, in that sense of the word, to take money out of the bank. I have still orders in abeyance, for instance, from a month ago, future contracts, for which I will have to pay, perhaps, in a fortnight. I have to pay to an American bank a couple of hundred thousand dollars and I will have to make a check on one of my correspondents in New York but they cannot authorize it. If I understand correctly, I first of all should ask through the Federal Reserve Bank in New York the necessary license to make the specific payment to the bank with which I made the transaction, but to make that payment I need a check which I draw on another bank and that third party, that third bank, could not honor my check.

Bernstein:

The license that would be granted to you - for instance, you will be authorized to draw two hundred thousand dollars out of the "X" bank and pay to the "Y" bank. That license will be adequate instructions to the "X" bank to pay out the two hundred thousand dollars and it will be an instruction to the "Y" bank to receive the two hundred thousand dollars. We have had this situation constantly arising under the Danish and Norwegian aspect of the order, where there will be several parties to a transaction. Monies will be drawn by Mr. Smith out of the National City Bank to pay into the Guaranty Trust Company and one license would be issued which would cover the whole transaction and the application for the license could be made by your organization or by the bank from whom you draw or the bank to whom you pay. You can work that out with your banking institutions and with the other people you are going to draw from or pay.

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- Gaston: I think in practice, Bernie, Mr. Aerts will be able to just go ahead and transact his business and leave it to the banks to get the necessary licenses.
- Aerts: If I do that, that would be a terrible complication. You will readily see that. If I do my business normally and it goes to the bank, when it comes there it is stuck and then they have to ask me all the necessary information and what do we need for the information. If I did it myself, I know the customers and everything. We have accounts of many big companies, and so on. I could see what is urgent and do it urgently and organize myself. I am wondering what the difference would be if the request for a license would be from you by the Bankbelge or by ourselves, in other words, or by the other bank.
- Bernstein: There would be no difference whatever and you will get just as speedy treatment and if you are in a position to anticipate your own needs and know what you are going to have to pay next week and two weeks hence, you can file an application which will list, let's say, two dozen transactions.
- Gaston: Follow a schedule with the bank.
- Bernstein: You can ask for something that will cover the whole shooting match.
- Aerts: In other words, to condense the whole thing, I am entitled to apply for a license?
- Bernstein: Clearly.
- Aerts: Even being a British bank, Belgian controlled?
- Bernstein: As a matter of fact, hasn't your bank applied for some licenses under the Danish-Norwegian provisions?
- Aerts: One. It was for \$11,000.

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Bernstein: Wasn't that for some ship?

Aerts: For the freight of shipment of ore from America to Alexandria.

Bernstein: And we paid it. I remember it. Your applications will be honored as much as the applications of the other banks.

Aerts: But you see the point was in doubt as far as that is concerned, but if I get the necessary licenses, what is going to happen then if I default the British company? The Belgian capital, see, obtained the license to make a certain payment. I am going to issue a check. When that check comes through my bank, what is going to happen there?

Bernstein: They may ask you whether you have gotten a license, in which event you either show them --

Aerts: And on the strength of my license they are entitled to honor it?

Bernstein: That is correct. They may work out an arrangement in some situations where in addition to the license being granted to you, a copy of the license is furnished to other banks that may be interested, see, through which the check will go, so that everybody will have a record and there will be a check for \$200,000 drawn by your bank on the National City Bank to be paid to the Guaranty Trust Company for such and such a purpose.

Aerts: In other words, I have to see that a copy of each license accompanies each check that I draw?

Bernstein: That is if the other banks want it. You may be able to work out some arrangements with them where you can facilitate it.

Aerts: In other words, if the bank trusts me, the Guaranty Bank or any other bank, they trust me with what I am doing and when I tell them I have the necessary license, they trust me about that, that I can show to them each item which I paid through them?

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Bernstein: They might do that.

Aerts: If they were agreeable to that, that would be satisfactory.

Bernstein: One license will cover the whole group of interested parties. A license issued to you, if you apply for it, or to the National City, if they apply for it, or to Guaranty, if they apply for it. The license will authorize the transaction and therefore we will permit all the parties to that transaction --

Aerts: There is one party that is not mentioned, that is the paying party, because that party - that is only on a definite date that I receive - in this bank I have got so many millions there, and that I will draw rather on this bank or that bank. I have got five or six banks, you see, big banks which keep my money, so there is one party there, you see, which wouldn't know. They will have to trust me or I have to give them a copy of the license.

Bernstein: Well, won't you have some idea as to which banks you are going to draw from?

Aerts: I could eventually, let us say, work for a month with one bank and the next month with another bank and it would be always the same people.

Bernstein: I think it would be helpful in your applications if you could indicate the banks from which you were going to draw, so therefore the license would authorize you to draw so much money from the "X" bank to pay one, two, three, four and five, and so on.

Aerts: I see.

Bernstein: And the licenses won't necessarily be one license for each transaction. We can do this in the block so that you know for the next two weeks period you are going to have 40 transactions and in your application you would list the 40 transactions and what each one would be, you see. We can work toward those things of trying to do something on a more generalized basis. Perhaps at the beginning

you will want to do it on individual transactions. The five types of routine transactions which might ultimately be liquidated without any further difficulty --

Gastoni: There may already be copies of those general licenses available, in which event we will be glad to make them available.

Grubens: We would like copies of all of these.

Bernstein: I will be very glad to furnish them to you. How many do you want, sir? Those are the regulations and these are the Orders.

Grubens: There is not very much hardship, Mr. Secretary, that you have to authorize all payments by any bank institution in the United States or all transfers? Doesn't that apply to thousands of different operations?

Bernstein: It has worked very readily up to now and --

Aerts: It is a big worry.

Bernstein: It is perfectly true that we have taken in more countries into it, but on the other hand, we have issued a series of general licenses which will take care of a lot of routine situations; old checks coming through; old instructions coming through; transfers from a free to a blocked account; switching from securities into dollars or dollars into securities in the identical account.

Gastoni: We can, of course, expand the area of general licenses as it seems expedient, as we go along. We are dealing with a different set of facts, of course, in the different countries we are dealing with now and we may have to adapt our procedure to the new set of facts.

Grubens: The Danish situation, as a matter of fact, is different than my country.

Gastoni: Yes, the facts presented will make the situations very different.

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- Aerts: That is quite clear, as far as I have gone.
- Bernstein: I think that you will find that the people in New York are very well versed. They have had a one month experience.
- Aerts: They all came in this morning and offered me their services to teach me how to do it. When I went into it thoroughly, I wanted to know first of all, you see - I did not ask my bank about these questions, you see, because I realized that if I went ahead, that some trouble might arise, but I can readily tell them if somebody would question, even in spite of what I am going to do, if they would question that method, that they could refer it to you.
- Bernstein: Or they can refer it to the Federal Reserve Bank of New York.
- Aerts: I saw the thing in that Norwegian question. They are very careful.
- Gaston: You can always understand that there is this spirit underlying the whole thing, that we are imposing these restrictions not to embarrass you or to hamper you but to help you.
- Aerts: In my opinion, it is a question of prestige, let me say, that I would have to go through the other bank. In my conception of the question, I would have to go through the other bank and ask them to make a payment, you see, because they are the holders of the funds. In my bank, I have no funds. My funds are --
- Gruben: And you can make application to the Treasury. Practically, it is always the bank who makes the application.
- Bernstein: Not inevitably, but in most transactions there is a transaction through a bank and the bank has become so familiar with this procedure that they undertake on behalf of their customers to obtain the license, but there is nothing to make it essential that the paying or receiving bank, or the customer himself, apply for the license.

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- Gruben: But in an average case, how much time does it take you to authorize a normal transaction, not implying --
- Bernstein: Almost everything that comes in in the morning goes out of here in the evening.
- Gruben: That means two days, one day to send the application, one day to examine it, one day to send it back.
- Bernstein: You might figure on a two-day period, in which event there can be anticipation in many instances in addition to the specific license we are authorizing given to the Federal Reserve Bank in New York whereby they can issue a license without referring it to us, in which event they can perhaps give it to you the same day.
- Gruben: I am told that you are granting general licenses for a certain amount in a certain period under the control of the banks. Is that correct?
- Bernstein: We have been granting licenses. Take, for instance, as an example, a shipping concern. We have granted them, I would say, a sum of money to last them over a ninety-day period. There are a few business concerns.
- Gaston: Then there are a few personal subsistence licenses.
- Gruben: As far as I am informed, you have refused a general license, for instance, to the Norwegian Minister for disposition on behalf of his government, is that correct?
- Bernstein: I think we have worked out an amicable arrangement with the Norwegian Minister whereby we have explained what routine he has to follow and it will be a very minimum of delay in the situation.
- Gruben: That is interesting. You see we have to draw on the funds of the government for things that we buy, some salaries and so on.
- Gaston: We can make certain that that will be worked out

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satisfactorily with you, that matter of government funds. There will be no difficulty about that.

- Gruben: I see, and as far as I know the National Bank has a large amount of gold here, earmarked somewhere. What will be done with that?
- Bernstein: That will be dealt with on the same basis. It is continuing to be held in New York. If the National Bank wants to withdraw it or sell it or buy gold or whichever way they want to move, it will be a subject matter of an application and the sort of matter that would receive very, very prompt treatment.
- Gruben: To resume the situation, you have practically applied to our - but in the granting of licenses you always consider the facts?
- Gaston: Yes.
- Gruben: Certain facts that can make the granting more easy, more smooth.
- Bernstein: You mean more readily granted.
- Gaston: Your situation is quite different from the Danish situation, where we are dealing with fully occupied territory and we have to examine every transaction with a great deal of care to find what are the circumstances. In your case there will not be the same necessity for examination. We would satisfy ourselves that it is a legitimate transaction and that it is in the territory controlled by Belgium and it is a very simple matter. There aren't those difficult questions to examine that we have in the Danish case or in the Norwegian case.
- Gruben: Mr. Bernstein, as soon as you have understood our proposition and you have some practical idea, you will submit them to discuss with me? I would be glad to appear.
- Bernstein: We would be glad to continue to go over your documents. I think you will find it advantageous

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to see how it operates for a short period of time, to see what problems are presented to your government and to the nationals of your country, and you will see how the things work out and if there are problems you want more information on, or you have suggestions on, I take it, Herbert, the Department will be very ready to receive them and I suppose in many instances we ourselves will want to contact you and your Embassy for the purpose of getting information.

Gaston: If there are any questions regarding transactions, it is quite likely that we shall want to ask you for information and your judgment on them.

Gruben: As far as we know, of course. There are certain things that we can't guarantee you. It is what I told you, that this or that corporation has transferred the seat of his activity from, as I say, the occupied territory to a part of the territory not occupied or to foreign property. That is a thing I can certify. We can certify this, for instance, that a certain society had delegated their powers to Mr. so-and-so residing outside of Belgium with the power of disposal of the funds of this society - that sort of thing. I think I could help you.

Bernstein: You will find just as in this situation that we have been in frequent contact with the Norwegian and Danish Legations, both ways, on their part and on our part to facilitate the administration.

Gruben: That would be appreciated. There are precious elements for you to know; for instance, those persons who do make transactions of funds deposited here; the understanding of the rest of the stockholders that are still in the occupied territory, for instance.

Gaston: Don't you think it quite important, Bernstein, that societies or corporations in Belgium should have their line of succession and, so to speak, on paper, so they can make provision for any

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changes in directorships and officerships that may be necessary?

- Bernstein: I take it, it is very crucial that they have that, even more than from our point of view, from a point of view of satisfying the American banking institutions that there is a proper withdrawal of funds, because they have got a very serious problem.
- Gruben: I don't know of any country which has taken so many measures as we have to protect the people there, the stockholders, against the measure of extortion. We have been very --
- Gaston: It is fine.
- Gruben: If you have one minute's time, Mr. Secretary, to read over that document we have on that subject, it might be of interest to you.
- Gaston: Yes, I would be glad to.
- Gruben: Organizing a transfer of powers from one to the other in the corporation. It is the same purpose you have, to protect against --
- Aerts: ....duress.
- Gruben: ....duress, the regular holders of accounts in banks. So I think if we have the same purpose and the same aims, it will be very easy to work out some practical arrangement.
- Bernstein: I have no doubt about that. We have done it for the past month.
- Gruben: Well, you have to understand we are terribly scared and our people were scared when they saw your order of a confiscation of their money.
- Gaston: Not in the least, and we are not concerned either as to how the Belgian Government spends its money. We are not undertaking to exercise supervision over your expenditures or anything of that sort. That is nothing that we have anything to do with. It is a matter of the

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regularity of transactions.

Gruben: Well, Mr. Aerts, if you have some --

Aerts: I think - a last word. I am so interested in this matter, because we have come to the point now that I am sure that the Belgian Government is going to make purchases in this country, and so on, against letters of credit and that nothing impairs my credit standing which is held good in New York now, see, that I would not have to - that my credit will be good, you see, that the necessary licenses will be obtained to make those credits, because at the present time you can understand well that I have given or confirmed irrevocable letters of credit which I have to honor, in spite of the government or whatever it is. I have to pay for it to the American manufacturer, but then I have to obtain the license to make good. That is the way I understand it from other banks. We have first of all to honor your signature. We have to pay, I cannot help it. I have given my credit, my word to it, but if it came to the point, you see, that things would not work out properly, I could never open a credit any more, you see. You realize that, don't you?

Bernstein: Yes. I should think that the Americans would have no reason to feel that the government would not authorize you to pay any obligations you owe to them.

Aerts: Even if I give it now. They don't realize what happens, you see. You are Belgian, you are English, you are Belgian --

Bernstein: In any situation where you want to open a line of credit now, where you want to obligate yourself now in any new engagement, you can protect yourself in advance by getting a license. You can say, "This is the transaction I want to enter into and then at such and such time I want to be able to pay these funds to so and so for such merchandise out of this account."

Aerts: Yes. In other words --

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- Bernstein: The application will apply to that situation.
- Aerts: That is fine.
- Gruben: Mr. Secretary, thank you for your very gracious interview. I am very glad to have met you.
- Gaston: I am glad to have met you and wish the circumstances were different.

RE RUMANIAN, SWISS, BELGIAN  
AND DUTCH BALANCES

May 10, 1940  
4:00 p.m.

Present: Mr. Gaston  
Mr. Foley  
Mr. Cochran  
Mr. White  
Mrs. Klotz  
Mr. Sullivan

Gaston: The Swiss, the Belgians, and the Dutch were all considerably worried about a stringent application of this Order in line with the idea that we were protecting American claims which would embarrass them and make it difficult for them to conduct business. I told them the thing would be administered in a friendly way and that we saw no reason why their business shouldn't go on practically as usual. We didn't offer them any --

H.K.Jr: Did you have a blue card made, "Business as Usual"?

Gaston: Business as usual. We didn't offer them, as they wished, or promise them any exceptional blanket licenses or anything of that kind. We told them we would deal with things as they come up and they all professed willingness to work with us.

White: You haven't told him that --

Gaston: Right?

Foley: Right.

White: ....that in case they did want anything --

H.K.Jr: I am in the play, too.

Klotz: Right.

H.K.Jr: Right.

White: He told Berle to tell them that if they did want anything in a hurry, that you would work with them as far as possible.

H.K.Jr: I couldn't hear it. Should I have heard it?

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White: No, I wanted to make sure --

Gaston: He assured Mr. Berle that we would treat them right.

White: That we would expedite any requests that they had.

H.M.Jr: Berle called up Herbert Gaston to give his instructions once today.

I spoke to Wagner after he talked to you (Foley). Did you give him a good straight talk?

Foley: Yes, sir.

H.M.Jr: O. K.

Foley: And we arranged that our reporter be down there by tomorrow and if - and he would hear Jones on Tuesday and he would read our report to the Committee and then if the Committee wanted somebody from the Treasury after they heard Jones and heard our report, then Wednesday or Thursday they could get in touch with us.

H.M.Jr: I would give them a chance between now and Monday. Ed and I can drop over and see Carter Glass. Have you got all the Europeans lined up, Herbert?

Gaston: There may be more to come, but so far we have got them all, I think.

H.M.Jr: Are you keeping Mr. Berle happy?

Gaston: I think so.

H.M.Jr: Anything you want to put up to me now?

Gaston: No. The Comanche sailed today at 10:35 this morning.

H.M.Jr: Well armed?

Gaston: The only thing she has is those Thompson sub-machine guns and we have told the New York Navy Yard to

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hurry up on the Camel, that we might want to send her before the July first date.

H.M.Jr: There is nothing more for tonight for you?

Gaston: Nothing except these routine matters we are going to go over.

H.M.Jr: Think you can handle them?

Gaston: Yes.

H.M.Jr: I sent word to Bell not to come back Monday, I thought everything was well in hand and he should stay away a couple of days more and we would let him know if we needed him.

Gaston: Yes. In that connection, I was talking to Mr. Cochran and Ed and Bernie about the question of help and they - Dietrich, they think, when he comes back, can help on this thing and I understand Harry can give them another man, but I think they ought to get another man or two from New York, a bank or foreign exchange man. I think we will need double the staff on this stuff, at least double the staff we have had up to this time. There is going to be a lot of stuff that will begin coming in here.

White: We can give you several men over a short period of time.

H.M.Jr: Will you need more than these five men we have from New York?

Gaston: How many have we from New York?

Cochran: There are five altogether.

Gaston: Probably if you (White) can give a couple of men and Ed can let Bernie release a couple more men, I think probably that will take care of it.

Foley: We have got an experienced fellow who was over in Coast Guard. We have brought him back. He has had experience with the licensing of boats. He is working. I have taken a fellow out of

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Legislative and put him in there and he is working and so far --

H.M.Jr: You did that today?

Foley: Yes.

H.M.Jr: Wonderful.

White: Do you remember this chap Towson?

H.M.Jr: Went with the Army?

White: Well, he is - he is a foreign exchange man. He is very eager to help and I am sure he would be very helpful and I am sure that we could get him on a leave of absence.

H.M.Jr: Get him.

White: Supposing I get in touch and send him over here?

H.M.Jr: Get him and have him here tomorrow, if possible, or Monday.

White: I will have him here tomorrow.

Cochran: I am breaking Hadley into the general work in there.

H.M.Jr: Good.

White: Now that the British are through, we are going to have tea here.

H.M.Jr: Look what it did for Chamberlain.

White: Yes, he never had ice in his.

Foley: Bob Jackson dropped in about 10:00.

H.M.Jr: I told him to bend the law and he said, "Can Ed give me a couple of pointers?" I said, "Sure, he has got them all." That was after this meeting this morning. Then he comes back and said there would have to be legislation and I told him we

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didn't need legislation, we would just tell these people we can't ship any of it out and suppose you want to let a little aluminum go to England but you don't want any to go to Rumania, what are you going to do then?

Foley: There are three ways you can handle it.

H.M.Jr: Hopkins is going to form a 250-million-dollar corporation and buy all the tin and rubber in the world.

Foley: They won't need that much money for the tin. They might for the rubber. We only exported about 200 thousand dollars worth of tin last year.

White: How long does rubber keep?

H.M.Jr: There is a way of storing it, they tell me, under water so that it keeps quite a while. What they do with it is very simple, they either keep taking out the stuff in storage, using it and putting stuff in, keep rotating it all the time - somebody in Agriculture knows about it. Nobody in Cabinet did. Nobody in Cabinet knew about it. Nobody in Cabinet knows how much rubber and cotton went through. I suspect we didn't get any rubber out of that deal.

White: Bob Kintner was in and wanted to know if somebody was studying what we were going to do when Hitler won.

H.M.Jr: You know what my answer was? I said we didn't study that, because we didn't believe he would win.

White: I said there were lots of things to study.

Wlotz: If there is not such a study, there ought to be.

Cochran: Knoke talked with Bolton a while ago by telephone and there has been a report out that a moratorium has been declared for the Netherlands and it is not true, because the banks have been doing business.

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The stock markets and exchange markets were closed, but business has been going on and London has been carrying on its business with the Netherlands.

About the same thing occurred in Belgium. The bank-to-bank business was going on, but they are going to declare a bank holiday for tomorrow.

White: Were you serious about this 250-million-dollar corporation?

H.M.Jr: I am not, but Hopkins is.

White: Non-profit? Would it be a non-loss, too?

H.M.Jr: No, they all agreed that the Government would take the loss but they worried about who would take the profit.

White: They buy it at present prices and hold it? Do they expect there won't be a lot?

Foley: Where is he going to get the 250?

H.M.Jr: The President told him to go see Jesse and then after he had fixed it up with Jesse, get everybody else together. Incidentally, Harry, while we are sitting here, isn't there some way I can keep Commerce from giving out these figures on what Holland and Belgium and these countries are doing, just at the wrong time always?

White: No, all you can do is ask them. They have always given those out.

H.M.Jr: But why did they - just today?

White: Today?

H.M.Jr: Yes.

Cochran: The whole thing came out yesterday noon.

White: I suppose they thought it was in the public interest.

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- H.M.Jr: Would you do it on a personal basis? It is very bad to give that stuff out today. Couldn't we call them up and say, "Do you think it is a good thing to do it today," or something like that? We have close cooperation between State and ourselves and why should they insist on giving those figures out today when the Germans go in and the rest of the things - they are not in on the information and all the rest of it. They give that out just to get in the newspapers. Call them up, Ed.
- White: It will have to be done pretty delicately and we give out the information three months late.
- H.M.Jr: He can do it. Noble is a very decent fellow and he can say to him, "Now look, why pick just today?" You can do that.
- Foley: Yes. Well, for instance, Sholis called up and said the President had Harry get for a Cabinet meeting this afternoon the Belgian and the Dutch ships in our ports, but he said, "We find that we don't have it through our Steamboat Navigation Service and we would have to get it from Customs and would you get that for your Secretary and have him take it over. We will see what we should --"
- H.M.Jr: Who is Sholis?
- Foley: He is Harry's press man and he is very close to Harry.
- H.M.Jr: I gave it to the President.
- Foley: I spoke to Herbert and Herbert got it for you.
- Gaston: We have had for several months a list of all those foreign ships.
- Foley: I think they want to cooperate over there.
- White: I think it is an appropriate time to say that we owe them an apology. There was some misunderstanding about that and I think Ed might, if you see fit, appropriately begin it with apologizing

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with the indication that they have cooperated with us fully and that there has been some misunderstanding about that so that if he could convey that message that his men in the financial division have cooperated with us right along --

H.M.Jr: You asked me to give them hell the other day.

White: No, you gave them hell without asking me.

H.M.Jr: What do you mean?

Foley: Why don't you go with me, Harry?

White: Shall I repeat what happened?

H.M.Jr: Yes.

White: There was some misunderstanding.

H.M.Jr: Go ahead.

White: It will take a few minutes, because I will have to begin at the beginning. Ed spoke to me that you were going up on the Hill and it would be a good thing if we could give them the Swedish balances so that in case the Committee asked you about them in reference to the extension of the bill - do you remember, Ed? - and I said, "I will try to get the most recent figures for you." We looked up the most recent figures that were available and that was '35.

H.M.Jr: '35?

White: 1935 or '36. I called them up and said we would very much like to have more recent data. I knew they were collecting some. They had made a re-survey of it. He said that they had been and they had the material, but it would be very difficult for them to get it in any brief time and I said that you might want to use it and it would be very helpful if they would do so. They were reluctant to do so, so I said, "Well, of course if they ask the Secretary and the Secretary gives it, we are going to give the Secretary figures

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and if he gives them figures dated 1935 or '36 and if they ask him who has got the latest figures and he says that is the latest the Department of Commerce has, you may not enjoy that," so they said, "We will see what we can do," and they worked very hard and they said, "How many do you want?" I thought while we were at it we might as well get all the important ones and I included Italy. They did work very hard. I think they worked very hard, nights and so on. We got those to Foley and the next day they telephoned, and so on. A few days later Darny Bell asked me for some figures on Italy. Fortunately, we had asked for them so we had them. The next thing I knew you called me in and you said that I was giving you August, 1939, figures and I said, "Yes, and we were darned lucky to get those." I said, "The only way we got those was by threatening to divulge that the latest figures were 1935."

I take it that possibly from that you concluded they weren't cooperating.

Then I went on to say that it is very difficult to get later figures on direct investments. Whereupon you called up Noble and wanted to know whether he couldn't get later figures.

H.M.Jr: I simply said was it possible to have somebody - something to work with later than July or August, 1939, and I just used that tone of voice. I didn't say anything about cooperation or lack of cooperation.

White: Did you say anything in addition to that at some other time?

H.M.Jr: No.

White: Then it is his fault. He raised hell with his division, who claimed that I misrepresented facts by telling you they weren't cooperating with me.

H.M.Jr: As I remember, I called very quietly.

- 10 -

White: Yes, it was quiet.

H.M.Jr: Were you present?

White: I was present.

H.M.Jr: I don't remember complaining. You were present?

White: I was present.

H.M.Jr: You asked me to be quiet about it, gentle, and I called him up and said would he look into it and he said he would be very glad to look into it.

White: Then let me straighten it up with Ed, because they have got his staff in wrong and kind of got me in wrong by saying that I -

H.M.Jr: Were you here when I called?

White: I was. If that is all there was to it --

H.M.Jr: That is all there was to it.

White: Well, that might be a good opening for Ed.

Foley: It doesn't sound like a good opening for me, Harry.

Sullivan: Not a good one for himself.

H.M.Jr: I suppose it is Ed that is in wrong.

Sullivan: Yes, now.

H.M.Jr: Wonderful. Ed will straighten it out, I am sure.

Gaston: Send them the transcript, Harry.

White: I think the way it came down was that it must have been added to all the way down the finance division.

Klotz: It must have been.

- 11 -

- Foley: That Foreign and Domestic Commerce Division over there is in pretty good shape now. That fellow Young is an able fellow.
- White: They are very cooperative.
- H.M.Jr: All right. Now, John, are you all right?
- Sullivan: I wanted to know if I could get the green light on getting ready a war tax measure and locking it up somewhere.
- H.M.Jr: Not on Friday afternoon at 4:22. There is too much war today. You ought to be ready yourself, but --
- Sullivan: I started Roy and - Blough and Tarleau this morning.
- H.M.Jr: Be awfully careful about it.
- Sullivan: And I told them that neither of them were to talk to any of their people until I got the go ahead signal from you.
- H.M.Jr: You haven't got it yet.
- Sullivan: That is what I wanted to find out. I had lunch with Stamm this noon. He is the clerk of the Joint Committee and he wanted to know if we were doing anything and I said no.
- H.M.Jr: No. I think we have got to be awfully careful.
- Sullivan: I was afraid of that very thing and I discussed it with Ed, too, because I was afraid if it got out everybody would be jittery, and so on and so forth.
- H.M.Jr: I wouldn't do anything.
- Gaston: Waesche is working on estimates for another increase in Coast Guard force, just to have it ready. They need them.
- H.M.Jr: Well, I will be here in the morning. All right?

- 12 -

White: There is still Italy and Japan, you know.

H.M.Jr: I have got another crowd outside. O. K.

## RE ALLIED PURCHASING STATISTICS

May 10, 1940  
4:25 p.m.

Present: Mr. Collins  
Mr. Haas  
Mr. Young  
Mrs Klotz

H.M.Jr: Look, there is no use of the United States Treasury breaking its neck to get the figures out of the Purchasing Commission and then get them wrong. Through no fault of ours - in view of the critical situation, I called up Purvis and said, "Now look, would you like the figures I gave you the other day?" I said, "How would you like it if I sent George Haas up, the man who did it, on Monday and leave this fellow behind a couple of days," and he said it would be marvelous and I said from then on the figures would go in the way we want them right from their office in New York to Haas and we don't have to be running all over the lot to be trying to get them. We would appreciate it very much, because the stuff - I read in the figures about the engines and stuff and he said it was all wrong. Purvis said that.

Young: How does he know they are wrong?

H.M.Jr: He told me, for instance, that the fact that Curtiss-Wright doesn't appear in this thing is crazy. He said they have done business with Curtiss-Wright, exercised options, and so forth and so on, so - I mean, it takes too much of your (Collins) time and too much of your (Young) time, so what I thought you would do, George, is go up there with a letter of introduction and make an appointment with Ballantyne and see this man Monday. Who helps you?

Haas: I have been using Lindow.

H.M.Jr: You take him with you and if you want to leave him behind a couple of days, leave him up there, but get the stuff so it comes from their place in the shape we want it so we don't have to spend hours and hours and hours trying to get the stuff. Do you see, George?

- 2 -

- Haas: Yes, I see what you mean.
- H.M.Jr: It is crazy. I don't know how much time you put on this yesterday.
- Collins: On this last letter stuff, I think we have put in a good two weeks on it.
- H.M.Jr: They have got to hire able statisticians up there who will give it to us the way we want it. We are not doing their work and I am sick and tired of it, so you take Lindow up with you and be there and arrange through Ballantyne for an appointment the first thing Monday morning for Haas and he will introduce you to whoever is there and whatever we want from the Purchasing Commission, French and English, should come in a form that you fix up for them. Let it come right from them down here. But I am not going to have all of my people running all over the lot trying to get this thing. I am just fed up on it.
- Collins: Mr. Secretary, I have been using a Mr. Bowens in my place and sent him over last week and he did an awfully good job of getting that stuff together Saturday. Do you remember, George?
- Haas: Yes.
- Collins: Do you think there would be any object in letting him go with Mr. Lindow?
- H.M.Jr: That is up to George. Is he a statistician?
- Collins: Yes, sir. He is a youngster, but he has a good head.
- H.M.Jr: That is up to George. I want George to go up there to show them how to do it, get the stuff at the source so it comes down here in the shape that I want it. They have got to do it and they will do it. That is up to you gentlemen. But the stuff will flow then right from the Purchasing Commission in New York directly to you, not through Ballantyne or anything else. I mean, there is no use having another person. They ought to mail it right to Haas so that it goes right directly

- 3 -

to George just the way U. S. Steel or anybody else reports.

Haas: Fine.

H.M.Jr: It will save you a lot of trouble.

Haas: Oh, sure, and it will save everybody else a lot of trouble.

H.M.Jr: Would you stay there more than a day, do you think? Stay there until you do a good job.

Haas: I don't know just what I will run into.

H.M.Jr: Stay until you do a good job and leave Lindow behind long enough to get the thing flowing. This stuff here, he just said it is all wrong.

Haas: I anticipate one difficulty is that I think a lot of the purchases they don't know anything about.

H.M.Jr: Well --

Haas: It will probably take some time to work that thing out.

Young: There is nothing we can do on that. That is up to the British.

H.M.Jr: Yes, but if, for instance, Haas, who is an expert at this thing, can lay this thing out, I think the thing you will find is the first thing to do is most likely they will try to hire Lindow away from you. He needs a first-class statistician up there. He ought to go out and get somebody and pay them five thousand dollars.

Haas: You know a thing, once it is laid out, it takes an accountant to set up a set of books. Once the books are set up, any bookkeeper can keep them set up.

H.M.Jr: I can't have my people running all over the lot and getting something he says is all wrong.

- 4 -

- Collins: I don't think we will have any trouble with the French. Their information is in very good shape, but as of the first of the last month, those purchases are being made jointly. That would probably be reflected down at 15 Broad and it is going to be a different story again.
- H.M.Jr: Well, I mean these figures on the surface - I mean, they must be cockeyed. I mean, during the whole month of April I read it to them that they had placed 35 million dollars with Pratt Whitney and not a dollar with Curtiss-Wright. He said that was crazy. Have you seen these, George?
- Haas: Yes, sir. I asked that same question.
- H.M.Jr: Can I keep these until you come back?
- Haas: Oh, yes. We have a copy.
- H.M.Jr: Well, that is fine.
- Is there anything else you gentlemen want to tell me? No?
- Collins: No, sir, except that I have --
- H.M.Jr: This ought to relieve you of a lot of worry.
- Collins: I think so, too. I had a talk today with --
- H.M.Jr: As I get it, you will get it. I just can't have everybody tied up here trying to do their work. I wouldn't mind if everybody were tied up if I got the right figures when I was through.
- Collins: Well, Phil knows what we are up against. He was there the other day when we were trying to analyze figures over the phone with them and we got three different sets of figures in three phone calls.
- I had a talk this morning with Wilson.
- H.M.Jr: Good.
- Collins: And on the machine tool situation up there, they are within about nine percent completed deliveries.

- 5 -

Now, Gordon called me and said that it looks as though they are going to get an additional order. It is being talked now for 1500 engines and I asked Gordon the same question. I said, "Well, what about the machine tool situation?" and he said, "Well, as far as the existing orders go, we are all right, because they are renting more space and they have not installed as many tools as they have in storage," so the machine situation, according to them, is on a very satisfactory basis at the moment. They are up to date on the deliveries and on the Wright plant on the first of May for the first time. They were a little behind.

Ward: I don't see the point of giving you any of these figures on capital assistance in their present shape. I don't think they are right either.

Ward: You don't think they are right?

Ward: I doubt it.

Ward: Well, you know a certain part of them aren't right.

Young: I know that two of them are wrong.

Ward: George, go into that, will you please?

Young: I talked to George this morning about the possibility of getting that triple breakdown you mentioned last night.

Ward: It is terribly important now, George, because our whole national defense thing - I don't know anything more important than this airplane engine thing.

Ward: Well, we will see if we can't straighten it out.

Ward: You call up Purvis - Ballantyne, and say that Mr. Haas is coming and please can he have an appointment for Monday morning to see Mr. Purvis and what time and then from then on the thing - fix it so that this stuff will flow to you to

- 6 -

fix it up for me and - do they like it they way  
they are getting it, the two other Board members?

Collins: Yes, sir.

Young: Can I see you for just a minute?

H.M.Jr: All right.

May 10, 1940.

Dear Mr. Purvis:

In accordance with our telephone conversation of today, Mr. George Haas, Director of Research and Statistics of the Treasury Department, is proceeding to New York in order to call upon you there. He will present this letter of introduction, and I shall appreciate your courtesy in arranging an appointment with him.

Sincerely,

Mr. Arthur B. Purvis,  
Anglo-French Purchasing Board,  
15 Broad Street,  
New York, New York.

1940 5 10

TREASURY DEPARTMENT

154

INTER OFFICE COMMUNICATION

DATE May 10, 1940

TO Secretary Morgenthau

FROM W. H. Hadley

10:10 A.M. Daylight Saving Time

Long Treasury bonds show losses of  $1/2$  to  $7/8$  of a point, with offerings showing in the market and dealers backing away.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 10, 1940

TO Secretary Morgenthau

FROM W. H. Hadley

10:45 A.M. Daylight Saving Time

The government market is very orderly but prices of long bonds are off about  $7/8$ ths of a point on average. Buying orders reported available at about these levels. Offerings light.

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE  
CONFIDENTIAL FILES

DATE May 10, 1940.

SUBJECT TELEPHONE CONVERSATION WITH  
BANK OF ENGLAND.

L. W. Knoke

Mr. Bolton called me at 11:30 this morning, assuming that I had not as yet received his cable #420 (received by us subsequently). He wanted to transmit the following message from Mr. De Jong, De Nederlandsche Bank, Amsterdam:

Mr. De Jong was very anxious for us to know that there was no truth in any reports that a moratorium had been declared in Amsterdam. Payments between banks were proceeding normally and the only steps taken by the authorities so far had been to close the exchange market and the stock exchange. Communications were open between London and Amsterdam and he had spoken to London a half dozen times this morning. There was complete cooperation between London and Amsterdam at the moment. Amsterdam was obviously going to issue regulations concerning Dutch monetary affairs but whether that would be done today or later, he did not know.

Mr. Bolton added that as regards the Belgian situation there, too, no moratorium had been declared and the banks were open. Tomorrow the Belgians would declare a bank holiday in Brussels and they would probably keep the banks closed until next Tuesday (Monday is Whitmonday and a holiday in Europe anyhow). Whilst he was speaking to me Bolton said that Brussels was being bombed.

LW:KNS

May 10, 1940

My dear Mr. Hoover:

I beg to acknowledge receipt of your letter of May 8th, inclosing a memorandum summarizing the investigation conducted by your Bureau of the funds handled through the account of the German Consulate in New York City; also your letter of May 8th, together with inclosure concerning the information which you received on William H. Muller and Company.

I have read these reports with great interest and thank you for sending them on to me.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

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

By Messenger 5<sup>15</sup> pm

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

By Messenger 5<sup>15</sup> pm

JOHN EDGAR HOOVER  
DIRECTOR

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

May 8, 1940

Personal and Confidential

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

Dear Mr. Secretary:

I am inclosing herewith a memorandum of information which I have just received upon the William H. Muller and Company, Inc.

In addition to the information contained in the inclosure, I have received from another reliable source, information to the effect that certain allys representatives in this country have received information that possibly William H. Muller and Company were dealing in rubber; buying rubber from Brazil through the Amtorg Corporation, and then exporting that rubber to Germany. They suspect that the William H. Muller and Company may be supplying Germany with a lot of materials. This information is merely suspicion, and as yet we haven't been able to get any corroborated facts to support it.

I have instructed our Agents, however, to continue to run out this matter, and any further information which I may get I will at once transmit to you.

With expressions of my highest esteem and best regards, I am

Respectfully,

J. Edgar Hoover

Inclosure

May 8, 1940

Re: WILLIAM H. MULLER & COMPANY, INC.

The personnel of the above company is made up of Paul G. Leoni, President; Jake Freering, Vice President; Archibald D. Field, Treasurer; John I. Pearce, Secretary; Edward H. Clayton, Assistant Treasurer; and William Barsch, Assistant Secretary. The Board of Directors consists of the following: Archibald D. Field; Paul G. Leoni; and John I. Pearce.

Paul G. Leoni is 52 years of age; married; was formerly employed as Manager of the Paris, France, branch of William H. Muller & Company, N. V., of Holland, which is the parent company of the American Corporation. 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, an office which he still holds. The Iron and Ore Corporation is a subsidiary of William H. Muller & Company, and is apparently the export concern, the parent organization being an importing company. Leoni became President at the inception of the William H. Muller & Company in January, 1920, when it acquired about 99% of its stock of the Iron and Ore Corporation. Leoni resides at 77 Park Avenue, New York City, paying \$2600 a year rent; is considered a highly desirable tenant. He is represented as being with William H. Muller & Company and as having been with this company for the past thirty years. His annual salary is \$23,700. He has substantial accounts with two New York banks, which are non-borrowing. In addition to his connection with these two companies, he is listed in Poor's Registers as the Director of the Zeeland Steamship Company of Flushing, Holland.

J. Freering, the Vice President, is 45 years of age; married; was elected Vice President in 1937; and has been identified with the Rotterdam Holland Company of William H. Muller and Company for some years. Nothing else is known about him.

Archibald D. Field is 54 years of age; married; an accountant. He has been Treasurer of the Company since 1922, in charge of Finances and Sales. He is also a Director of the Iron and Ore Corporation of America. Poor's Registers directory shows that he was born at Edinburg, Scotland, 1883; is a graduate of Stuart's College, Scotland; that he resides at 890 Wyoming Avenue, Elizabeth, New Jersey.

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John I. Pearce is 39 years of age; married; has been with the company since 1921, in charge of Traffic Management.

Edward H. Clayton is 53 years of age; has been Treasurer of the Iron and Ore Corporation since 1918, and Assistant Treasurer of William H. Muller and Company since its inception. He is active in a financial capacity.

William Barsch is 45 years of age; was originally employed for a number of years by the Iron and Ore Corporation of America, becoming an officer of William H. Muller and Company at the time of its organization. He is a salesman.

The William H. Muller and Company, as a New York Corporation, was organized January 17, 1920, with an authorized capital of \$500,000. It took over the importing division of the Iron and Ore Corporation of America, which latter corporation now confines its activities to exporting various coals and functions as a subsidiary. The William H. Muller and Company has submitted to Dun and Bradstreet a formal resolution in which it guarantees the obligations of the Iron and Ore Corporation of America. The parent company is William H. Muller and Company, N. V., of Rotterdam, Holland. It was founded in 1876, and for many years has occupied a prominent position in European Mining and Shipping circles. Its consolidated balance sheet for December 31, 1938, shows a tangible net worth of 9,357,536 florin, which on the present basis of exchange would be about \$4,450,000. The company operates as a direct American subsidiary of the Holland Company, by which it is wholly owned. There are some occasional inter-company advances between the Dutch concern and the one here, making use of surplus funds. They import principally iron ore, pig iron, cement, barites, wolfram, chrome, and manganese ore, as well as various ferro-alloys and other raw materials for the steel and allied industries. No direct purchases are made from any foreign affiliated companies, but the William H. Muller Company of New York occasionally acts as the sales agent for various European affiliates of the parent organization. Most of their purchases are made for cash, although on some smaller ones they do use 30-day terms. They have one subsidiary company in this company - the William H. Muller and Company, Inc., of Florida, which is the same as in New York. It was incorporated on September 2, 1938, with an authorized capital of \$50,000. They do business at Miami Beach, Florida, where it owns a water-front pier and warehouse, and is engaged principally in the importation of cement,

- 3 -

which it obtains from the subject company. The American Company, in December, 1939, had a net worth of \$383,859. This corporation is said to be well entrenched and progressive. They have bank accounts in New York City, where they have a pretty good reputation; at the Chase National Bank; the Chemical Bank; and at the Manufacturers Trust Company. The Holland Company has various European activities and various subsidiary companies over there.

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(Received from Counselor Bunge of the Argentine Embassy by Mr. Bernstein of the Treasury and distributed by Mr. Cochran's office.)

Ministerio

de

Relaciones Exteriores y Culto

THE NATIONAL  
EXECUTIVE POWER

Buenos Aires

May 10th, 1940

In view of the existing war between the Kingdoms of Belgium and Luxemburg, and the Netherlands with the German Reich, and

Attentive to the circumstances contemplated in the Decrees Nos. 60.569, of April 18th., and 61.707 of May 6th. 1940.

THE PRESIDENT OF THE ARGENTINE REPUBLIC

D E C R E E S,

Article 1st. The dispositions of the Decrees Nos. 60.569, of April 18th., and 61.707 of May 6th. 1940 extend to the operations with the Kingdoms of Belgium and Luxemburg and the Netherlands.

Article 2nd. The present Decree will be legalized by the Secretaries of State of the Departments for Foreign Affairs and Worship, and of Finance.

Article 3rd. To be communicated to whom it corresponds, published, given to the National Registry and recorded.

DEGREE N 62.303

Signed: ORTIZ

Countersigned: Pedro Groppo  
Jose Maria Cantilo

It is a copy  
IN THE DEPARTMENT OF FOREIGN AFFAIRS AND WORSHIP

It is a translation  
August 6th, 1940

C A B L E

From: Milan

Date: May 10, 5 p.m.

#25.

FOR TREASURY DEPARTMENT:

Today's prices as follows:

199.75; 343; 510.50; not listed; 985; 209.50; 1695; 66;

232. Volume 94425.

Market active prices declined steadily on news of extension  
of war zone. Further decline anticipated.

(Signed) Sholes

Rec'd. by telephone from  
Mr. Livesey, State Dept.,  
6:25 p.m. May 10, 1940

May 10, 1940.

Dutch and Belgian vessels in ports of the United States  
(As of the evening of May 9th, unless  
otherwise noted.)

NEW YORK

Dutch - Bantam  
" - Castor  
" - Colombia  
" - Kertosono  
" - Poelau Bras  
" - Rozenburg  
  
Belgian - Gandia

PHILADELPHIA

Dutch - Melampus (Departed Phila. May 7 for New Orleans)  
" - Poelau Tello

BALTIMORE

Dutch - Bilderdijk

NEWPORT NEWS

Dutch - Driebergen

JACKSONVILLE

Belgian - Hainhant

HOUSTON, TEXAS

Dutch - Tibia

SAN FRANCISCO (As of the evening of May 8th)

Dutch - Modjokerto

SEATTLE (As of the evening of May 8th)

Dutch - Boschfontein

CHICAGO

Dutch - Prins Maurits

Total 14 Dutch, 2 Belgian.

HEADQUARTERS

UNITED STATES COAST GUARD

WASHINGTON, D. C.

CONFIDENTIAL

9 MAY, 1940.

VESSELS IN UNITED STATES PORTS AND OTHER PLACES

The following foreign vessels were reported by the Districts on the dates indicated:

BOSTON DISTRICT  
8 May, 1940 - 4:00 P. M.

CUTLER, MAINE:

Br.	GS	DREAMBOAT	Arr.	5/4/40	from Freeport	In port
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PORTLAND, MAINE:

Dan.	SS	JUTTA	"	4/12/40	from Bergen	do
Br.	SS	AMBERTON *	"	5/2/40	from England	do
	SS	SCOTTISH TRADER *	"	5/3/40	from England	do

PORTSMOUTH, N.H.:

Br.	SS	MAID OF STERLING	"	5/8/40	from Walton, N.S.	do
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GLOUCESTER, MASS.:

Br.	GS	CATHERINE BURKE	"	5/6/40	from St. Johns	do
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BOSTON, MASS.:

Ger.	SS	PAULINE FRIEDERICH	"	9/3/39	from High Seas	do
Br.	SS	WENDOVER * (X)	"	5/4/40	from Baltimore	do
	MV	GEORGE B CLUETT	"	5/4/40	from Gloucester	do
	MV	KAYE MARIE	"	5/6/40	from Meteghan River	Deptd. 5/8 for Weymouth - victrols
	SS	NEWFOUNDLAND * (X)	"	5/6/40	from Halifax	" 5/8 for St. Johns - general
Dan.	SS	EMMA MAERSK	"	4/9/40	from Aruba	In port
	SS	HEFTA MAERSK	"	4/16/40	from Dublin	do
	SS	RITA MAERSK	"	4/16/40	from Philadelphia	do
	MS	OLYMPIA	"	4/17/40	from Calcutta	do

BOSTON, MASS. (CONT.):

Br.	Ship	Arr.	From	In port
Lith. SS	DENNY	3/31/40	from New Orleans	In port
Nor. MS	TRAFALGAR	" 4/17/40	from Savannah	do
SS	CUBANO	" 4/23/40	from Newport News	do
MV	IVARAN	" 5/7/40	from New York	do
Pan. SS	CLIFFORD	" 5/7/40	from Aruba	do
SS	H.LCYON #	" 5/8/40	from England	do
SS	PANCHITO	" 5/7/40	from Boston	Deptd. 5/8 for Newport News - ballast
SS	MACABI	" 5/7/40	from Preston	" 5/8 for New York - ballast
Dtch. MS	POELAU ERAS	" 5/5/40	from Batavia	" 5/8 for New York - general

\* Defensive armament

(X) Equipped with magnetic belt

# This vessel has Greek crew

NEW YORK DISTRICT  
8 May, 1940 - 2:00 P. M.

NEW YORK, N.Y.:

Br.	Ship	Arr.	From	In port
MV	CINGALESE PRINCE *	5/1/40	from Boston	In port
SS	CLAN FERGUSON *	" 5/7/40	from Glasgow	do
MV	DONPAO	" 5/8/40	from Quebec	do
MV	GREYSTOKE CASTLE *	" 5/4/40	from Baltimore	do
SS	GYPSUM EMPRESS	" 4/29/40	from Windsor	do
SS	HARPOON	" 4/28/40	from Boston	do
MV	MALAYAN PRINCE *	" 5/4/40	from London	do
SS	MONTREAL CITY *	" 5/6/40	from Norfolk	do
SS	NEW TEXAS *	" 5/4/40	from Philadelphia	do
MV	NORTHERN PRINCE *	" 5/2/40	from London	do
MV	PORT CHALMERS *	" 5/7/40	from England	do
SS	QUEEN ELIZABETH (X)	" 3/7/40	from Greenock	do
SS	R J CULLEN *	" 4/20/40	from St. John, N.B.	do
SS	SAN FELIPE	" 4/30/40	from Philadelphia	do
SS	SHELF MOUNT *	" 5/3/40	from Halifax	do (Formerly Am. registry)
MV	SILVERASH *	" 5/8/40	from New Orleans	do
MV	THURLHO CASTLE *	" 5/3/40	from Penang	do
MV	WESTERN PRINCE * (X)	" 5/6/40	from London	do

NEW YORK, N.Y. (CONT.):

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Dir.	MV	Arr.	4/10/40	from Rio de Janeiro	In port
	SS	BROHOLD	"	4/20/40 from Copenhagen	do
	MV	COLUMBIA	"	4/17/40 from Bombay	do
	SS	GEORGIA	"	4/10/40 from Frederickshaven	do
	MV	GERTRUD	"	4/17/40 from La Plata	do
	SS	JONNA	"	4/10/40 from Bergen	do
	MV	LUNDEY	"	4/21/40 from Copenhagen	do
	MV	MARCHEN MAERSEK	"	4/6/40 from Philadelphia	do
	SS	PAULA	"	4/4/40 from Norfolk	do
	SS	SESSA	"	4/3/40 from Boston	do
	MV	SICILIE	"	4/7/40 from Philadelphia	do
	MV	TUNIS	"	4/15/40 from High Seas	do
Fr.	SS	NORMANDIE	"	8/28/39 from Southampton	do
	MV	PIERRE L D *	"	5/1/40 from Havre	do
Nor.	MVTK	ALAR	"	5/8/40 from Curacao	do
	MV	AROSA	"	4/23/40 from Cristobal	do
	SSTK	ARTHUR W SEWALL	"	4/22/40 from Curacao	do
	SS	ASKELADDEN	"	4/3/40 from Antilla	do
	MV	BALLA	"	5/3/40 from Kingston, Jamaica	do
	SS	BERGENSFJORD	"	4/15/40 from Bergen	do
	MV	BETANCURIA	"	5/7/40 from Norfolk	do
	SS	CHRISTIAN KROHG	"	4/9/40 from Caibarien	do
	MVTK	DAGHILD	"	5/7/40 from Guiria	do
	MV	ESTRELLA	"	5/3/40 from Nachochas	do
	MV	FERNWOOD	"	5/1/40 from St. Georges	do
	MVTK	HAAKON HAUAN	"	4/14/40 from Baton Rouge	do
	SS	INGERTRE	"	4/10/40 from Cristobal	do
	SS	JAN	"	4/28/40 from Nuevitas	do
	MVTK	JENNY	"	5/5/40 from Cuba	do
	MV	KATTEGAT	"	4/17/40 from Bergen	do
	SS	LOKE	"	4/12/40 from Cuba	do
	MV	MINERVA	"	5/4/40 from Cristobal	do
	SSTK	MIRLO	"	4/24/40 from Tampico	do
	SS	OGNA	"	5/8/40 from Boston	do
		OLE WROGER #	"	5/3/40 from Cape Town	do
	MV	OSLOFJORD	"	1/2/40 from Havana	do
	MV	RANDSFJORD	"	4/14/40 from Oslo	do

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NEW YORK, N.Y. (CONT.):

			arr.		In port
Nor.	MV	SANTOS	5/5/40	from Santos	do
	MV	SCERBELI	" 5/6/40	from Cape Town	do
	SS	TANAFJORD	" 4/8/40	from Trondheim	do
	SS	TARN	" 5/4/40	from Cristobal	do
	MVTK	TOLEDO	" 4/12/40	from Houston	do
Belg.	SS	GANDIA	" 5/7/40	from Antwerp	do
Braz.	SS	CANTUARIA	" 5/2/40	from Baltimore	do
	SS	MAUA	" 5/7/40	from Santos	do
	SS	MORMACSEA	" 4/25/40	from Trondheim	do
Chil.	MV	COPIAPO	" 4/16/40	from Havana	do
Dtch.	MV	BANTAM	" 5/8/40	from Newport News	do
	MV	CASTOR	" 5/4/40	from Inagua	do
	MV	COLOMBIA	" 5/6/40	from Port au Prince	do
	SS	KERTOSONO	" 5/4/40	from Boston	do
	SS	POSEIDON	" 5/6/40	from La Guaira	do
	MV	PYGMALION	" 5/4/40	from Port de Paix	do
Est.	AuxSc	ARTO	" 5/1/40	from Words Cruise	do
Fin.	SS	MARISA THORDEN	" 5/3/40	from Philadelphia	do
	MV	MATHILDA THORDEN	" 4/26/40	from Philadelphia	do
Grk.	SS	ELENI	" 4/27/40	from Cardiff, Wales	do
	SS	ELIAS G KULUKUNDIS	" 4/26/40	from Boston	do
	SS	THALIA	" 5/1/40	from Port Royal, Jamaica	do
Hon.	MV	ISLANDER	" 12/4/39	from Jacksonville	do
	SS	NEPTUNO	" 5/1/40	from Nuevitas	do
Ic.	SS	DETTIFOSS	" 4/29/40	from Reykjavik	do
	SS	SELFOSS	" 5/3/40	from Reykjavik	do
Jap.	MV	KIYOKAWA	" 5/6/40	from Havana	do

NEW YORK, N.Y. (CONT.):

170 Mex.	MVTK	CERRO AZUL	Arr.	4/28/40	from Tampico	In port
	SSTK	XVIII DE MARZO	"	5/7/40	from Tampico	do
Pan.	MVTK	BALTIC	"	5/7/40	from Aruba	do
	MVTK	F H BEDFORD JR	"	5/7/40	from Aruba	do
	SS	O'BRIEN BROTHERS	"			do
	MVTK	PETER HURLL	"	5/1/40	from Guiria	do
	MVTK	PROMETHEUS	"	5/4/40	from Aruba	do
	SSTK	STANDARD	"	5/7/40	from Aruba	do
	SS	VAMUR	"	4/24/40	from Charleston	do
Port.	MV	S THOME	"	5/8/40	from Lisbon	do
Span.	SS	RITA GARCIA	"	5/6/40	from Huelva	do
Swed.	Bk	ABRAHAM RYDBERG	"	5/1/40	from Bridgetown, B.W.I.	do
	MV	DANAHOLM	"	4/7/40	from Baltimore	do
	SS	KIRUNA	"	3/31/40	from Baltimore	do
	MV	TROLLEHOIM	"	4/25/40	from High Seas	do
Y.S.	SS	LJUBICA MATKOVIC	"	5/3/40	from Philadelphia	do
	SS	MILENA	"	4/25/40	from Bordeaux	do
Br.	SS	MARRELAND *	"	5/6/40	from Liverpool	Deptd. 5/7 for Alexandria - general
	SS	PORT NICHOLSON *	"	5/6/40	from Glasgow	" 5/8 for Phila. - general
Fr.	SS	FORT MEDINE *	"	4/25/40	from Plymouth	" 5/7 for Phila. - general
Nor.	SS	BRANT COUNTY	"	4/30/40	from Norfolk	" 5/8 for Havre - general
	MV	TORONTO	"	5/1/40	from Baltimore	" 5/7 for Rio de Janeiro - general
Chil.	MV	IMPERIAL	"	5/1/40	from Havana	" 5/7 for Cristobal - general
✓ Dteh.	MV	POELAU TELLO	"	4/26/40	from Boston	" 5/8 for Phila. - gen. & res.
Jap.	MV	TOSAN MARU	"	5/5/40	from Cristobal	" 5/8 for Phila. - gen. & res.
	MV	YAMAZUKI MARU	"	5/5/40	from Baltimore	" 5/7 for Rio de Janeiro - general
Pan.	MVTK	J A MOWINCHEL	"	5/3/40	from Caripito	" 5/7 for Caripito - lube oil
<u>ALBANY, N.Y.:</u>						
Br.	SS	BRYNMAON * (X)	"	5/8/40	from New York	In port
	SS	HEMELSTON *	"	5/7/40	from New York	do
	SS	HOLLINSIDE *	"	5/3/40	from New York	do
	SS	MARY STONE	"	5/6/40	from New York	do

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BRIDGEPORT, CONN.:

Br. SS RUSHPOOL \* Arr. 5/6/40 from London In port

CHESTER, PA.:

Br. SS LIVERPOOL ROVER \* " 5/7/40 from Blacks Harbor do  
MVTK ONTARIOLITE (XP) " 4/25/40 from Havre do  
SS WEST ISLETA " 4/19/40 from New York do

Nor. SS SPIND " 5/6/40 from Philadelphia do

PHILADELPHIA, PA.:

Br. SS ALBUERA \* " 5/3/40 from Fowey, England do  
SS ESSEX LANCE " 5/7/40 from Faldot, Wales do  
SS WEST CAPE (X) " 5/6/40 from New York do

Dan. MV NORDEN " 4/8/40 from Vancouver do  
SS P N DAMM " 4/9/40 from Denmark do

Nor. MV VIGRID " 5/2/40 from New York do  
Cub. SS SANTIAGO DE CUBA " 5/7/40 from Havana do

✓ Dtch. SS GROENLO " 5/4/40 from Rotterdam do

Jap. MV KIRISHIMA MARU " 5/7/40 from New York do

Mex. MV SONORA " 5/3/40 from Sheet Harbor do

Swed. SS ATOS " 4/26/40 from Sweden do

Br. SS STUDENT PRINCE II " 5/7/40 from Chester Dep'td. 5/7 for Port Williams, N.S.-bulk

✓ Nor. MV CYPRIA " 5/4/40 from New York " 5/7 for Lisbon - general

Dtch. SS MELAMPUS " 5/3/40 from New York " 5/7 for New Orleans - general

SS WINTERSWIJKE " 4/29/40 from Rotterdam " 5/7 for Rotterdam - bulk

Hon. SS GRANADA " 5/7/40 from Baltimore " 5/7 for aux Cayss - general

\* Defensive armament

(X) Equipped with magnetic belt

(XP) Process of being equipped with magnetic

POSITIONS OF FOREIGN VESSELS:1200 GMT (5/8/40):

✓ Belg. SS EMILE FRANQUI Lat. 40:42 Long. 48:12 Course E Antwerp

NORFOLK DISTRICT  
8 May, 1940 - 12:05 P. M.

BALTIMORE, MD.:

Br.	SS	STANWELL*	Arr.	5/1/40	from Milfordhaven, Wales	In port
	SS	ALNMOOR *	"	5/5/40	from Glasgow, Scotland	do
	SS	CITY OF BOMBAY *	"	5/8/40		do
	SS	LANGLEETARN *	"	5/2/40	from Hull, England	Deptd. 5/7 for New York - steel
Den.	SS	ALSSUND	"	4/5/40	from Frederickshaven	In port
	SS	BROSUND	"	4/3/40	from New York	do
	MV	RAGNHILD	"	4/9/40	from Las Palmas, Can. Is.	do
	MV	LEKA MAERSK	"	4/6/40	from Philadelphia	do
Nor.	MV	MOLDANGER	"	4/17/40	from Philadelphia	do
	MV	RAVNANGER	"	4/5/40	from Narvik	do
	MV	NORNE	"	4/19/40	from Narvik	do
	SS	EASTERN STAR	"	4/20/40	from Narvik	do
	SS	GUNVOR	"	5/5/40	from Philadelphia	do
	SS	HELLEN	"	5/7/40	from Sydney, N.S.	do
	MV	PRIMERO	"	4/19/40	from Narvik	Deptd. 5/7 for Galveston - ballast
	SS	ANDERSON	"	5/7/40	from Sanchez, D.R.	" 5/7 for Sanchez - ballast
Grk.	SS	BORIS	"	5/4/40	from New York	In port
Pan.	SS	SAN BLAS	"	5/1/40	from Telu, Hon.	do
	MV	WINKLER	"	5/2/40	from Lisbon, Port.	do
	SS	PANAMANTIAN	"	5/7/40	from Newport News, Va.	do
	MV	PERMAN	"	5/6/40		Deptd. 5/7 for Las Piedras, Ven. - ballast
Chil.	SS	MAIPO	"	5/4/40		In port
Braz.	SS	P. JERAMHYBA	"	5/6/40	from Sydney, U.S.	do

BALTIMORE, MD. (CONT.):

Jap.	MV	NOSIHO MARU	Arr.	5/6/40	from Philadelphia	Deptd.	5/7	for Tampa - general
Swed.	MS	ANITA	"	5/7/40	from Philadelphia	In port		
<u>NEWPORT NEWS, VA.:</u>								
Swed.	SS	SIGNEBORG	"	4/10/40	from High Seas	do		(Export cargo from New Orleans)
	SS	SYDLAND	"	5/5/40	from Gothenborg	do		
Pan.	SS	PANJAMANIAN	"	4/17/40	from Baltimore	Deptd.	5/6	for Baltimore - transit
Nor.	SS	KOLSDAL	"	4/20/40	from Richmond	In port		
	MV	TORTUGAS	"	4/9/40	from New York	do		
	SS	VICTO	"	5/5/40	from New York	Deptd.	5/6	for New Orleans - bunkers
✓ Dtch.	SS	DRIEBERGEN	"	5/4/40	from Rotterdam	In port		
Br.	SS	CITY OF EDINBURGH *	"	5/7/40	from Baltimore	do		
	SS	IRISBANK *	"	5/7/40	from Baltimore	do		
	SS	CITY OF KIMBERLEY * (X)	"	5/8/40		do		
Lat.	SS	ABGARA	"	5/7/40	from Norfolk	do		
<u>NORFOLK, VA.:</u>								
Br.	SS	MAHRONDA *	"	5/7/40	from Baltimore	do		
	SS	SONIA	"	5/4/40	from Walton	Deptd.	5/8	for Baltimore - ballast and bunkers
Dan.	SS	FRODE	"	4/11/40	from Bristol	In port		
	SS	E M DALGAS	"	4/21/40	from Aalborg, Denmark	do		
✓ Dtch.	SS	LETO	"	5/7/40	from Rotterdam	do		
	SS	BILDERDYK	"	5/4/40	from Boston	Deptd.	5/7	for Baltimore - general and bunkers
Nor.	SS	CISS	"	5/7/40	from Walton	In port		
	SS	RISANGER	"	4/15/40	from Svolveer	do		
	SS	ANNAVORE	"	5/3/40	from Windsor	do		
	SS	SEMTA	"	5/2/40	from New York	do		
	SS	GUNDERSEN	"	5/7/40	from Havana	do		

NOFOLK, VA. (CONT.):

Hon. SS	ORADELL	Arr. 5/7/40	from Havana	In port
Grk. SS	NICOLAOS MICHALOS	" 5/8/40		do

\* Defensive armament  
(X) Equipped with magnetic belt

WILMINGTON, N.C. AREA:

Br.	COLONIAL TRADER	Arr. 5/7/40	from Sagua, Cuba	In port	Unloading sugar cargo
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FOREIGN VESSELS IDENTIFIED PASSING CHESAPEAKE CAPES (5/7 - 5/8):

Hon. SS	SAGUA	Arr. 5/8/40	from Cortez	Enroute - fruit
SS	CHIRIPA	" 5/7/40	from Baltimore	Enroute Cortez - ballast
SS	ORADELL	" 5/7/40	from Savannah	Enroute - sugar
✓ Dtch. SS	BANTAM	" 5/7/40	from Norfolk	Enroute New York - general
Nor. SS	CISS	" 5/7/40	from Nova Scotia	Enroute - general
Swed. SS	SYDLAND	" 5/7/40	from Newport News	Enroute Buenos Aires - coal
SS	RYDBOHOLM	" 5/7/40	from Philadelphia	Enroute Roserio - coal
Br. SS	CITY OF BOMBAY *	" 5/7/40	from Philadelphia	Enroute Baltimore - general
SS	LANGLEETARN *	" 5/7/40	from Baltimore	Enroute New York - general
SS	CITY OF EDINBURGH *	" 5/7/40	from Newport News	Enroute New York - general
Jap. SS	NOSIRO MARU	" 5/8/40	from Baltimore	Enroute Port Tampa - general
Grk. SS	NICOLAOS MICHALOS	" 5/8/40	from Antineys, Belg.	Enroute Norfolk - ballast

\* Defensive armament

JACKSONVILLE DISTRICT  
8 May, 1940 - 2:00 P. M.

CHARLESTON, S. C.:

Nor. SS	WILLY #	Arr. 4/27/40	from Corpus Christi	In port
SS	LUTZ	" 5/5/40	from Cuba	do
SS	HARBOR JENSEN	" 5/7/40	from Guatemala	do

# Cargo high test gasoline now being discharged into storage tanks at Charleston. Small leak aft to be repaired and vessel then towed to Norfolk for major repairs.

SAVANNAH, GA.:

Nor. SS TORRENS

Arr. 5/6/40 from Newport News

Deptd. 5/8 for Los Angeles - general

Br. SS PORT DUNEDIN \*

" 5/6/40 from Newport News

" 5/7 for Brisbane - general

FERNANDINA, FLA.:

Swed. SS HERA

" 4/13/40 from Baltimore

In port

JACKSONVILLE, FLA.:

Dan. SS NORA

" 4/10/40 from Arica, Chile

do

SS CAROLINE MAERSK

" 4/14/40 from Port Arthur

do

Tr. DANMARK

" 4/1/40 from High Seas

do

Cub. SS MACEO

" 4/29/40 from Wilmington

do

Grk. SS GEORGIOS G

" 5/5/40 from New Orleans

do

SS SAN GABRIEL

" 5/7/40 from Halifax

do

Br. OS CANANOVA

" 5/7/40 from Cuba

do

Yct. ODESSEUS

" 4/27/40 from Brunswick

Deptd. 5/7 for Nassau, B.W.I. - none

Nic. SS GUARDIAN

" 5/2/40 from Charleston

In port

OS SAMA

" 5/7/40 from Cuba

do

✓ Belg. SS HAINHAUT

" 5/6/40 from Antwerp

do

WEST PALM BEACH, FLA.:

Br. MB PADDY HALFRETY

" 5/1/40 from Walkers Cay, B.W.I.

do

PORT EVERGLADES, FLA.:

Ger. SS ARJUCA

" 12/19/39 from Vera Cruz

do

MIAMI, FLA.:

Br. OS BETTY K

" 5/7/40 from Nassau, B.W.I.

do

OS EVA CONWAY

" 5/7/40 from Nassau

do

OS EDNA M R

" 5/6/40 from Bimini, B.W.I.

do

OS RICHARD CAMPBELL

" 5/7/40 from Nassau

do

OS CONTENT

" 3/25/40 from Nassau

do

OS MARGEAN

" 4/29/40 from High Seas

Deptd. 5/6 for Nassau, Cuba - none

MIAMI, FLA. (CONT.):

Br. OS ENL K  
SS TURQUINO

Arr. 5/4/40 from Nassau, B.W.I.  
" 5/3/40 from Sama, Cuba

Deptd. 5/6 for Nassau - gen. & pass.  
" 5/6 for Puerto Plata - none

? MV ANNA

" 6/10/39 from West Palm Beach

In port (Unregistered)

KEY WEST, FLA.:

Swed. MVIK SATURNUS

" 4/26/40 from Gothenborg

do

TAMPA, FLA.:

Hon. MS W M DELPHIA  
MS PATRIA  
MS MY OWN  
MS ALLOCATE  
SS ALBERT

" 5/7/40 from Belize, Br. Hon.  
" 5/7/40 from Bonacco, Hon.  
" 4/24/40 from Roatan, Hon.  
" 5/7/40 from Havana, Cuba  
" 5/1/40 from Belize

do  
do  
do  
do  
do

✓ Belg. SS GAND

" 5/3/40 from Fernandina

do

\* Defensive armament

FOREIGN VESSELS IDENTIFIED AT SEA (5/7/40):

Est.	Fr.	NAME	Lat.	Long.	Course
	Fr.	SIGNE	27:21	80:05	150
	Fr.	PORT ANTONIO	" 25:00	" 80:26	220
	Tk	SOUTH AMERICA	" 25:47	" 79:50	20
	Tk	STIKLESTAD	" 24:23	" 81:52	15
	Fr.	HILDUR I	" 32:53	" 77:09	065
	Fr.	AMAPELA	" 24:57	" 80:11	35
Hon.	Fr.	SAGUA	" 33:28	" 76:20	050
	Fr.	SAGUA	" 24:52	" 80:11	35
Mex.	Fr.	UXMAL	" 24:16	" 81:20	15
Br.	Tk	Unidentified	" 24:31	" 81:40	200
Nor.	Tk	POLYCASTLE	" 24:31	" 81:40	200

NEW ORLEANS DISTRICT  
8 May, 1940 - 2:00 P. M.

NEW ORLEANS, LA.:

Br. SS BRADGLEN \* (X)  
SS DRAMATIST \*  
SS HIRAPLOKOS

Arr. 5/2/40 from Hull, England  
" 5/3/40 from Belize  
" 4/11/40 from Galveston

In port  
do  
do

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NEW ORLEANS, LA. (CONT.):

Br.	MS	OLIVERBANK * (X)	Arr.	5/6/40	from Port Arthur	In port
	MS	SILVERWILLOW *	"	5/5/40	from Cristobal	do
	SS	STATSMAN *	"	5/8/40	from Kingston	do
	SS	ST MARY	"	1/6/40	from Galveston	do
Braz.	SS	ALEGRETE	"	5/6/40	from Mobile	do
✓ Dch.	SS	BEEMSTERDIJK	"	5/5/40	from Galveston	do
Hon.	SS	ARGUAL	"	5/3/40	from Cristobal	do
	SS	MDRAZAN	"	5/8/40	from Vera Cruz	do
	SS	VIRGINIA	"	9/20/39	from Galveston	do
	ST	WANKS	"	11/20/38	from Sea	do
Nor.	MS	BIDEVIND	"	5/6/40	from Baltimore	do
	SS	ENERN	"	5/4/40	from Pto. Spain	do
	SS	FEMERN	"	5/4/40	from Pto. Spain	do
	SS	GUDVIN	"	4/25/40	from Cienfuegos, Cuba	do
	SS	LYSEFJORD	"	5/3/40	from Bluefields	do
	SS	SNELAND I	"	5/5/40	from Pto. Spain	do
	MT	SOLGLINT	"	5/4/40	from Pto. Spain	do
	SS	SORVANGEN	"	5/5/40	from Pto. Spain	do
	MS	TATRA	"	4/11/40	from Galveston	do
	MT	THORSHAMMER	"	5/4/40	from Pto. Spain	do
	SS	TOERN	"	5/4/40	from Pto. Spain	do
Pan.	SS	SAN PABLO	"	5/7/40	from Pto. Barrios	do
Swed.	MS	ASTRI	"	5/4/40	from Cuba	do
<u>BAYTOWN, TEXAS:</u>						
Br.	MT	STANDELLA *	"	5/5/40	from Bolivar Roads	Deptd. 5/7 for United Kingdom - gasoil
<u>BEAUMONT, TEXAS:</u>						
Br.	SS	NORLAN MONARCH *	"	5/4/40	from Port Arthur	" 5/8 for Birkenhead - scrap iron
<u>BOLIVAR ROADS, TEXAS:</u>						
Br.	MT	REF. LIST * (X)	"	5/5/40	from London	" 5/7 for Galveston - some luden
Nor.	MS	1080315	"	5/1/40	from Santa Maria, Col.	In port

CORPUS CHRISTI, TEXAS:

Nor.	ST	LITIOPA	ARR.	4/27/40	from Manchester	In port
	ST	RANELLA	"	5/7/40	from Lisbon, Port.	do

GALVESTON, TEXAS:

Br.	MT	REFAST * (X)	"	5/7/40	from Bolivar Roads	do
Nor.	MT	KROSSFONN	"	5/1/40	from Bolivar Roads	do
Span.	SS	ALDECOA	"	5/8/40	from Houston	do

HOUSTON, TEXAS:

Br.	MS	ETTRICKBANK * (X)	"	5/7/40	from Galveston	Deptd. 5/8 for Port Arthur - carbon black
✓ Dch.	MT	TIBIA	"	5/7/40	from Curacao	In port
Span.	SS	ALDECOA	"	5/5/40	from Port Arthur	Deptd. 5/7 for Galveston - cotton

LAKE CHARLES, LA.:

Br.	SS	SILVERLAUREL *	"	5/5/40	from Mobile	In port
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MOBILE, ALA.:

Br.	Sc	GLORIA COLTA	"	2/6/40	from Ses	do
	SS	SOUTHERN LADY	"	9/25/38	from Tuxpan	do
Hon.	SS	CORISCO	"	5/7/40	from New Orleans	do
	SS	TELDE	"	5/5/40	from Tels, Hon.	Deptd. 5/8 for Pto. Cortez - ballast
Max.	Tug	EL COLOSO	"	1/10/40	from Tampico	In port
	Drg.	SAN CRISTOBAL	"	12/9/39	from Pto. Mexico	do
Pan.	SS	VICTORIA	"	2/13/40	from Coatzacoalcos	do

PORT ARTHUR, TEXAS:

Nor.	MT	SOLITAIRE	"	5/6/40	from New York	Deptd. 5/8 for Rouen, France - petroleum products
Br.	MT	PONTFIELD *	"	5/6/40	from London	In port
Span.	MS	MAR CANTARRICO	"	5/6/40	from Balbec	do

PORT ARTHUR, TEXAS (CONT.):

Swed. SS	ANNA	Arr. 3/30/40	from Beaumont	In port
SS	STUREHOLM	" 4/7/40	from Havana	do

TEXAS CITY, TEXAS:

Nor. MT	NINA BORTHEN	" 4/12/40	from Galveston	do
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\* Defensive armament  
(X) Equipped with magnetic belt

SAN JUAN DISTRICT  
8 May, 1940 - 9:26 P. M.

ST. THOMAS, V.I.:

Den. MS	AMERICAN REEFER	Arr. 4/12/40	from New York	In port
MV	CHRISTIAN HOLM	" 4/12/40	from Copenhagen	do
SS	SCANDIA	" 4/13/40	from Copenhagen	do
✓ Dch. SS	NIEUW AMSTERDAM	" 5/7/40	from New York	Deptd. 5/7 for Curacao - cruise ship
Nor. SS	GUNNY	" 5/6/40	from Georgetown, B.G.	In port
SS	CARRIER	" 5/7/40	from Georgetown, B.G.	do radio sealed

MAYAGUEZ, P.R.:

Dom. Sc	MARGARITA	" 4/28/40	from Trujillo City, D.R.	do
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SAN JUAN, P.R.:

Dom. SS	HISPONLA	" 4/29/40	from unknown	do
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HONOLULU DISTRICT  
8 May, 1940 - 1:45 A. M.

NO FOREIGN VESSELS

LOS ANGELES SECTION  
8 May, 1940 - 12:00 Noon

LOS ANGELES, CAL.:

Nor.	MS	THORSHOLM	Arr.	3/26/40	from Moji	In port
	MS	SYDHAV	"	5/2/40	from Japan	do
	MS	TEDDY	"	4/23/40	from Yokohama	Deptd. 5/7 for Estero Bay - petroleum
	MS	HOBGH SILVERDAWN	"	5/5/40	from Copenhagen	" 5/6 for Vancouver - bunkers
Hon.	MS	TOLTEC	"	5/6/40	from Pto. Arnuelles	" 5/7 for San Francisco - dischgd.
Dan.	MS	HULDA MAERSK	"	4/10/40	from New York	In port
	MS	ERRIA	"	4/11/40	from Copenhagen	do
	MS	NORDPOL	"	4/13/40	from Sea	do
	MS	GRETE MAERSK	"	4/16/40	from Sea	do
	MS	NORDEVAL	"	4/20/40	from Manila	do
	MS	LAURA MAERSK	"	5/7/40	from Manila	do
Swed.	MS	PAN GOTHIA	"	4/26/40	from Hongkong	do
Jap.	SS	TAKAOKA MARU	"	5/5/40	from Yokohama	do
Grk.	MS	AEGEUS	"	4/26/40	from Vancouver	do
			"	5/6/40	from Vancouver	Deptd. 5/6 for Vancouver - petroleum

PORT SAN LUIS, CAL.:

Br. SS ALBERTOLITE

"	5/6/40	from Vancouver	Deptd. 5/6 for Vancouver - petroleum
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SAN DIEGO, CAL.:

Jap. SS HARU

"	5/3/40	from Ensenada	" 5/6 for Ensenada - ballast
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SAN FRANCISCO DISTRICT  
8 May, 1940 - 9:00 A. M.

SAN FRANCISCO BAY AREA:

Br.	MS	LINERICK
	SE	WAIKUNA
	MS	SILVERSHAPIE *

Arr.	4/28/40	from Ocean Falls	In port
"	5/3/40	from Eureka	do
"	5/4/40	from Astoria	Deptd. 5/7 for La-Manila

SAN FRANCISCO BAY AREA (CONT.):

Fr.	SS	PROVIDENCIA	Arr.	5/5/40	from Port Everett	In port
Nor.	MSTK	ANNA KNUDSEN	"	5/7/40	from Kudamatsu	do
	MS	BRIMANGER	"	5/8/40	from Puget Sound	do
	MSTK	THORHILD	"	4/30/40	from Yokohama	do
	MS	BR. COLUMBIA EXPRESS	"	5/7/40	from Seattle	Deptd. 5/7 for LA-Balboa - foods, gen.
	MS	EMMA BAKKE	"	5/6/40	from Portland	" 5/7 for LA-Belfast - scrap metals and general
✓ Dteh.	MS	MODJOKERTO	"	5/6/40	from Los Angeles	In port
Jap.	MSTK	SAN DIEGO MARU	"	5/8/40	from Tsingtau	do
Phil.	MS	DONA NATI	"	5/7/40	from Los Angeles	do
Chin.	SS	KWANG YUAN	"	5/26/37	from Los Angeles	do
	SS	SANTA INEZ	"	10/22/38	from Fishing cruise	do

\* Defensive armament

POSITIONS OF FOREIGN VESSELS (5/7/40):

Phil.	MS	DONA NATI	Due SF 8 P.M. 7 May from LA
Jap.	MS	MONTEVIDEO MARU	Due LA 1330 8 May from Balboa
	MSTK	KOKUJO MARU	Due LA 0800 8 May from Japan
	MS	SHUNTEN MARU (?)	Lat. 40:54 N Long. 125:39 W

Bnd. Yokohama

5/8/40 0000 GCT:

Jap.	MS	AKAGI MARU	"	42:36 N	"	129:24 W	Bnd. San Francisco
	MSTK	TEIYO MARU	"	15:24 N	"	97:48 W	
	MSTK	SAN PEDRO MARU	"	44:24 N	"	149:36 W	Bnd. Los Angeles
	MSTK	TOA MARU	"	44:06 N	"	144:42 W	Bnd. Japan
Phil.	SSTK	MINDANAO	"	28:48 N	"	160:24 W	Bnd. Manila
	MS	NONSUCO	"	37:36 N	"	131:30 W	(?)

0400 GCT:

Jap.	MS	SANYO MARU	"	40:30 N	"	137:21 W	Bnd. Los Angeles
	MS	KAGU MARU	"	42:05 N	"	138:09 W	Bnd. Los Angeles
	MS	YASUKAWA MARU	"	43:04 N	"	136:32 W	Bnd. San Francisco
	MS	KANSAI MARU	"	44:34 N	"	150:08 W	Bnd. Yokohama
	MS	MONTEVIDEO MARU	Due LA about 3 P.M. May				

SEATTLE DISTRICT  
7 May, 1940 - 4:00 P. M.

SEATTLE, WASH. :

Br.	SS	FR. KATHLEEN	Arr.	5/7/40	from Vancouver	Deptd.	5/7	for Victoria - passengers
	SS	FR. CHARLOTTE	"	5/7/40	from Victoria	"	5/7	for Vancouver - "
Jap.	MV	HIE MARU	"	5/7/40	from Tacoma	In port		
	MV	TOSEI MARU	"	5/5/40	from Orient	do		
Dtch.	MV	BOSCHFONTEIN	"	5/2/40	from Vancouver	do		
Nor.	MV	CALIFORNIA EXPRESS	"	5/3/40	from P. C. ports	do		
Swed.	MV	ECUADOR	"	5/6/40	from P. C. ports	Deptd.	5/7	for Ocean Falls - fruit

PORT TOWNSEND, WASH.:

Br.	SS	ISLAND ROVER	"	5/7/40	from British Columbia	"	5/7	for Port Gamble - fir lumber
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GRAYS HARBOR, WASH.:

Dan.	MV	NORDVEST	"	4/11/40	from Raymond	In port		
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TACOMA, WASH.:

Br.	MV	SAIACIA #	"	5/3/40	from Seattle	Deptd.	5/7	for Seattle - canned goods, lumber
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PORT GAMBLE, WASH.:

Nor.	MV	THOR I	"	5/3/40	from P. C. ports	"	5/7	for San Francisco - lumber
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PORTLAND, OREGON:

Jap.	MV	KOSEI MARU	"	5/5/40	from Kobe	In port		
	SS	MEIU MARU	"	5/5/40	from Seattle	do		
Grk.	SS	ROKOS VERGOTTIS	"	5/2/40	from Grays Harbor	Deptd.	5/7	for Longview - lumber
Swed.	MV	DAGMAR SALEN	"	5/3/40	from Los Angeles	In port		
Fr.	SS	SAN JOSE	"	5/7/40	from San Francisco	Deptd.	5/7	for Seattle - rye, grass seed, lumber, logs
Pan.	SS	SAN SIMON #	"	5/6/40	from unknown	"	5/6	for Yokohama - lumber

TRANS-CANADA PLANES, BOEING FIELD:

Br. Plane	CF-TCM	Arr. 5/5/40	from Vancouver	Deptd. 5/5	for Vancouver - mail & Passengers
.		( 5/5/40	from Vancouver	" 5/5	for Vancouver "
.		( 5/5/40	from Vancouver	" 5/5	for Vancouver "

##Formerly American flag

COLUMBIA RIVER ENTRANCE:

Fr.	SAN JOSE	5/6/40	inbound
Nor.	HOYANGER	5/6/40	outbound
	CORNEVILLE	5/6/40	outbound
Jap.	SYUNTEN MARU	5/7/40	outbound
Pan.	SAN SIMEON	5/7/40	outbound

CHICAGO DISTRICT  
8 May, 1940 - 11:30 A. M.

GREEN BAY, WIS.:

Br. SS	NORCO	Arr. 5/6/40	In port
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MILWAUKEE, WIS.:

Br. SS	LAVALDOC	" 5/5/40	from Pt. McNicoll	Deptd. 5/6
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CHICAGO HARBOR, ILL.:

Br. SS	DELEWARE	" 5/7/40	from Quebec	In port
SS	WAHCONDAH	" 5/7/40	from Quebec	do
SS	DELWARNIC	" 5/7/40	from Depot Harbor	Deptd. 5/7 for Depot Harbor - light
SS	ATHABASCA	" 5/8/40	from Pt. McNicoll	" 5/8 for South Chicago

SOUTH CHICAGO, ILL.:

Br. SS	FAIR RIVER	" 5/6/40	Sighted bound north in lake	
SS	ATHABASCA	" 5/8/40	from Chicago Harbor	In port

CLEVELAND DISTRICT  
8 May, 1940 - 3:00 P. M.

OGDENSBURG, N.Y.:

Br. SS EAGLESCLIFFE HALL

Arr. 5/6/40 from Montreal

Deptd. 5/6 for Erie - none

CLAYTON, N.Y.:

Br. SS GLEN ALLEN  
 SS BLUE RIVER  
 SS FAIRLAKE  
 SS LIVINGSTON  
 SS RED RIVER  
 SS RED FERN  
 SS CHEMONG

" 5/5/40 from Montreal  
 " 5/5/40 from Montreal  
 " 5/5/40 from Montreal  
 " 5/6/40 from Montreal  
 " 5/6/40 from Montreal  
 " 5/6/40 from Montreal  
 " 5/7/40 from Montreal

" 5/5 for Picton - none  
 " 5/5 for Toronto - none  
 " 5/5 for Ft. William - none  
 " 5/6 for Port Colborne - none  
 " 5/6 for Port Colborne - none  
 " 5/6 for Ft. William - none  
 " 5/7 for Port Calhousie - none

SODUS POINT, N.Y.:

Br. SS VALLEY CAMP

" 5/7/40 from Prescott

" 5/7 for Prescott - coal

OSWEGO, N.Y.:

Br. SS COALHAVEN  
 SS DARYAW H C  
 SS IRELAND R L

" 5/7/40 from Prescott  
 " 5/7/40 from Clinton  
 " 5/7/40 from Ft. William

" 5/7 for Cornwall - coal  
 " 5/7 for Brockville - coal  
 In port

ROCHESTER, N.Y.:

Br. SS KEYBAR  
 SS KEYBELL  
 SS REDWOOD  
 SS KEYNOR  
 Car  
 Ferry ONTARIO NO. 1

" 5/7/40 from Montreal  
 " 5/6/40 from Montreal  
 " 5/6/40 from Montreal  
 " 5/7/40 from Montreal  
 " 5/6/40 from Cobourg

do  
 Deptd. 5/6 for Montreal - coal  
 " 5/6 for Cornwall - coal  
 " 5/7 for Montreal - coal  
 " 5/6 for Cobourg - coal in cars

BUFFALO, N.Y.:

Br. SS GILCHRIST R  
 SS LAKETON  
 SS GLENELG

" 5/6/40 from Port Colborne  
 " 5/7/40 from Port Arthur  
 " 5/7/40 from Toronto

" 5/7 for Montreal - iron & coal  
 In port  
 Deptd. 5/7 for Port Colborne - coal

CONNEAUT, OHIO:

Br. SS LIVINGSTON

" 5/7/40 from Port Colborne

" 5/7 for Britt - coal

FAIRPORT, OHIO:

Br. SS SORELODC  
SS PORTWELL  
SS COLLINGDOG

Arr. 5/6/40 from Montreal  
" 5/7/40 from Montreal  
" from Ft. William

Deptd. 5/6 for Quebec - coal  
" 5/7 for Montreal - coal  
In port

TOLEDO, OHIO:

Br. SS EMPEROR  
SS SASKADOG  
SS LESLIE A  
SS WATERTON  
SS LEMOYNE  
SS JOAN VIRGINIA

" 5/6/40 from Kingston  
" 5/7/40 from Port Colborne  
" 5/7/40 from Erieau  
" 5/7/40 from Port Colborne  
" 5/5/40 from Kingston  
" 5/6/40 from Port Colborne

do  
do  
do  
do  
Deptd. 5/6 for Sault Ste. Marie - coal  
" 5/7 for Port Colborne - oil

DETROIT, MICH.:

Br. SS FERNIE  
SS SALVAGER  
Plane CF-BQH  
SS HOLLOWAY J A  
SS ST. DAONA  
SS KENEFICK JUDGE  
SS RAMMACHER J J  
SS EMPEROR  
SS OUTARDE  
SS BAYTON  
SS WINDSOLITE  
SS ASHCROFT  
SS MUNTJOC  
SS RIVERTON  
SS WINDOC  
SS ALGOSCO  
SS ACADIALITE  
SS PRICE J H

" 5/6/40 from Ft. William  
" 5/6/40 from Windsor  
5/7/40 passing up  
5/7/40 passing down  
5/7/40 passing down

In port  
Deptd. 5/6 for Windsor - none  
" 5/6 for Montreal - exported

HARBOR BEACH, MICH.:

Br. Tug GERIAN A H

Arr. 5/7/40 from Kingston

In port In harbor for shelter

PORT HURON, MICH.:

Br. Tug GERIAN A H  
SS SINGOLTER

5/6/40 passing up  
5/6/40 passing up  
5/7/40 passing up

PORT HURON, MICH. (CONT.):

Br.	Brg.	MERLE H	5/7/40	passing up
	Brg.	FLORENCE J	5/7/40	passing up
	SS	SELKIRK	5/7/40	passing up
	SS	RICHARDS J B	5/7/40	passing up
	SS	MOUNT LOUIS	5/7/40	passing up

SAULT STE. MARIE, MICH.:

Br.	SS	SOODOC	Arr.	5/6/40	from Port McNicoll
	SS	ALGOSTEEL	"	5/6/40	from Toledo
	SS	GEISTMAN J P	"	5/6/40	from Ft. William
	SS	ETHEL J	"	5/6/40	from Ft. William
	SS	IOCOLITE	"	5/7/40	from Sarnia
	SS	BUDD RALPH	"	5/7/40	from Toronto
	Brg.	GLENBOGIE	"	5/7/40	from Port Colborne
	SS	SHELTER BAY	"	5/6/40	from Chicago
	SS	FRESCOTT	"	5/7/40	from Owen Sound
	SS	TRENORA		5/6/40	passing up
	SS	KENORA		5/7/40	passing up
	SS	ASSINIBOLA		5/7/40	passing up
	SS	VANDOC		5/7/40	passing down
	SS	FORTWILDOC		5/7/40	passing down

Enroute Ft. William - none  
 Enroute Sault Ste. Marie - coal  
 Enroute Port Colborne - grain  
 Enroute Sarnia - grain  
 Enroute Ft. William - gas  
 Enroute Ft. William - none  
 Enroute Ft. William - gen. mdes.  
 Enroute Ft. William - none  
 Enroute Michipicoten - none

HEADQUARTERS

UNITED STATES COAST GUARD

WASHINGTON, D. C.

9 MAY, 1940.

CONFIDENTIALITALIAN VESSELSNEW YORK DISTRICT (5/8/40):NEW YORK, N.Y.:

Ital. SS	ANNA MARIA GUALDI	ARR.	4/25/40	from Baltimore	In port
SS	ERNESTO	"	5/6/40	from Philadelphia	do
SS	PIETRO CAMPANELLA	"	5/8/40	from Genoa	

PHILADELPHIA, PA.:

Ital. SS	ALBERTA	"	5/6/40	from Italy	do
SSTK	MEDICEO	"	5/3/40	from Wilmington	do
SS	LIVENZA	"	5/3/40	from Dijijelli (?)	Deptd. 3/8 for New York - ballast

WILMINGTON, DELAWARE:

Ital. SS	ANTONLETTA	"	5/1/40	from Huelva	In port
SS	AUCTORITAS	"	5/4/40	from Huelva	do

POSITIONS OF ITALIAN VESSELS:5/8/40:

Ital. SS	PRINCIPESSA GIOVANNA	Lat.	06:00 N	Long.	25:18 W
SS	CONTE GRANDE	"	36:48 N	"	10:42 W
SS	EURMA	"	30:18 N	"	68:48 W
	REMO	"	31:9 N	"	31:4 E
	CITTA DI GENOVA	"	39:2 N	"	15:7 E
	LEONARDO DA VINCI	"	33:1 N	"	29:2 E
	FRANZIA	"	14:1 N	"	41:9 E
	MAGGIORI	"	01:2 E	"	40:7 E
	CARLEGGI	"	00:2 E	"	00:7 W
		"	00:0 E	"	34:5 E
	FRANCIA	"	12:4 N	"	46:5 E
	CARLEGGI	"	00:1 N	"	71:6 E
		"	00:0 E	"	00:18 E
		"	00:0 E	"	10:0 E

Regraded Unclassified

5/9/40:

Ital.

VIMINALE  
TARVISIO  
FIRENZE  
ROSANDRA  
FRANCESCO CRISPI  
ANFORA  
PO  
CONTE DE SAVOIA  
REX

Lat. 25:5 N Long. 35:4 E  
" 33:1 N " 28:1 E  
" 34:1 N " 17:4 E  
" 31:4 N " 10:7 W  
" 33:2 N " 28:3 E  
" 28:6 N " 33:1 E  
" 24:1 N " 36:3 E  
" 06:1 N " 81:2 E  
" 40:06 N " 70:12 W

NORFOLK DISTRICT (5/8/40):

NEWPORT NEWS, VA.:

Ital. SS CONFIDENZA

Arr. 5/1/40 from Port Everglades

In port

WILMINGTON, N.C. AREA:

Ital. SS POLLENZO

" 4/30/40 from Philadelphia

do Loading scrap iron

JACKSONVILLE DISTRICT (5/8/40):

SAVANNAH, GEORGIA:

Ital. SS MADDALENA ODERO

" 5/5/40 from New Orleans

Deptd. 5/7 for Genoa - general

TAMPA, FLA.:

Ital. SS GAETA

" 4/29/40 from Norfolk

In port

POSITION OF ITALIAN VESSELS AT SEA (5/7/40):

Ital. Frt. OLITERRA

Lat. 24:36 N Long. 81:07 W

Course 205

NEW ORLEANS DISTRICT (5/8/40):

NEW ORLEANS, LA.:

Ital. SS IDA  
SS LAURA C  
SS MONSTELLA

Arr. 5/1/40 from Tampa  
" 5/6/40 from Galveston  
" 5/4/40 from Galveston

In port

Deptd. 5/7 for Trieste - cotton  
" 5/7 for Norfolk - general

GALVESTON, TEXAS:

Ital. SS NICOLA ODERO

" 5/7/40 from Houston

In port

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HOUSTON, TEXAS:

Ital. MT NETTUNO  
SS PAOLO

Arr. 5/7/40 from Italy  
" 4/29/40 from Baltimore

In port  
do

SAN FRANCISCO DISTRICT (5/8/40):

SAN FRANCISCO BAY AREA:

Ital. MS CELLINA

" 5/6/40 from Astoria

do

POSITIONS OF ITALIAN VESSELS:

5/8/40:  
Ital.

R I HAGUE

Lat. 33:54 N Long. 35:18 W

Totals by nationality of foreign vessels in United States ports in the Districts indicated in this report:

MAY 8

Belgian.....	3	Honduran.....	14
Brazilian.....	5	Icelandic.....	2
British.....	85	Italian.....	11
Chilean.....	2	Japanese.....	7
Chinese.....	2	Latvian.....	1
Cuban.....	1	Lithuanian.....	1
Danish.....	37	Mexican.....	5
Dominican.....	2	Nicaraguan.....	2
Dutch.....	17	Norwegian.....	77
Estonian.....	1	Panamanian.....	17
Finnish.....	2	Portuguese.....	1
French.....	3	Philippine.....	1
German.....	2	Spanish.....	1
Greek.....	8	Swedish.....	15

Yugoslav..... 2

(All Districts except Seattle)

To totals shown for MAY 7, add the following:

British.....	4	Greek.....	2
Danish.....	1	Japanese.....	4
Dutch.....	1	Norwegian.....	2
French.....	1	Swedish.....	2

(Seattle District)

F. E. POLLIO,  
Lieutenant, U. S. Coast Guard

May 10, 1940.

Dutch and Belgian vessels in ports of the United States  
(As of the evening of May 9th, unless  
otherwise noted.)

NEW YORK

Dutch - Buntan  
 " - Castor  
 " - Columbia  
 " - Kertosono  
 " - Poelau Eras  
 " - Rosenberg  
 Belgian - Gandia

PHILADELPHIA

Dutch - Melampus (Departed Phila. May 7 for New Orleans)  
 " - Poelau Tello

BALTIMORE

Dutch - Bilderdyk

NEWPORT NEWS

Dutch - Driebergen

JACKSONVILLE

Belgian - Hainbant

HOUSTON, TEXAS

Dutch - Tibia

SAN FRANCISCO

(As of the evening of May 8th)

Dutch - Modjokerto

SEATTLE

(As of the evening of May 8th)

Dutch - Boschfontein

CHICAGO

Dutch - Prins Maurits

May 10, 1940.

Dutch and Belgian vessels in ports of the United States  
(As of the evening of May 9th, unless  
otherwise noted.)

NEW YORK

Dutch - Bantam  
 " - Castor  
 " - Columbia  
 " - Hertens  
 " - Poelsu Bras  
 " - Rosenberg

Belgian - Gandia

PHILADELPHIA

Dutch - Malampus (Departed Phila. May 7 for New Orleans)  
 " - Poelsu Telle

BALTIMORE

Dutch - Bilderdijk

NEWPORT NEWS

Dutch - Driebergen

JACKSONVILLE

Belgian - Mainhart

HOUSTON, TEXAS

Dutch - Tibia

SAN FRANCISCO (As of the evening of May 8th)

Dutch - Hoedjckerte

SEATTLE (As of the evening of May 8th)

Dutch - Boschfontein

CHICAGO

Dutch - Prins Maurits

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**TREASURY DEPARTMENT**

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 10, 1940.

TO Secretary Morgenthau

FROM Mr. White

SUBJECT: Foreign Economic Developments

(Prepared by the Division of Monetary Research)

The Dutch and Belgian Empires will add substantial foreign exchange reserves to the Allies

The assets of the Netherlands and Belgium which are in dollars or convertible into dollars are estimated to be \$3 billion (conservatively estimated). This sum should now be added to the foreign exchange assets of the British and French Empires of more than \$13 billion to make a total of more than \$16 billion of foreign exchange resources in the war chest of the Allied countries. The Netherlands and Belgium add the following to the foreign exchange resources of the Allies:

(In millions of dollars)

Gold	\$1,390
Banking funds in the United States	410
Direct investments in the United States	250
United States securities	690
Dutch and Belgian investments in neutral countries other than the United States	
Value of income capitalized at 5 percent - \$400 million	
Liquidation value	200
Dutch and Belgian investments in their own Empires which may find a market in the United States	
Value of income capitalized at 5 percent - \$2,000 million	
Liquidation value	600
Total	\$3,540

Division of Monetary  
Research

- 2 -

Furthermore, the fact that the Belgian and Dutch Empires are now in the sterling area will be of direct aid to the Allies since the Belgian colonies bring in supplies of copper, and the Dutch Empire brings petroleum, rubber, tin, bauxite, vegetable oils and sugar, which now will not need to be paid for with foreign exchange. Also, the inclusion of the Dutch Empire into the sterling area tightens the monopoly control which the Allies hold over the rubber and tin markets of the world.

An item of interest, in this connection, is the possible elimination of Amsterdam and Antwerp as the diamond cutting centers of the world. Since the raw diamonds are produced principally in Allied controlled areas of Africa, the cutting will not be done in areas which are in imminent danger of coming under German control. Most of this important business will probably go to New York, to which a part of the skilled Dutch artisans has already moved in anticipation of the invasion.

The invasion of the low countries is  
another blow to American agriculture

United States normally exports about \$170 million per year to the Netherlands and Belgium, which is only 5 percent of our total exports. However, 45 percent of the exports to these two countries consisted of agricultural products (principally grains, cotton and fruit), which were 10 percent of our total agricultural exports. Although our total exports to these countries in future months will depend upon the course of the war, our agricultural exports will almost certainly fall off very sharply, since many of these products can most easily be dispensed with temporarily.

Our imports from Belgium and Netherlands are normally about \$70 million per year. The most important item imported was diamonds, amounting to \$17 million in 1938 and \$26 million in 1939. Other principal imports were metal manufactures, textiles and chemicals.

The free market for sterling and franc

Free sterling and the free franc have now depreciated by a third since the outbreak of war and free sterling is 20 percent below official sterling. The free market rates for the sterling and the franc are important to the United States because the best figures available show that probably 70 percent of England's exports, 50 percent of France's exports and 35 percent of the British Empire's exports to the United States are still being paid for with free sterling. The source of "free sterling is

presumed to be chiefly withdrawals of sterling balances owned by foreigners and miscellaneous service and interest payments due foreigners. Whether the volume of "free" sterling available from these sources will diminish as time goes on is uncertain.

However the competitive advantages of the lower sterling currency rates are being reduced and for many commodities even offset by rising prices in England and France. Prices of British manufactured goods are 15 percent higher than a year ago, while basic materials are 50 percent higher.

The international significance of a lower free market rate has been further decreased by the fact that few countries have permitted their currencies to depreciate with the free market rate. British India, Australia, New Zealand, South Africa and Canada continue to use the official market rate for their exports and neutral countries which still participate in trade with free foreign exchange areas have, on the whole, linked their currencies with the United States dollar.

In effect, the British are using the proceeds from the sale of competitive exports to pay for capital withdrawals from London, interest payments and perhaps for other service items. The British evidently believe that the prestige gained by permitting capital to leave with only a 35 percent loss is worth the foreign exchange expended.

The British drive for increased export markets has not yet shown significant results. British exports have remained at approximately the same value as before the war even though prices in England have risen. However, with the low sterling rate for competitive exports, with a much widened sterling area which now includes Argentina and Brazil in Latin America, the French, Dutch and Belgian Empires and most of the Near East, the British have laid the basis for an improved trade position throughout the world.

#### Imports of the belligerents

England has increased her purchases from us less than she did during the first year of the last war. In the first year of the last war England's purchases from the United States had increased 70 percent compared with the previous year. In this

war, England's purchases from the United States are running only 20 percent higher than the previous year. The difference is chiefly due to the curtailment of agricultural imports, which was not done in the early years of the last war. On the other hand, France's imports from the United States in the first year of the last war had increased by 131 percent. In this war her purchases from the United States have increased 135 percent.

United Kingdom imports. England's total imports are now running at an annual rate of \$1.5 billion more than before the war, which is an increase of 50 percent. Although this increase in the money value of trade is due in part to higher prices in sterling and higher shipping costs, the bulk of the increase represents a larger volume of imports.

The United States is the only major neutral country which has shared in the increased purchases of the United Kingdom. Prior to the war we had one-sixth of the British Market and our position in the British market has been maintained at this level.

The value of the sales by other neutral nations in the British market have decreased. Argentina sold 10 percent less in value to the United Kingdom during the first two months of 1940 than in the previous year even though prices of exports were higher. Since Argentina was the Latin American country which was expected to gain most from increased belligerent purchases, the other Latin American countries (except Brazil) have probably lost even a greater portion of the United Kingdom market. Switzerland, Denmark, the Netherlands, and Belgium sold less to the United Kingdom during the last quarter of 1939 than in the previous year, although we have no more recent information to indicate the trend in trade in 1940.

France's imports. France no longer publishes trade statistics, but the statistics of other countries which are available indicate that in the first three months of 1940 France was buying much more than she did prior to the war. United States' and Canada's exports to France were four times the pre-war exports and Argentina's were almost double. There are no other statistics available now.

It is likely that Canada and the United States have been the chief gainers in the expanded French market. Of the European neutral countries for which data are available, Netherland's exports to France were down by 60 percent, and Switzerland's exports were down 35 percent, in the last quarter of 1939. Belgium's exports, however, were somewhat higher.

Division of Monetary  
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Although Argentina and Brazil have gained, other Latin American countries have probably lost in the French market since French import restrictions would bear heavily against coffee, cocoa and fruit imports.

Germany's imports. From a third to a half of Germany's normal sources of imports were cut off by the blockade, although some imports from this area probably elude the blockade by going through third countries. The Balkan countries (except Greece and Turkey which have virtually terminated their trade with Germany) have expanded their exports to Germany by as much as 50 percent since the outbreak of war. But Switzerland, Netherlands and Belgium sharply decreased their sales to Germany in the final quarter of 1939. Belgium exported 20 percent less of domestic produce.

Nothing is known of German purchases from Russia in recent months.

The Inter-American Bank has more than  
adequate signatures for its inauguration

The following countries have already signed the convention for the Inter-American Bank. The capital to be contributed by each country is given below:

	<u>Minimum shares</u>	<u>Par value</u>	<u>Percent down</u>	<u>Down payment</u>
Brazil	50	\$ 5,000,000	50%	\$ 2,500,000
Mexico	35	3,500,000	50	1,750,000
Colombia	30	3,000,000	50	1,500,000
Ecuador	5	500,000	25	125,000
Nicaragua	5	500,000	25	125,000
United States	50	5,000,000	50	2,500,000
Dominican Republic	10	1,000,000	25	250,000
Paraguay	5	500,000	25	125,000
Bolivia	15	1,500,000	25	375,000
	205	\$20,500,000		\$ 9,250,000

Peru is expected to sign the convention later in the month.

The next step is action by the United States Congress to:  
(a) grant the charter to the bank, (b) ratify the convention,  
and (c) to appropriate funds for American participation.

Latin America

Coffee crisis in Latin America. The collapse of Scandinavian and the low countries trade is a severe blow to the coffee producing countries of Latin America. Their normal purchases of 4 million bags of coffee (one-sixth of world consumption) were vitally needed to hold up an already weak coffee market.

Until April the burden of the coffee crisis had fallen mostly on Colombia and other producers of mild coffees. From July 1939 through March 1940 their shipments of coffee to Europe fell off 23 percent and to all outlets 13 percent, while Brazilian shipments were maintaining the level of the previous year. Similarly, Colombian coffee prices dropped 25 percent while Brazilian markets were steady. Now, however, Brazilian coffee prices are weakening while Colombian are reaching all-time lows.

Artificial restrictions in the coffee countries to stem the tide have already been initiated. In Colombia the National Federation of Coffee Growers already holds 300,000 bags at a loss of one cent per pound, acquired in an effort to support the market; and an export subsidy on coffee has been established. Brazil is curtailing coffee entries to ports while more elaborate schemes are debated. (The most likely scheme is one which will involve increased destruction and storage of coffee.)

The coffee picture in a nutshell: Over 25 percent of the market is almost entirely lost for duration of the war; 15 percent is subject to rationing and other restrictions. A one percent decline in coffee prices costs Latin America \$2.4 million in exchange compared with 1938 availabilities. In seven Latin American countries coffee accounts for over one-third of total exports.

Foreign exchange weaknesses in Latin America are emerging rapidly. The spreading of the war is narrowing the export markets for Latin America. With the invasion of the lowlands, one fourth of the normal export market has been cut off by the blockade.

Brazil now expects financial difficulties to increase. She formerly netted \$16 million in free exchange from Scandinavian and low countries trade and will lose this and more if coffee prices cannot be controlled. Thus, she is now wondering if it was wise to have undertaken debt service of \$13 million this year in addition to speeding the clean-up of \$20 million in arrears on profit remittances.

The Colombian foreign exchange situation is rapidly growing worse. The black market has depreciated 15 percent in the past month, and exchange arrears on commercial transactions are piling up in the official market. Colombia has also recently resumed service on her defaulted debt -- which she now regrets.

Venezuela, which was the only country in the world to go through the depression and financial crises of the period 1929-39 without depreciating her exchange rate, is now confronted with exchange difficulties. The war in Europe has, up to the present, unexpectedly depressed the Venezuelan oil industry, which produces 90 percent of Venezuela's exports. At the same time the European coffee market has been ruined, and thus Venezuela's only other important export is in a weak position. Furthermore, the completion of construction by several large oil producers has reduced the current flow of dollars to Venezuela. As a result of all these factors, dollars have been increasingly scarce in Venezuela for the past two months. The free market rate has risen from equivalence with the official rate of 3.19 bolivars to the dollar to as high as 3.60, a depreciation of 12 percent. Various schemes are being considered by the government for overcoming the exchange shortage, and the institution of import limitation by the exchange office is feared.

Ecuador, which relies largely upon exports of coffee and cacao as a source of foreign exchange, is having exchange difficulties. The exchange rate dropped 15 percent within the last fortnight.

#### China

The sharp break in the value of Chinese yuan during the past few days indicates that the Japanese puppet governments have probably won an important victory in the currency war with the Chinese National Government. A cable report from Tokio, however, indicates regret in Japan at the decline, probably because the Japanese have been currently acquiring substantial amounts of foreign exchange from their holdings of Yuan.

The Chinese yuan was 29 cents at the outbreak of the war, July 1937. By July 1938, it had fallen to 16 cents, by July 1939 to 8 cents, and by September 1939 to 6 cents. On May 3, 1940, it slipped to 4-1/2 cents, a drop of 1-1/2 cents in three days. There is no factor visible now which will reverse the trend. Reports indicate very large speculative activity on the bearish side. The Anglo-Chinese Stabilization Fund has exhausted its foreign exchange. Imports are now at a high level and are expected to continue so for the next few months. The season for heavy exports from China is not due for two months.

As far as the foreign exchange needs of the central government in the controlled areas are concerned, Chungking is able to obtain funds currently from exports through exchange control and in addition has official deposits in the United States of \$18 million. Our statistics show dollar deposits for China of \$175 million. Of this sum, \$30 million are owned by Japanese branch banks in China, and additional amounts are probably held for other foreign banks and businesses. A large amount, perhaps as much as \$100 million, is privately owned by Chinese. Chinese foreign exchange assets are no doubt also being held in other financial centers of the world. There is no indication that the Chungking government is able or willing to take over these foreign exchange assets of their citizens.

#### Japan

The basic factors driving towards inflation in Japan remain unchanged. The government borrowed 1,365 million yen in the first quarter of 1940 out of expected borrowings of 6,000 million yen for the year 1940, which is equivalent to about 40 percent of the national income and is an increase of 30 percent in the national debt. Currency in circulation is 40 percent higher than a year ago and the rate of increase is still rising.

The control of prices in Japan is becoming the most important domestic problem facing the country. The importance of the problem is indicated by the fact that the Price Policy Council consists of the Prime Minister as Chairman, and has nine cabinet ministers among its twenty members.

The attempt to control prices was begun three years ago, in the form of government supervision over voluntary agreements covering a few commodities, and has expanded until the system of control now covers all commodities and controls every important aspect of economic life in Japan. During the past year it was found necessary to control all costs of production, including wages, rents, transportation costs; but it was necessary to go even further, into the supervision of methods of production, control of industrial and business expansion, changing commercial organization and marketing, and to build up a system of government subsidies to private enterprises. Furthermore, it was necessary to control the expenditures of the population, to forcibly increase the amount of savings from low income groups (incidentally adopting the proposal Keynes is advocating for England of forcing savings from wage earners and by instituting public sale of "baby" lottery bonds of \$1 and \$2 denominations), and to introduce elaborate rationing systems.

Division of Monetary  
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The elaborate price control system is evidently showing some success. The trend of wholesale prices in Japan have been slightly downward during the past few weeks, but the trend of retail prices in Tokio continues slightly upward. In March, the price control in Tokio authorized price increases on 14 items, and price decreases on 22 items, out of a total of 110 items included in the survey.

Japan's new trade offensive. On March 26, Japan's Premier declared that Japanese economic policy would be substantially revised in order to prepare the country against the possibility of a United States embargo. In the past few months, Japan has been actively engaged in implementing this policy through new commercial agreements with foreign countries, with considerable success in Latin America. The following agreements have been reported as consummated:

- (1) An agreement with Argentina calls for the annual exchange of 30 million yen of goods between the two countries. In trade with Argentina in 1939, Japan sold only 8 million yen and bought 12 million yen. The Japanese are to purchase wool, beef and casing; not more than 40 percent of the Argentine purchases from Japan will consist of cotton cloth.
- (2) A recent agreement with Mexico called for the cash purchase of 2.4 million barrels of oil and its transportation to Japan in Japanese tankers. A second agreement has just been concluded calling for the barter of an additional 2.4 million barrels of oil, in exchange for rayon and cotton textiles. In 1938, total Japanese imports from Mexico were only \$500,000.
- (3) Negotiations are reported to be virtually concluded for an agreement with Chile providing for the barter purchase of 50 to 80 thousand tons of nitrate and some steel in return for industrial goods.
- (4) A new barter agreement with Colombia has been negotiated by which Japan will supply as much as 7 million yen of cotton goods and other merchandise in exchange for cowhides and coffee. In 1939, Japan's total trade with Colombia was less than 2 million yen.
- (5) A semi-secret accord is reported with Bolivia for the exchange of old Japanese arms equipment for Bolivian tin, antimony and other metals.

Japan's exports to Latin America in February 1940 were 136 percent greater than the year before, but the amount of exports for the month was only 10 million yen (\$2.5 million).

Negotiations are reported to have been completed with Spain for a barter deal, and negotiations are now under way in several European countries -- France, Rumania, Italy and Egypt.

Japan may be able to reduce to a slight extent the dependence of her war economy upon the United States by these new trade pacts and she may be able to reduce the drain on her foreign exchange reserves by greater exports. On the whole, however, Japan can shift to these other countries only a portion of the purchases now being made in the United States. For her chief supplies of cotton, petroleum, scrap iron, machine tools and other machinery, Japan's successful prosecution of the war in China will remain dependent upon the United States.

#### Canada

Canada has become more important to the Allied cause by the German invasion of Scandinavia. Her foodstuffs (principally hog products) and wood products may now be expected to play an increasingly larger role in the war economy of Great Britain, although naturally the effects are not yet apparent. Thus, despite the shortage of lumber in the United Kingdom of near-cumulative proportions, sawmills in British Columbia are operating at only 60 percent of capacity with pulp, paper and ply-wood plants making a somewhat better showing. The principal difficulty is the acute shortage of shipping facilities in the Pacific.

Economic activity in Canada during the past winter was the highest in recent years and there is evidence of continued expansion as spring activities swing into their stride. The stimulus of war contracts continues to be the decisive element in the progressive enlargement of activity. The aircraft factories are reported to be operating at full capacity and in some cases are enlarging their plants. (Their capacity, however, is not large as yet.) Expansion of aluminum production facilities is projected as a result of an agreement whereby the British government has undertaken to buy for the rest of 1940 and the whole of 1941 all the Canadian output of aluminum which is not required for domestic needs or the meeting of pre-war commitments. On the Pacific Coast the ship-building yards are making plans for their greatest activity in 20 years as the result of receipt of orders for a variety of war vessels. Machinery, iron and steel, metal, mining and lumber industries all stand to share in the increased business flowing from the government contracts placed with aircraft plants and ship-building yards.

There is a scarcity of skilled metal workers, and employment in manufacturing industries is the highest on record. On the other hand, there is large unemployment in the building trades, and among unskilled and white-collar workers. Relief expenditures were higher during the first six months of war as compared to the corresponding period a year earlier and there was a steady, though small, rise in the number of employables on urban relief during the first four months of war.

Wholesale prices in Canada have leveled out since the turn of the year and are now running 12 percent higher than a year ago.

United Kingdom

Comments on the British Budget. Estimated expenditures for the present fiscal year are \$10.7 billion (at \$4 = £1) compared with \$7.3 billion last year. This sum is roughly equal to expenditures in the last year of the last World War, and is 35 to 40 percent of the national income. Of the estimated expenditures, \$8 billion are for war purposes. The estimates appear to be understated, as already by March 1940 expenditures were at a higher rate than the amount budgeted for 1940-41. In view of the possible intensification of the war and of further price rises, it is likely that British expenditures will exceed \$12 billion.

Revenue for this fiscal year is estimated at \$5 billion as compared with \$4.2 billion last year. This estimate also appears too low as it does not allow for higher incomes resulting from the war boom and higher prices. The new taxes fall mostly on the low and middle income groups.

The relative burden of the income tax in the United Kingdom and the United States is indicated by the fact that on an earned income of \$5,000 a married man with two children pays \$48, or 1 percent, of his income in the United States; whereas in the United Kingdom he pays \$1,289, or 20.7 percent, of his income.

The estimated deficit for the present fiscal year is \$5-3/4 billion, compared with an actual deficit of \$3.1 billion last year. The deficit will be met by a new purchase tax, by further issues of Treasury bills, but chiefly by an increase in the long-term debt at a rate of interest which will not exceed 3 percent.

France

Wartime disorganization threatens France's food supplies. French agriculture has been seriously crippled by the drain of manpower resulting from mobilization. As there are no "reserve

occupations" in agriculture, the greater part of the five million men who have been mobilized in France have been drawn from the farms. French agriculture is very poorly prepared to withstand the shock of such a loss of manpower.

The agricultural situation in France was the subject of a vigorous five-day debate in the Chamber in the first week in March. M. Lamoureux, a former Finance Minister, presented figures showing that fall sowing of winter wheat throughout France was only about 30 percent of normal, and that half of this had been lost as a result of the exceptionally severe winter. As winter wheat constitutes practically all of France's wheat crop, these figures, if true, reveal the prospect of a disastrous failure in France's staple food crop.

M. Queille, Minister of Agriculture, replied that M. Lamoureux's figures were "greatly exaggerated", but he refrained from giving any others. France may therefore have to import large quantities of wheat this year from the British Dominions. French consumption has never in recent years fallen much below 7 million metric tons, which is about the level of normal domestic output. If the figures given in the Chamber are correct, production this year may be as low as 1.2 million metric tons. If, with the Minister of Agriculture, we consider this too pessimistic, we might put probable output at 3 million metric tons. This would be about 5 million metric tons short of France's normal consumption, and 3.2 million tons less than she consumed in 1930, the year of lowest consumption in the past 20 years. It is doubtful if reserves are more than one-fourth of a year's supply.

Three and a half million metric tons of wheat, equal to about 130 million bushels, would be worth, at present prices, well over a hundred million dollars Canadian.

Other Deputies criticized the government severely for having requisitioned draft horses on a large scale, for having drained the villages of mechanics and veterinarians, and for having drawn off farm labor for work in industry. As a result of government policies, agricultural machinery was deteriorating and cattle were without sufficient care.

In defense, the government announced that no more rural labor would be drawn into industry. Provision would be made for the release of a small number of soldiers for agricultural labor. M. Queille announced that certain measures would be made to encourage the immigration of labor from Indo-China and

Algiers. Spanish and German refugees were also being used for farm work, he said. Another hopeful measure announced was the provision for customs-free entry of parts for agricultural machinery.

#### British India

India is dehoarding gold at a substantial rate. Consular reports from Bombay show exports of gold on private account of \$19 million during December 1939 and \$24 million during January 1940. Gold dehoarding in India has been stimulated by the recent decline in sterling. The rupee price of gold is now double the pre-1931 level and this may be the inducement to Indian inhabitants, who still hold several billion dollars of gold, to dispose of part of their holdings.

The foreign exchange proceeds from the gold sales are turned over to England, in exchange for sterling balances and Indian securities payable in sterling which were held abroad.

Despite India's extraordinarily favorable balance of trade and gold sales, the rupee is not likely to be revalued upward as it was from 1917 to 1920, when the value of the rupee doubled in terms of sterling. By recently announcing that it would buy sterling as far forward as six months, at the present rate of 1s 6d per rupee, the government has virtually committed itself to a policy of fixed sterling exchange.

The native demand for silver in India has been moderate ever since the collapse of the speculative boom in December 1939. Moreover, it is very unlikely that India will import more than 30 or 35 million ounces during the ensuing year. Stocks of bullion dealers in India amount to about 40 million ounces, which is unusually large, and the government holds about 140 ounces of silver bullion, in addition to about 560 million rupee coins containing 175 million ounces of silver. Some increase in the demand for silver is likely if the agricultural community is moderately prosperous, but savings in India tend more and more to take form of increased holdings of rupee notes and bank accounts.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 10, 1940

TO Mr. White

FROM Mr. Hanson

Subject: Dutch Possessions in this Hemisphere

- 1. The Dutch possessions include
  - a. Curacao, Aruba and Bonaire, off the Venezuelan Coast.
  - b. St. Eustacius, Saba, St. Martin, near the Virgin Islands.
  - c. Dutch Guiana - Surinam.

2. Dutch Guiana

Area: 54,000 square miles.

Population: 160,000; reported to have doubled since 1900. Consists of 40 percent negroes who were originally slaves on the coastal plantations; 25 percent British East Indians; 15 percent Dutch East Indians; 10,000 native Indians; 1,000 Europeans, 1,500 Chinese.

Tropical plantation agriculture is dominant activity; largely confined to coastal region; sugar cane chief crop, coffee second, of which surplus goes to Netherlands; rice a leading crop to feed Asiatic population.

Cocoa and cotton were once important but disease ruined cocoa and cotton fell off too.

Bauxite pits are 100 miles up the Surinam; produce 10 percent of world production of bauxite; production controlled by Aluminum Corporation of America and wholly exported to United States. The Guiana bauxite is high grade and cheap.

Gold has not been important recently, although continued belief in availability of gold ore in interior.

Balata is only important forest product taken out currently but forests are valuable.

3. Curacao, Aruba, Bonaire

Curacao is 38 miles off the Venezuelan coast.

Refine practically all of Venezuelan oil. In addition, is an important bunkering center.

Population of the islands is 75,000; only the better educated speak Dutch; laboring classes speak a patois called papiamentu which mixes Spanish, Portugese and corrupted Dutch.

In addition to oil, export products are divided (pod of caesalpina cinara), hides, phosphate of lime, straw hats, salt, etc. But would have difficulty supporting current population without the oil refining activity.

Climate quite healthy for Europeans; in summer hot but less humid than New York.

Produce odd type orange whose peel goes to Hamburg and Amsterdam to make liquer.

Increasing demand for labor has been met by import of men from neighboring islands and the mainland.

Governed by a governor, deputy-governors for the dependencies, and a colonial parliament of 15 members, of whom 10 are chosen by people and 5 nominated by the governor.

#### 4. St. Eustacius, Saba, St. Martin

St. Martin is held jointly with France; 20 square miles each; Chief industry is salt; also cotton; most of population are English-speaking negroes (3500).

Saba has area of 5 square miles and population 1600; very inaccessible and thus was last stronghold of the buccaneers.

St. Eustacius - yams and cotton; 9 square miles; population 1500. Language English.

JR

GRAY

Paris

Dated May 10, 1940

Rec'd 8 a.m.

Secretary of State,  
Washington.

603, May 10, 11 a.m.

Your 334, May 4, noon.

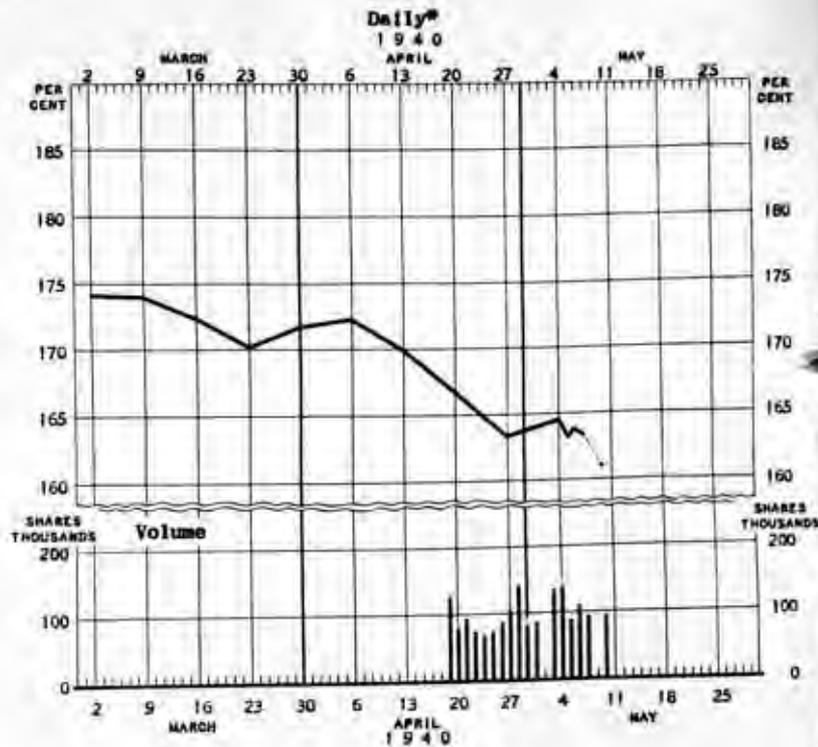
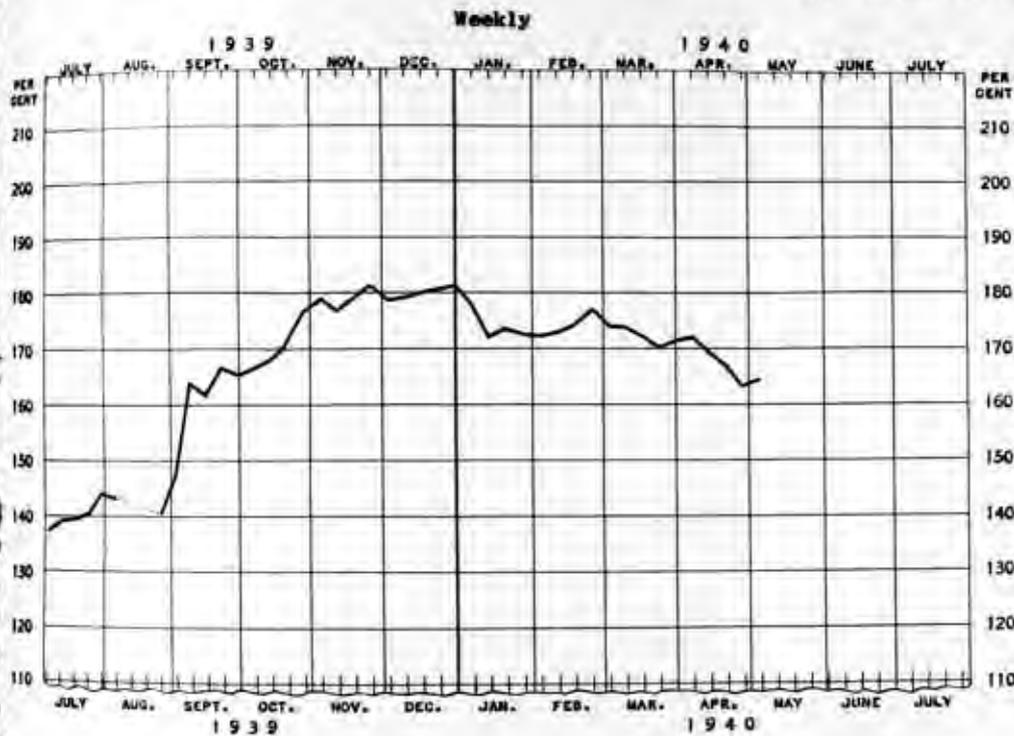
Norwegian Minister inquires whether by "ordinary disbursements" is meant the right to draw against these accounts for any purpose to the extent of the balance on hand. He feels that it would be distinctly unjust to place any restriction on withdrawals from these accounts emphasizing that after all he is a diplomatic officer of a country now at war with Germany.

BULLITT

KLP

ITALIAN STOCK PRICES  
(Milan)

Dec. 31, 1927 = 100



\*DAILY FOR LATEST WEEK ONLY

JR

PLAIN

Stockholm

Dated May 10, 1940

Rec'd 11:33 a.m.

Secretary of State,  
Washington.

478, tenth.

FROM COMMERCIAL ATTACHE.

Riksbank today temporarily suspended all foreign exchange transactions but will resume dealings tomorrow, May eleventh, except transactions involving Belgian and Netherlands exchange which are indefinitely suspended pending clarification of situation.

Inform Treasury and Commerce.

STERLING

HPD

JR

PLAIN

London

Dated May 10, 1940

Rec'd 1:15 p.m.

Secretary of State,  
Washington.

1166, May 10.

FOR TREASURY FROM BUTTERWORTH.

1. British Treasury confirms that Norwegian gold reserve has been safely evacuated. Its information is that practically all of the Belgian gold is already in France or out of Continental Europe, that much Dutch gold has already been sent out and that more will follow.

2. British Treasury states it is not (repeat not) yet taking any steps to block Dutch or Belgian assets in the United Kingdom pending military developments because it does not wish to cause inconvenience to Dutch or Belgian institutions or nationals who are not under German control.

3. A new Treasury order has been announced today extending powers under regulation 8 of the Defence Finance regulations (see enclosure No. 1 to despatch No. 4058 of December 6) to take steps to secure compliance with or detect evasion of these regulations. The text of the order has not yet been published but it

is

-2- #1166, May 10, from London.

is obvious that banks are expected to assist in searches for securities which have not been registered by those who have placed their holdings in holding companies etc..

4. The Order in Council putting under license sales in the United Kingdom of securities by persons not resident within the sterling area, about which you have already been apprized, is being made and is scheduled to come into force May 13.

5. The British security markets declined markedly. In the forenoon there was little business transacted, the jobbers widening the spread between their buying and selling prices to such an extent as to make trading unattractive. But in the late close there was some liquidation despite these tactics and the insulated character of the London capital market.

That the British Whit Monday holiday has been called off is tangible evidence that the situation is considered serious.

KENNEDY

HPD

RWR

PLAIN

SHANGHAI

213

Dated May 10, 1940

Rec'd 5:35 a.m.

Secretary of State,

Washington.

406, May 10, 5 p.m.

FROM COMMERCIAL ATTACHE.

WEEKLY FINANCIAL.

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 Not to be disseminated  
 without consulting Commerce.
 

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Shanghai open market foreign exchange rates particularly forwarded quotations steadily firming since May sixth without active support by stabilization authorities due to some small improvement in sentiment and to profit taking liquidation by hoarders and speculators. Rates for United States currency improved less markedly due to parity adjustment to continued decline in New York London cross rates past three days. Interbank spot-selling this morning around four thirteen sixteenths cents and three seven sixteenths pence with high during week four fifteen sixteenths and three fifteen thirty seconds and low of four seven sixteenths and three one sixteenths, May delivery around four eleven sixteenths three eight having a high of four eleven sixteenths and three/thirteen thirty seconds and a low of four one quarter and three pence, June delivery quoted this morning at four seven sixteenths and three one quarter. Chinese

financial

financial circles believe that control may establish a new stabilization level as soon as it considers that market has reached a natural level and that the level is likely to be between three and three one half pence. Situation past three days regarded as satisfactory under the circumstances as evidence by the gradual liquidation of May positions bringing the cash May spread to a narrow margin as well as by fairly high June quotations, though speculators continue to consider exchange a good buy at rates over five cents and three five eighths pence. Domei Tokyo despatch May 9th reports comments of Asia Development Board on the recent slump in fapi exchange rates and on the accompanying decline in value of other currencies in central China as follows: firstly, future of fapi not bright because no new proposal of support made as yet by American or British authorities, secondly, purchasing power of Japanese military scrip in circulation in China is "not improved due to decline of fapi though effect on North China Federal Reserve Bank's currency is not yet clarified; thirdly, Japan must be cautious in introducing new currency in central China because such will involve enormous funds. Other quotations this morning: Gold bars yuan six nine hundred having high during week of seven two five naught and low of six four hundred, Bank of Japan notes and military script yen one equivalent Chinese yuan

one

one point two eight five, Hua Hsing yuan one equivalent Chinese yuan one point seven nine, customs gold unit yuan two point seven naught seven or United States dollar naught point five four eight one two five, Tientsin exchange rates four seven sixteenths cents and three three sixteenths pence being highest during week with low of four and two three quarters, Tientsin Shanghai remittance charge nine percent, Tientsin Federal Reserve Bank yuan one naught one for Chinese yuan one hundred, Wei Wah cash discount ten percent being lowest during week with high of twenty three percent. Closing quotations yesterday: Chinese domestic bonds average five one point one three, Shanghai general stocks average four one three point seven seven, Shanghai rubber shares four two four point eight naught. Hua Hsing commercial banknote issue outstanding end May 55 yuan five point three million. Ministry Finance Chungking officially informed Shanghai Chinese Chamber Commerce that authorities have absolutely no intention to limit withdrawals of bank deposits in Shanghai. In order to restrict flight of capital from interior financial authorities Chungking beginning May first to reduce permissible amount of banknotes to be carried out by each passenger to Shanghai and Hong Kong and to French Indo-China from yuan two hundred to fifty.

Inform COMMERCE.

BUTRI OK

NPL

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: May 10, 1940, 6 p.m.

NO.: 619

FOR THE TREASURY DEPARTMENT.

Today a staff member visited Couve de Murville. Couve said, in talking about the invasion of the Netherlands and Belgium, that the "necessary precautions" had already been taken by the Belgian Government to safeguard its reserves of gold - reference, telegram of November 16, No. 2769, from the Embassy. Couve said that with regard to the Dutch he was not particularly familiar with the "precautions" they had taken, but he thought that they had transferred to England at least a part of their gold reserve.

END SECTION ONE.

BULLITT.

EA:LWW

PARAPHRASE OF SECTION TWO, TELEGRAM NO. 619 OF MAY 10  
1940 FROM PARIS

For the present, Couve said, the Ministry of Finance did not intend to leave Paris. He said they would not move before the bombing began.

Reference, telegram No. 598 of May 2 from the Embassy: Couve remarked that the considerable rise in circulation of bank notes shown in the May 2 statement of the Bank of France was mainly due to an increased need for currency arising from end of month settlements. He added that the "circuit" is still functioning satisfactorily.

END SECTION TWO.

BULLITT.

EA:LWW

JT

GRAY

PARIS

Dated May 10, 1940

Rec'd 6 p.m.

Secretary of State,  
Washington.

619, May 10, 6 p.m. (SECTION THREE)

The Under Secretary of State for Economic Affairs stated in a press interview today that the decree of May 3 requiring wholesalers and retailers to draw up lists of the prices charged by them (please see Embassy's telegram No. 581, May 4, 1 p.m.) would not enter into effect until an arrete fixing the terms of application of this decree is published.

The market dropped sharply today on the news of the invasion of Holland, Belgium and Luxembourg. Rentes lost from francs 1.45 to 2 francs while other securities declined on an average of ten points. The belge and Dutch florin were not quoted.

(END MESSAGE)

BULLITT

HPD

London

Dated May 10, 1940

Rec'd 10:20 a.m.

Secretary of State,  
Washington.

1159, tenth.

Confidential.

British Treasury has supplied in confidence a copy of the Anglo-Norwegian Payments Agreement which was signed by Lord Halifax and the Norwegian Minister in London on April 30:

"Whereas the Payments Agreement between the Bank of England and Norges Bank dated the 1st March, 1940 is in abeyance on account of the conditions at present prevailing in Norway, and

"Whereas the Government of the United Kingdom of Great Britain and Northern Ireland and the Royal Norwegian Government desire to make provisional arrangements to cover the period until the said Payments Agreement shall again become operative or until a new agreement shall be put into force:

"Now, therefore, the Government of the United Kingdom and the Royal Norwegian Government have agreed as follows:

Article 1.

-2- 1158, May 10, from London.

Article 1.

So long as the present agreement is in force all payments due and owing on the date of this agreement or falling due thereafter, to the Royal Norwegian Government or to persons resident in Norway by or for account of the Government of the United Kingdom (other than payments in respect of goods purchased on behalf of a third country and payments on account of Norwegian vessels which are dealt with in Article 2 of this agreement) shall be made in sterling by payment to an account at the Bank of England entitled "Royal Norwegian Government Special Account" (hereinafter called the "Special Account"). Other sums due to or at the disposal of the Royal Norwegian Government may be credited in sterling to the Special Account.

Article 2.

"All payments due and owing on the date of this agreement or falling due thereafter on account of Norwegian vessels chartered by charterers in the United Kingdom and all payments in settlement of claims under marine and war risk insurance policies in respect of Norwegian vessels paid by insurers in the United Kingdom shall be made in sterling to an account at the Bank of England entitled "Royal Norwegian Government Special Shipping Account (hereinafter referred to as the "Special Shipping

-3- 1159, May 10, from London.

Shipping Account"). The provisions of this article will apply whether the payments are made by the charterers direct or by agents acting in their normal capacity. The Government of the United Kingdom will make the necessary arrangements to ensure that payments due in respect of hire from French charterers in respect of vessels chartered under the Anglo-Norwegian Shipping Agreement of the 11th November, 1939 or subsequent modifications or extensions thereto shall be made by payment in sterling to the Special Shipping Account.

Payments to the Special Shipping Account in respect of charter hire and freight should be accompanied by a statement in the attached form in which case commission and other normal disbursements may be deducted before payment to the account is made.

Article 3.

Where a debt in respect of which a payment is made to the Special Account or the Special Shipping Account is expressed to be payable in a currency other than sterling or Norwegian kroner, payment shall be made in sterling either at the Bank of England official selling rate for such currency or failing such rate at the London market selling rate for sight drafts for such currency, as published in the press, on the date of payment to the Special Account or to the Special Shipping Account.

Where

-4- 1150, May 10, from London.

Where such a debt is expressed to be payable in Norwegian kroner payment shall be made in sterling at the rate of kr. 17.70 pounds 1 sterling.

Article 4.

The Special Account and Special Shipping Account may be utilized by the Royal Norwegian Government for all payments due in sterling made within the sterling area on behalf of itself or of Norwegian persons or institutions.

From the balances standing to the credit of the accounts the Royal Norwegian Government will arrange for - (A) repayment to the United Kingdom Ministry of Shipping of such sums as are due at the date of this agreement or become due while it is in force in respect of expenditure made and liabilities incurred by the Ministry on account of Norwegian shipping on and after the 9th April, 1940, and (B) repayment to the United Kingdom Treasury of the sum of pounds 250,000 advanced by the Government of the United Kingdom to the Royal Norwegian Government.

Article 5.

The Bank of England will furnish upon application foreign exchange at their official rates in respect of normal current expenses in currencies other than  
sterling

-5- 1159, May 10, from London.

sterling or Norwegian kroner incurred by Norwegian shipping, provided that the amounts of foreign exchange so applied for do not exceed a normal proportion as agreed from time to time with the United Kingdom Ministry of Shipping. The question of the provision of other sums in foreign exchange (including sums necessary to pay debts due on account of mortgages and loans on ships) by the debit of either of the special accounts or the use of these accounts for payments in sterling outside the sterling area will be considered on each occasion by the two contracting governments.

Article 6.

Payments made to the Special Account or to the Special Shipping Account shall constitute a discharge to the debtor for the corresponding amount of his debt and the Royal Norwegian Government will be responsible for settling the respective claims of the Norwegian creditors.

Article 7.

For the purposes of this agreement the sterling area shall include the British Empire (except Canada, Newfoundland and Hong Kong), mandated territories, any British Protectorate or protected states, Egypt, the Anglo-Egyptian Sudan and Iraq.

Article 8.

-6- #1159, May 10, from London.

Article 8.

As the Royal Norwegian Government will authorize the Bank of England to furnish the Government of the United Kingdom with such details concerning the Special Account and the Special Shipping Account as the Government of the United Kingdom may from time to time require.

Article 9.

The present agreement shall come into force on the date of its signature. Either party may terminate the present agreement at any time by giving fifteen days' notice to that effect to the other contracting government, except that the balances standing to the credit of the Special Account and the Special Shipping Account on the date of such termination shall only be used in accordance with the terms of this agreement, unless otherwise agreed between the two governments."

Please transmit a copy to the Treasury.

KENNEDY

JT

PLAIN

STOCKHOLM

Dated May 10, 1940

Rec'd 9:17 p.m.

Secretary of State,  
Washington.

479, tenth.

FROM COMMERCIAL ATTACHE.

Law passed effective May 8, 1940, enabling Government should conditions warrant, to proclaim moratorium suspending payment on all debts, bankruptcies, public dues, installment contracts, and also precluding presentation for payment and/or protest of checks and bills of exchange. If moratorium proclaimed it shall be effective for 30 days only if invoked by Government without previous approval of Riksdag otherwise proclamation would remain effective until 30 days after convening of next Parliament. Preliminary estimates place present budget year deficit to April 30th at 284 million crowns. Defense loan results to date described as fair but results improving as organized selling proceeds. Preliminary survey indicates likelihood of generally reduced crop yields in 1940 compared 1939 due

SEVERE

-2- #479, May 10 from Stockholm

SEVERE winter late planting. Pulp mills closing down  
owing lack storage space and coal and unemployment in  
north Sweden rapidly assuming grave proportions.

INFORM TREASURY, COMMERCE, AGRICULTURE.

STERLING

ELB

STRICTLY CONFIDENTIAL  
TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

Mr. Knoke telephoned me this afternoon to let me know that Bolton had telephoned him from the Bank of England, and that a transcript of the conversation will reach us tomorrow morning. Bolton had talked several times during the day with de Jong, the officer of the Netherlands Bank at Amsterdam, who is in charge of foreign business. de Jong denied the report, attributed to German propaganda, that there was a moratorium in the Netherlands. Payments between banks in the Netherlands are proceeding normally. The foreign exchange and stock exchange markets are closed. There is complete cooperation between London and Amsterdam banks. The Netherlands authorities will issue monetary regulations this evening or tomorrow morning.

Bolton said there was no moratorium in Belgium. Banks are open there today and payments are being made. The Belgians will declare a bank holiday for tomorrow and will be closed until Tuesday. Monday will be a bank holiday (Whit Monday.)



STRICTLY CONFIDENTIAL  
TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

*HC*

Mr. Leroy-Beaulieu telephoned from New York this morning, submitting a question as to funds to be transmitted to a Danish mission in the Orient on account of the High Commissioner for Syria. I asked Mr. Leroy-Beaulieu to take this matter first to the Federal Reserve Bank of New York, but to get in touch with me if he had any question thereafter.

Leroy-Beaulieu was distressed over the success which he understood the Germans were achieving in the destruction of air ports, and the planes therein, in Belgium and the Netherlands. He regretted that the Allies had no definite word of the coming attack on the Netherlands and Belgium until too late to move troops very far last night. He did not expect big troop movements to take place during the day, lest Allies be bombed heavily, but thought that nightfall would witness a big movement forward of the British and French soldiers on Belgian territory.

*B. M. S.*

**STRICTLY CONFIDENTIAL**  
**TREASURY DEPARTMENT**

223

INTER-OFFICE COMMUNICATION

DATE May 10, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

Official sales of British owned dollar securities under the vesting order effective February 19:

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
April				
29	23,920	855,513	33,000	33,055
30	22,070	1,302,212	27,000	23,332
May				
1	3,635	145,864	42,000	37,568
2	11,090	759,199	5,000	5,320
3	17,689	775,694	1,000	679
4	2,675	121,336	9,000	6,111
<b>TOTAL FOR WEEK</b>	<b>81,079</b>	<b>3,959,818</b>	<b>117,000</b>	<b>106,065</b>
Sales from February 22 to April 27, incl. (Revised totals)	<u>1,097,081</u>	<u>35,940,564</u>	<u>378,000</u>	<u>370,996</u>
<b>TOTAL FEBRUARY 22 TO MAY 4, INCL.</b>	<b>1,178,160</b>	<b>39,900,382</b>	<b>495,000</b>	<b>477,061</b>

Mr. Pinsent stated that a cablegram had been received by Mr. Gifford in New York to the effect that sales of non-vested securities during the preceding week (that is, the week ended April 28) amounted to \$2,500,000.

*B. M. S.*

TREASURY DEPARTMENT  
INTER-OFFICE COMMUNICATION

DATE May 10, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

CONFIDENTIAL

News of Germany's swift invasion of the Netherlands, Belgium and Luxembourg produced great confusion in the New York foreign exchange market during the first few minutes of trading this morning, especially since foreign exchange dealings in the Dutch and Belgian markets were reported to have been suspended. The result of this suspension was that last night's events first exercised their influence upon foreign exchange rates at the opening of the New York exchange market. Just before trading began here this morning, sterling was rapidly "talked down" from 3.30 to 3.00, with no business going through. The first transaction recorded in our market was a trade of approximately £2,000, and this was effected at the rate of 3.00. At this level, fair commercial demand appeared, and within the hour, sterling moved back to 3.19. In a very dull noon-time session, the rate swung down to 3.13 and back to 3.17. The report of Chamberlain's resignation appeared in the midafternoon, and sterling rapidly advanced to the day's high of 3.21. It eased again to close at 3.16.

Sales of spot sterling by the six reporting banks totaled £342,000, from the following sources:

By commercial concerns.....	£ 166,000
By foreign banks (Far East and Europe).....	£ 176,000
Total.....	£ 342,000

Purchases of spot sterling amounted to £451,000, as indicated below:

By commercial concerns.....	£ 428,000
By foreign banks (South America).....	£ 23,000
Total.....	£ 451,000

The following reporting banks sold cotton bills totaling £23,000 to the British Control on the basis of the official rate of 4.02-1/2:

£ 20,000 by the Irving Trust Company
3,000 by the National City Bank
£ 23,000 Total

Developments in the other important currencies were as follows:

Quotations for the French franc were highly nominal in character and resulted for the most part in the market's deriving a franc equivalent from a nominal sterling-franc cross rate of 176.40 francs per pound. The course of the franc rate therefore exactly paralleled that of sterling. From a low of .0170-1/8 at the opening, it advanced

to a high of .0182 and closed at .0179-1/8.

No rates for the Dutch guilder or the belga were quoted today in New York.

During most of the day, an offered rate of .2243 for the Swiss franc was given by the New York banks, but practically no business was effected at this level. The closing rate for the Swiss franc was .2225.

The first trading in Canadian dollars was reported to have occurred during noontime, at a discount of 18-1/2%. The final discount was 18%.

The German reichsmark, which has held steady at .4020 for several months, today moved off to a nominal quotation of .4001 at the close.

Each morning, the Federal Reserve Bank reports to us the official buying and selling rates which the Bank of England quotes for the leading currencies. Today, the latter discontinued quotations for the belga, the Dutch guilder and the Dutch East Indian guilder.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the following shipments of gold were being consigned to it:

\$18,381,000 from Canada, shipped by the Bank of Canada for its account, for sale to the U. S. Assay Office.  
2,258,000 from England, shipped by the Bank of England, to be earmarked for account of the Swiss National Bank.  
\$20,639,000 Total

The Bombay spot silver quotation worked out to the equivalent of 43.01¢, an advance of 11/16¢.

In London, the prices fixed for spot and forward silver were both unchanged at 21d and 20-15/16d respectively. The U. S. equivalents were 31.66¢ and 31.28¢.

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 three purchases of silver totaling 670,000 ounces under the Silver Purchase Act, all of which was new production from foreign countries, for forward delivery.

We also purchased 50,000 ounces of silver from the Bank of Canada under our regular monthly agreement.

Finally, we purchased 4,300,000 ounces of silver from the Central Bank of China, Chungking, purchased for shipment on board the American steamer "Exporter", scheduled to leave Rangoon on May 11.

*JMP* **CONFIDENTIAL**

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 10, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

~~SECRET~~  
STRICTLY CONFIDENTIAL

When the Counselor of the Chinese Embassy called on me at 12 o'clock today I told him that, after consultation with the Secretary of the Treasury, I could tell him that our Department would place no restrictions upon the use of the dollars which will be paid for the 4,300,000 ounces of Chinese silver, the purchase of which we are now contracting.

At this interview Mr. Liu told me that he had received a cablegram from the Chinese Minister of Finance asking an investigation and confidential report of the American Treasury's position. The Chinese Minister of Finance had received a cablegram from the Chinese Embassy in London reporting that Sir Stafford Cripps had given the impression that after his visit to Washington he had favorable hopes, as a result of his conversations with United States Treasury officials, in regard to an equalization fund, that is, that support would come from the United States for a Chinese stabilization fund. I told Mr. Liu that my impression was that the American Stabilization Fund would not be able to render any assistance in the premises. I told him, however, to consider this unofficial. I promised to speak to the Secretary of the Treasury and to see if the latter had any word for me to pass on to the Chinese Counselor.

At 5 minutes past 1 today Mr. Cameron of the Federal Reserve Bank telephoned that a cablegram had just been received from the Bank of China accepting our cable offer for the 4,300,000 ounces of silver.

I telephoned this information to Mr. Liu immediately. Mr. Liu said he would cable his government immediately that the Treasury was placing no restrictions upon the use of the dollar proceeds of the silver transaction, and furthermore, that the Treasury was instructing the Federal Reserve Bank to confirm the receipt of the Chinese message.



May 10, 1940.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston



Herbert Feis called me at 9:40. The Swiss Minister and their special financial representative, M. Somary, had been to see him. They are extremely anxious about their balances in this country, which run to about one and one-half billions. They hope it will not be necessary for us to impose exchange control restrictions on them in case of invasion. They thought this would be unnecessary since all important interests would move with the Government in that case. Feis wanted to know if I would see the Swiss representatives this morning and I said I would and would report to you. They are to call me for an appointment. Feis is sending over a transcript of his conversation with them. I told him that I thought that in the case of an invasion of Switzerland we would have to apply the same system as in the case of other countries, but that we would certainly give them prompt and considerate treatment. He said he didn't want it to be understood as making a plea for them, he merely wanted to give them a chance to state their case.

Later - The Swiss Legation called and I made an appointment for 10:45.

May 10, 1940.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Herbert Feis called me at 9:40. The Swiss Minister and their special financial representative, W. Somary, had been to see him. They are extremely anxious about their balances in this country, which run to about one and one-half billions. They hope it will not be necessary for us to impose exchange control restrictions on them in case of invasion. They thought this would be unnecessary since all important interests would move with the Government in that case. Feis wanted to know if I would see the Swiss representatives this morning and I said I would and would report to you. They are to call me for an appointment. Feis is sending over a transcript of his conversation with them. I told him that I thought that in the case of an invasion of Switzerland we would have to apply the same system as in the case of other countries, but that we would certainly give them prompt and considerate treatment. He said he didn't want it to be understood as making a plea for them, he merely wanted to give them a chance to state their case.

Later - The Swiss Legation called and I made an appointment for 10:45.

CONFERENCE IN MR. GASTON'S OFFICE  
RE ROMANIAN BALANCES

May 10, 1940  
10:30 a.m.

Present: Mr. Cochran  
Mr. Bernstein  
Minister Irimescu

Irimescu: Mr. Secretary, there has been a great deal of shipping from Rumania to Denmark in the past. Part of the goods are payable in dollars and part of them payable in Danish crowns. We have been advised by the banks who have to pay for those exports that the United States Government prohibits them from paying for Rumanian exports to Denmark. We don't ask for any other exports than those that have been made prior to April 8, 1940, so I came to you because my government asked me by cable, urgently.

You very well realize that we need dollars, too, to pay for our purchases here. We have purchased since September started for more than about six million dollars for various materials here and naturally we want to get our hands on all the dollars that we can. How should we proceed to satisfy you that we are actually asking those dollars for the Rumanian goods that have been shipped to Denmark before April 8? That is my problem.

Gaston: Yes. Have we had any cases of that sort coming through?

Bernstein: I don't know whether we have had them specifically with respect to Rumania, but the problem has come up in connection with merchandise which has been shipped prior to April 8, calling for payments by draft under letters of credit. We have passed on such applications and generally speaking, we have been fairly liberal in granting licenses for the payment of goods shipped prior to the eighth of April.

Irimescu: Yes.

Gaston: Upon production of satisfactory proof that the goods were shipped prior to the eighth of April and pursuant to a contract entered into prior to that date.

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- Trilasescu: How can we prove it here in New York to your satisfaction?
- Boston: Are there some transactions that are being held up now?
- Trilasescu: All our transactions. They have advised us - as you know, all our foreign exchange transactions are carried on under the Rumanian National Bank. The exporter never receives any of his exports. The National Bank has advised the government, the government has advised me, that the banks that are obligated to make payments for their exports in dollars have advised the National Bank that the United States Government doesn't permit them to make those payments.
- Bernstein: What they mean by that, Mr. Minister, is that they are not permitted to make those payments without a license.
- Trilasescu: Without approval from the Treasury?
- Bernstein: That is quite so, and consequently what those banks do is file an application.
- Trilasescu: I mean, the bank in New York, who is the correspondent of the Danish bank, you see; for the bank in New York to file an application, it has to receive an order from a Danish bank or from a Swiss bank.
- Suppose a Swiss bank has on its book a Danish account, because that happens very often. Suppose a bank in Denmark has an account with the Swiss banking corporation in dollars and then orders the Swiss banking corporation to pay with those dollars, you see. For this we have to receive - the New York Bank, for instance, Chase, has to receive an order from the European correspondent and then the Chase bank makes an application to you.
- Bernstein: That is right.
- Trilasescu: And says, "I have received an order from the Danish National Bank to pay to the National Bank

- 3 -

of Rumania one hundred thousand dollars to cover Rumanian exports." Then the Chase Bank can make out a license and secure your approval or rejection.

Bernstein: They don't make out the license. We grant the license.

Irimescu: They fill it.

Bernstein: That is right. In connection with those applications, your Consul General in New York, or whoever your appropriate official would be, so that he can ask the bank, whatever bank is applying for the license, to furnish whatever documentary or other proof you have to show that this payment is in connection with an export made and contracted for prior to the eighth of April.

Gaston: I suppose the difficulty here is --

Irimescu: How can I bring documentary proof on Rumania? The fact that the order is being given to be paid to the National Bank of Rumania, which is an issuing bank of Rumania, nobody would amuse himself to give money to the National Bank of Rumania unless there was some substance to it.

Gaston: I suppose the difficulty here is that the National Bank of Rumania handles these transactions on a net basis, isn't that the difficulty, so that they don't have identification of the particular transactions or particular goods?

Bernstein: I don't know whether they do or don't. They might have the particular transaction identified.

Cochran: In exchange control they do.

Bernstein: If they are under the exchange control, they must know every dollar or whatever other --

Irimescu: Oh yes, that they do.

Gaston: Is it necessary, then, for the corresponding bank in New York to get cable information as to the

- 4 -

transactions covered? It would be, wouldn't it?

Bernstein: That is right, and banks in New York are familiar with the sort of documentation that they need, so that I think if any such application arises, your representatives in New York can communicate with the bank that is making the application.

Irimescu: I mean the difficulty is that we are here in New York; the National Bank is in Rumania. A letter from Rumania here takes four weeks, so what documentary proof can they submit that it is so, unless you take my guarantee with an obligation on my part to submit later on as conditions will permit, the documentary proof?

Bernstein: Do you have any information as to the total amount of exports prior to April 8 that are unpaid for?

Irimescu: No, I don't have that, but they told me that a large shipment went to Denmark just a week before April 8. You see, because we export to Denmark large quantities of corn --

Gaston: And other feed, I suppose.

Irimescu: And other feed, yes, which they are using for their cattle.

Bernstein: I don't think the problem is necessarily unusual. We have many situations where we - if we have no documentary evidence on this we try and get satisfactory information.

Gaston: It would be helpful, I presume, if we got by cable a description of the particular transactions covered by this transfer, wouldn't it?

Bernstein: Yes, I think so. Perhaps the Rumanian National Bank can also cable over here --

Irimescu: You don't pay to any Tom, Dick and Harry. You pay to the Rumanian National Bank. You can probably follow those dollars in New York and will find that they are to be used to pay for

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merchandise here.

Bernstein: Would it be possible, do you think, Herbert, for the Rumanian National Bank to cable over all those exports prior to the eighth of April, which by contract call for payment in dollars out of this country?

Gaston: I should think that would not be impossible.

Bernstein: Would that be possible?

Irimescu: I think so.

Gaston: To describe the shipments? The shipments were to so-and-so on a certain date of so much corn or barley, or whatever it may be, and a certain amount.

Bernstein: And to submit that to the Treasury through the Federal Reserve Bank of New York. Of course, you see, all these applications will come through the Federal Reserve Bank of New York.

Gaston: And then it might be helpful, as the Minister suggests, to have certain exporting documents or transcripts sent to him following the cable advice.

Irimescu: Now, second chapter: The National Bank has taken steps for any other exports of April 8 to demand payment in anticipation; that is, it will not release any exports with this payment that is made in advance. How are you going to approach those babies?

Bernstein: I should think you would want to do it with the specific application.

Gaston: I should think so. That is a rather difficult thing.

Irimescu: That is the question the Danes have, too, because we say, "If you want the goods, you must pay us."

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Bernstein: That is a problem of the Danes, not your problem.

Irimescu: It is our problem, too, because we want to export and we want to get dollars.

Bernstein: I should think there you would have to deal with a specific case when someone makes an application on behalf of the Danes to free the dollars in order to pay for a particular export.

Gaston: Yes.

Irimescu: But then they will say it is paid in anticipation.

Bernstein: That is right. It will be quite a different case from the first one.

Irimescu: Yes, but it is a very important one because, as I told you, we are just as anxious as the Danes are to buy and we are as anxious to get dollars.

Gaston: Well, we would have to consider that and we would have to - in anticipation of the specific case coming up.

Irimescu: Now, I want to discuss with you some general things, but in a very confidential way. Suppose we are invaded, too.

Gaston: Yes.

Irimescu: Like just happened now to Norway and Denmark and it is happening today to Holland and Belgium. The National Bank has an account with the Federal Reserve Bank. How can we protect this account so that the Federal Reserve Bank will not execute orders that will come from the National Bank of Bucharest which will give orders to their account here under duress? Suppose, for argument's sake, that the Rumanian Government is in exile in Egypt and the Governor of the National Bank goes with that government in exile. We want in this case the money that is in the United States to be at the disposal of that government, you see, that represents independent Rumania.

Gaston: We followed such a pattern in the other countries and we would, of course, establish control over

- 7 -

those Rumanian funds and then we would be very careful in seeking identification.

Irimescu: No, but can we make an arrangement in advance so that you know that this is our money and let us use our money?

Bernstein: Herbert, I think it presents two problems. Our problem is very easy. We throw our cloak around it and we have got it. I take it the Minister also wants to work out an arrangement whereby the government and the central bank, wherever it happens to be outside of Rumania, can use the money; of course, subject to our approval. Now, that involves working out a delegation of control, sometimes to a new Board of Directors of the Bank who are outside of the invaded territory or to the government itself. Several countries have been doing that.

Irimescu: I understand you made those arrangements with Holland already, more or less.

Bernstein: In that situation, there already was money made - would be made available. That is one way of doing it. For instance, your government or your national bank could give instructions to the Federal Reserve Bank, or whatever institution holds its monies now, to turn the money over to you so that the money will be held in your name and subject to your right of withdrawal. Now, that would be one way of doing it.

Irimescu: Yes, I know that, but can the national bank, for instance, give instructions to the Federal Reserve Bank not to execute any orders pertaining to its account unless they are transmitted through me?

Bernstein: They could do that.

Gaston: That would be just a case of adding the signature of the Minister to the document.

Bernstein: They could very readily do that.

Irimescu: Is that equivalent --

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- Bernstein: That is not sufficient if the situation that I think you are worried about - supposing your country were to be overrun and the people who now have the right to withdraw on that account are captured. Now, someone must have the right to control the account and you ought to set up some system whereby either the government itself, by decree, or some other method, can control the account or new directors are designated.
- Irimescu: But if it is already in my name, then I am protected?
- Gaston: You have the right to withdraw it.
- Irimescu: Then I am asking you, because we are in default on bonds that are in the hands of private individuals in New York, would that money that would be in my name be subject to attachment by private creditors?
- Bernstein: That is a question of private law.
- Irimescu: My theory is from the lawyers I consulted in New York that this represents sovereign funds and they enjoy sovereign immunity if they are in the name of an Ambassador.
- Bernstein: I think that is a question the government cannot answer. That will be a purely local question for the courts. It is perfectly true to the extent that they are sovereign funds the administration of the government might have an interest in protecting the Minister, but fundamentally the question is one for decision by the courts as to whether the funds would be subject to attachment by virtue of default to a private bondholder.
- Gaston: You are thinking plainly of the --
- Irimescu: I mean the court can issue an order to attach the funds, you see. Then I go in the courts and I fight it out and I win, because I have already won a case like that, but in the meantime until I win it, the funds are --

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- Bernstein: I don't think we are in a position to answer that, Herbert, because we would have no control over the courts should the suit of a private party seek any of the foreign funds. Of course, it would be quite unusual for the court to attach the funds that are foreign. Chances are if the funds of a sovereign country are immune, they cannot be sued without their consent. That is the general rule of law with which, I take it, you are very well acquainted, but it is a rule which the courts made rather than the Executive. Those things have been handled in a number of different ways. There are a number of different ways to deal with it. One is putting the funds in the name of the Minister. The other is transferring power over the funds to the government as such, wherever the government happens to be.
- Gaston: And if they wanted to add the requirement of an endorsing signature by the Minister, that could be done.
- Bernstein: Right. And the third method - and one country dealt with the situation that way - the new directors and new - new directors were appointed for the central bank and instructions came forward to the Federal Reserve that the signatures of new directors were to be honored, new directors being out of the invaded area, and the national bank continued to operate its own account at the Federal through these new officers and directors.
- Gaston: How were those new officers and directors certified, by the government?
- Bernstein: Information was furnished by the government; that is, the foreign bank and its government furnished information to our State Department and they furnished it to us and we transmitted it to the Federal Reserve Bank and other interested banks and they are operating on the basis of instructions from the new officers of the bank.
- Trinescu: Well, that gives me a picture on this last question I asked.

Then to summarize the first item under consideration, you cannot make a decision unless you are confronted with obligations?

Gaston: That is right.

Trimescu: And therefore the obligations have to come here first before you will say yes or no.

Gaston: Yes, they come to us through the correspondent bank in New York.

Trimescu: Assuming the application has arrived here, it is your own judgment that is going to decide if you approve it or not, because we cannot submit documentary proof in this short time that is involved.

Gaston: You can submit evidence that will influence our decision. Is that right, Bernie?

Bernstein: That is right. In the nature of cables --

Trimescu: Can the Danish Bank --

Bernstein: We take all the information we can get, Mr. Minister, and then try to exercise the best judgment on the basis of it and we accept information as the basis of our consideration from whatever source it comes, whether it comes from your government or the National Bank or from the Danish sources.

Trimescu: But in order to enable you to have as complete a picture as possible, you desire that the National Bank should put at your disposal - naturally, we would do all this in court, you see. They will cable to the Legation and I will come here and submit it to you - all the exports involved under this discussion here today.

Bernstein: Yes.

Trimescu: I mean, total amount, how many shipments and what those shipments represent.

Bernstein: Yes.

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- Irimescu: And their approximate dates when they were made or released.
- Gaston: Yes.
- Cochran: Do you want that here or do you want their bank to send it directly to the Federal?
- Bernstein: If it is going to be sent to the Federal, the Minister might just as well bring it here and we will supply it to the Federal.
- Irimescu: For the exports after the eighth of April for which the National Bank has demanded and anticipated payment. That you will also decide upon from case to case. After all, there is a licensing system and the whole thing has to be solved within the frame of this licensing system.
- Bernstein: That is right.
- Irimescu: Now, the same problems will arise now as far as we are concerned with Holland and with Belgium, because we are large exporters to Holland and Belgium. In fact, we have favorable trade balances with every country in the world except the United States, because we export oil, grain and timber, which you cannot buy from us and do not need, and this is the only country where we buy about six to ten times as much, depending on the year, than you can buy from us. You see, all the automobiles in Rumania are American made. All the oil well drilling equipment is American made. So the same problem will arise in Holland and in Belgium. In Holland we export great quantities of wheat and in Belgium we also export great quantities of wheat.
- Gaston: How have those been moving, by land or by water?
- Irimescu: They have been moving by water.
- Gaston: Land transportation will be out.
- Irimescu: Yes, but to Denmark the - part of it has been moving by boat and part of it by land.

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Gaston: Yes.

Irimescu: Would you want this information, too, if the respective shipments have moved by land or by boat?

Gaston: That wouldn't matter. I was just considering the possibility of future movements.

Irimescu: Well, of course this question of Belgium and Holland will come up in case Belgium and Holland are occupied completely, which I hope will not happen.

Well, that is about all, then.

Gaston: Thank you.

May 10, 1940.

MEMORANDUM

TO: Secretary Morgenthau  
FROM: Mr. Gaston



The following foreign representatives called on me today: the Rumanian Minister, Mr. Irimescu, at 10:30 A.M., the Swiss Minister, Mr. Bruggmann, accompanied by Mr. Somary, at 10:55 A.M., the Netherlands Minister, Dr. Loudon, at 1:25 P.M., and the Counselor of the Belgian Embassy, Baron de Gruben, accompanied by Mr. L. F. Aerts, at 2:20 P.M. Mr. Bernstein was present at all of these interviews and Mr. Cochran at all of them except that with the Netherlands Minister. Mr. Foley was present at the latter two. Dennis took transcripts of all but the interview with Dr. Loudon. Dr. Loudon arrived while Foley, Cairns and Bernstein were lunching with me in my office and asked for a few words immediately because of other pressing engagements.

Mr. Irimescu was concerned principally about payments through American accounts by Denmark for corn and other supplies shipped from Rumania. He asked first about transactions which occurred and on which shipments were made prior to April 9th and we told him we would give prompt consideration to license applications covering payment for these shipments. His next question was as to new shipments to be made on a prepaid basis. As to this we simply told him that applications could be submitted prior to the consummation of the transaction and we would give them consideration, indicating to him that they were on a totally different basis than the transactions occurring before the Executive Order.

The Swiss Minister, the Netherlands Minister and the Belgian Counselor were all greatly concerned that our exchange control would hamper their legitimate transactions. They had apparently given a great deal of weight to statements that one of the principal objects of the Orders was to protect the interests of Americans who had claims against their governments and nationals. All emphasized the fact that their situation was substantially different from the situation of Denmark and of Norway in that they were resisting or (in the case of Switzerland) expected to resist successfully if attacked, that all had complete arrangements for the removal of operating control of all their national interests from any territory that might be occupied by the Germans. All were applicants for some form or forms of blanket license, under which they could transact business freely. We conceded to them that their situation was different and assured them that the difference in situation would facilitate the

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granting of licenses, but we made them no promises of any broad exceptions or general licenses. In view of their fears I stated to them it was our intention to administer the Executive Orders in a way that would be helpful and not hurtful to them and that we hoped to have their cooperation in so administering them. It was our impression that they left my office considerably relieved on this account. I told the Belgians that it was not at all our intention to control or direct their governmental expenditures.

Mr. Aerts, who accompanied the Belgian Counselor, is the manager of the New York branch of the Belgian Overseas Bank, which is a British corporation wholly owned by Belgian banking interests. His bank does a large business and he was concerned about two things: (1) facilitating his American transactions, and (2) protecting the prestige of his institution. For the latter purpose he wished to know if it were possible for him to make application for licenses covering his transactions rather than having them made through American banks. We assured him that this could be done and I think convinced him that under the license system his business could operate without embarrassment.

The Swiss volunteered that if it were necessary, to facilitate the smooth transaction of their business, they would be willing to execute a guarantee of the payment of American claims against Swiss nationals, which they said were insignificant in amount as compared to Swiss resources in the United States.

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May 10, 1940.

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TREASURY DEPARTMENT  
WASHINGTON

May 10, 1940.

MEMORANDUM FOR THE SECRETARY:

The Italian Motorship GIULIA, which sailed from New York May 4, had on board 12,945 aluminum ingots.

The American Steamship MORMACLAND, just sailed for Santos, Brazil, had on board 5,849 aluminum ingots.

Basil Harris.

May 10, 1940  
6:35 a.m.

H.M.Jr: George.....

George  
Harrison: Good morning, Henry.

H.M.Jr: How are you.

H: This is a fine mess, isn't it?

H.M.Jr: Terrible. George, at the President's direction we're getting out another order on Holland, Belgium and Luxembourg.

H: Yes.

H.M.Jr: And I thought you'd like to be standing by for it.

H: All right, I'm -- I'm going down town in just a little while.

H.M.Jr: George, do you think we ought to notify any other banks in the east here?

H: Do you think you ought to do what?

H.M.Jr: Let anybody -- say, in Boston know? Or down.....

H: Well, I -- I don't know what -- I think I would suggest your doing would be -- I think Chicago ought to know.

H.M.Jr: I see.

H: I would suggest -- or if you want me to I'll be glad to do it for you. I'll call Mr. Morel of the Board, or Ransom, or somebody.

H.M.Jr: Oh, I can do that.

H: And get them to advise ----- Boston, Philadelphia -- and Chicago I think would be enough.

H.M.Jr: I'll call up Eccles.

H: What's that?

H.M.Jr: I'll call up Eccles and tell him.

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H: Well, I think Eccles is in New York. He made a speech up here last night. I don't know whether he went home or not.

H.M.Jr: Oh. Well, I can get Ronald Ransom.

H: What's that?

H.M.Jr: I can get Ronald Ransom.

H: Ronald Ransom could do it.

H.M.Jr: And I can -- well, let's see, if we let Chicago, Boston and Richmond know, that takes care of the coast doesn't it?

H: Boston, Chicago and Philadelphia.

H.M.Jr: Boston, Chicago.....

H: As a matter of fact.....

H.M.Jr: .....he can let them all know by wire.

H: If you're going to do it you might as well let them all know to be prepared for it.

H.M.Jr: I'll call him up and tell him.

H: All right.

H.M.Jr: I'll tell him to get out a wire at once that there's an order coming.

H: First-rate.

H.M.Jr: And when you get to the office will you call me?

H: Yes, I shall, Henry.

H.M.Jr: Thank you.

H: First-rate.

May 10, 1940

6:45 a.m.

Hull's  
Secretary: Secretary's office.

H.M.Jr: Mr. Morgenthau speaking.

Sec: Yes, Mr. Secretary.

H.M.Jr: Is Mr. Hull or any of the Assistant Secretaries there?

Sec: Why Mr. Dunn is here, Mr. Secretary. Would you like to speak to him?

H.M.Jr: Please.

James Clement  
Dunn: Hello.

H.M.Jr: Henry Morgenthau, Jr.

D: Yes, Mr. Secretary.

H.M.Jr: How are you?

D: Very well.

H.M.Jr: Mr. Dunn, at two o'clock this morning the President instructed me to get out orders to freeze the credits on Holland, Belgium and Luxembourg and their possessions.

D: Yes, sir.

H.M.Jr: Hello?

D: Yes. Yes.

H.M.Jr: Now, we're going ahead. I told Mr. Hull -- I think you were there when I talked to him.

D: Yes, I was here. Yes.

H.M.Jr: And I told him I'd call back, but subsequently to that the President called me at two and told me to positively go ahead with it.

D: Yes, yes.

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H.M.Jr: Now, has he signed a proclamation on a declaration of war in these countries?

D: You mean, of those.....

H.M.Jr: Has the President signed a proclamation recognizing state of war?

D: No, no. No, a proclamation of neutrality you mean?

H.M.Jr: Yes.

D: No.

H.M.Jr: He has not? .

D: Not with regard to those new countries. He's having a meeting this morning at ten-thirty.....

H.M.Jr: I know.

D: .....and nothing will be done before then.

H.M.Jr: Well, he hasn't done anything on the other?

D: No.

H.M.Jr: Well, we'll have to go ahead then just the same because he instructed to have me do so directly.

D: Oh, yes. Well, I think you should anyway in the face of the -- of these developments as they have occurred now. I don't think there's any question about it.

H.M.Jr: You don't think there's any question about it?

D: Oh, no, no, no. I don't think there's any question about it at all.

H.M.Jr: Is there any question in your mind that these three countries have been invaded.

D: Not -- none whatever. None whatever.

H.M.Jr: Well.....

D: The Dutch Government has -- has declared -- already declared a state of war against Germany and the

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Belgian Government has officially requested the French and British Governments to come in and assist them, and French -- French troops have already crossed the Belgian frontier.

H.M.Jr: I see.

D: And Brussels is bombarded and all the other things, that you probably know.

H.M.Jr: Well.....

D: There's no question in the world about it. So.....

H.M.Jr: Right. Well, we'll go ahead but -- and will you tell your people or associates as they come in.....

D: Yes, sir.

H.M.Jr: .....that we're doing this?

D: Yes, sir.

H.M.Jr: We'll do it as of -- we'll do it immediately.

D: Yes. That'll be before any of the banking institutions open up.

H.M.Jr: Yes, and I'm here at my office in the Treasury.

D: Are you over in the Treasury?

H.M.Jr: Yes.

D: Well, I'll report to them just as soon as they come in.

H.M.Jr: Righto.

D: Yes, sir.

H.M.Jr: Thank you very much.

D: Thank you. Goodbye.

May 10, 1940  
6:58 a.m.

W.M.Jr: Hello.

Operator: Just a second.

W.M.Jr: Hello. Hello. Hello.

O: All ready.

W.M.Jr: Hello.

Chester  
Dyvis: Hello. This is Chester Davis speaking.

W.M.Jr: Good morning.

D: Good morning, Mr. Secretary.

W.M.Jr: Have you milked the cows this morning?

D: Well, I tell you, I haven't any cows out here to milk on this farm. This is a beef ranch.

W.M.Jr: Oh. Chester, you've seen the papers or know the news.....

D: Well, I haven't heard a thing.

W.M.Jr: Well, the Germans invaded Holland, Belgium and Luxembourg.

D: Yes.

W.M.Jr: And we're getting out an order freezing the credits.

D: Right.

W.M.Jr: And I've talked to George Harrison in New York but I wish, if you could get out, a telegram at once to the other Fed banks, they can stand by.....

D: Yes.

W.M.Jr: .....for an order on these three countries.....

D: Yes.

H.M.Jr: .....and their possessions.

D: That's Belgium, Holland and Luxembourg.

H.M.Jr: Will you?

D: Yes.

H.M.Jr: And if the Board would care to send an observor over here while we do the thing today, the way they did last time.....

D: Be glad to.

H.M.Jr: .....I'd be delighted if somebody would come over and sit with us.

D: Oh, are you at it now?

H.M.Jr: We're here at the Treasury now.

D: Yes. All right, fine.

H.M.Jr: So if anybody, any Board member, or anybody you'd like to have come over or -- Goldenweiser.....

D: Well, we'll mobilize them right away.

H.M.Jr: If you please.

D: That's terrible.

H.M.Jr: Yeah. Thank you.

D: Thank you.

May 10, 1940  
7:30 a.m.

Dan  
Bell: Hello.

H.V.Jr: Hello, Dan.

B: Good morning.

H.V.Jr: Good morning. You pick nice times to go away.

B: Well, nice weather, why?

H.V.Jr: You know what happened last night.

B: No.

H.V.Jr: The Germans invaded Holland, Belgium and Luxembourg.

B: Oh, no!

H.V.Jr: Yeah.

B: They did?

H.V.Jr: Yeah.

B: I haven't seen a paper yet.

H.V.Jr: Yeah.

B: Oh, well, heck.

H.V.Jr: How far are you going away?

B: Just about 200 miles down in Virginia.

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

B: Down to Warm Springs. Do you think I'd better go?

H.V.Jr: Well, I can handle it if you'll be back Monday morning.

B: Well, I think that's about what I'd better do.

H.V.Jr: What?

- 2 -

B: I think that's what we'd better do then.

H.M.Jr: Because.....

B: Stay away these other two days.

H.M.Jr: What's that?

B: Just stay away these two days.

H.M.Jr: Yeah. Supposing you figure on that, see?

B: Yeah.

H.M.Jr: Because there'll be three countries literally "under water".

B: Is Italy on the water?

H.M.Jr: I say they'll be under water.

B: Yeah.

H.M.Jr: In more ways than one.

B: Yeah. Well, you're going to issue the order.

H.M.Jr: Yeah, it's being typed now. The President called me at two this morning.

B: Well, I'll be darned. That certainly is a lot of nerve, isn't it?

H.M.Jr: Yeah.

B: Three countries?

H.M.Jr: Well, I figured if you got three days you'll feel a little better, won't you?

B: Yes, I will. If I could get those I'll feel all right.

H.M.Jr: Well, supposing you figure on being back Monday morning.

B: All right, I'll do that.

- 3 -

H.V.Jr: Then you'll get your three days.  
B: Fine. That'll help me a lot.  
H.V.Jr: O. K.  
B: Well, I'll be there Monday morning.  
H.V.Jr: Righto.  
B: Fine.

May 10, 1940  
9:20 a.m.

Ed  
Foley: It's all right to start putting that executive order and the regulations on the wire to the Federal Reserve Banks, isn't it?

H.M.Jr: Well.....

F: We've already said it's signed.

H.M.Jr: Surely.

F: Yeah, because they've got to have the text, you see.

H.M.Jr: Sure, go right ahead.

F: O. K.

H.M.Jr: Go right ahead.

F: Thanks.

May 10, 1940  
9:40 a.m.

W.M.Jr: Hello. Hello.

Feis: Hello.

W.M.Jr: Yes.

Feis  
Secretary: Mr. Morgenthau, Mr. Feis.

Herbert  
Feis: Herbert Feis, Mr. Secretary.

W.M.Sr: Go ahead.

W: It's about Swiss interests. We were going to ask you today whether you'd receive him.

W.M.Jr: Well now, Herbert Gaston is handling that.

W: All right. May I.....

W.M.Jr: I'll have you switched over.

W: May I tell you one thing?

W.M.Jr: No, I can't, Herbert. You'll have to talk to Gaston.

W: All right.

H.M.Jr: Please.

W: Right.

W.M.Jr: Just a second.

Operator: Operator.

W.M.Jr: Give Dr. Feis to Herbert Gaston, please.

W: Yes, sir.

May 10, 1940  
10:08 a.m.

H.M.Jr: Harry, as near as I can make out the stock market is taking good care of itself.

Harry White: Yes, apparently. I haven't got -- I'll give you precise data in about fifteen minutes if you want it.

H.M.Jr: Well no, I'm going over to this conference at the White House at ten-thirty.

W: Yes.

H.M.Jr: And if I don't hear from you before ten-thirty I'll just take it for granted everything is under control.

W: Yes.

H.M.Jr: But if you should get really worried during the day would you call me?

W: I will indeed.

H.M.Jr: I'd appreciate it.

W: All right.

H.M.Jr: Thank you.

May 10, 1940  
10:10 a.m.

George  
Harrison: Hello.

H.M.Jr: Yes.

H: Henry.....

H.M.Jr: Yes.

H: .....the government bond market.

H.M.Jr: Yes.

H: Very confused at the opening. Nobody knew where prices were.

H.M.Jr: Yeah.

H: At ten-thirty they began to settle down. We found the market from a half to seven-eighths off in the longest bonds.

H.M.Jr: Yes.

H: At that price some buying began to appear, principally insurance companies and some scale buying orders from others. There has been a recovery of several thirty-seconds from the low of ten-thirty. We've done nothing.

H.M.Jr: Good. Well, if you get worried will you give me a ring.

H: If I get worried I'll let you know. I'm not a bit worried yet. I think that when the rest of the country works up the small banks out in the "sticks" begin to get concerned, why we may have another flurry later on in the day.

H.M.Jr: Ah.....

H: And if so it would be our plan to buy if the thing began to break through a point under, or if there were not any bids around.

- 2 -

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

H: But at the moment we're not doing anything.

H.V.Jr: Good.

H: The only gossip is that this may weaken because of the talk. However, justified, is that this may mean that we -- we ourselves, this country, is nearer to intervention and there's considerable gossip on that basis.

H.V.Jr: All of our instructions came through all right, didn't they?

H: Well, I don't know. I turned them all over to Knoke and I -- they've been on the wire since nine-fifteen our time.

H.V.Jr: O. K.

H: I want you to know that there's a rumor going around the market that Swiss has been -- Switzerland has been included in your order.

H.V.Jr: Well, you know it wasn't.

H: Well, I know, but whether -- and I'll assume that unless you let me know there's no change in it.

H.V.Jr: No, there's nothing and I haven't -- I'm not even preparing one.

H: Yes. Well, I think that was predicated from the fact that the ticker had reported that Basle and a few other places had been bombed in Switzerland.

H.V.Jr: Well, if anybody asks you you can tell them it's not in the order.

H: Well, I told them so.

H.V.Jr: Right. O. K.

H: Yeah. (Laughs) And I'll continue to tell them so unless you tell me to the contrary.

H.V.Jr: Quite right.

H: All right.

May 10, 1940  
11:57 a.m.

H.M.Jr: Hello.

Operator: Senator Wagner. Go ahead.

H.M.Jr: Hello.

Robert Wagner: Hello.

H.M.Jr: Yes.

W: Henry.

H.M.Jr: Talking.

W: This is Bob Wagner.

H.M.Jr: How-do-you-do.

W: How are you? Say, I -- I simply wanted to ask you about something. When you were out I asked Ed Foley.

H.M.Jr: Yes.

W: And cleared the whole matter with him.

H.M.Jr: Good.

W: It was -- you know it was with reference to this bill that's pending.

H.M.Jr: Which one?

W: That Jones.....

H.M.Jr: Oh.

W: .....had Glass introduce.

H.M.Jr: Yes.

W: In which there's a little -- a little conflict between you and him.

H.M.Jr: Right.

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W: All right.

H.W.Jr: Did you fix it up?

W: Well, Ed -- Ed Foley -- I wanted the report, and Ed says the report is coming up.

H.W.Jr: Yes, and.....

W: Yeah.

H.W.Jr: Well, we signed it, I think, Wednesday. It went over to the Bureau of the Budget but Jones, for some reason or other, was in such a hurry he wouldn't wait for it.

W: Well, I don't know a thing about that except I told this to Ed. I got a statement -- I don't want to say who it was -- but a statement was made to me this morning that the President approved of the bill in its present form.

H.W.Jr: Oh, that's impossible.

W: What?

H.W.Jr: It's -- well, if he did then his Director of the Budget doesn't know it.

W: Yeah. Well, I -- I'll tell you. I'd like to see that in writing anyway and.....

H.W.Jr: He couldn't approve it.

W: .....I wanted to find out what your attitude was.

H.W.Jr: Well, you'll get it formally.

W: I'll get it in the report.

H.W.Jr: Yes.

W: And I'M going to read that to the Committee.

H.W.Jr: Right.

W: And if there's anything else needed -- if the Committee should want to hear you or something, they -- they enjoy you, you know, why I'll let you know.

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H.M.Jr: Right. Well, it's a matter -- I'm sure you're going to hear from the Director of the Budget.

W: Yes, so Ed tells me.

H.M.Jr: Right.

W: And I -- I should think that would be enough, Henry, but I -- I just wanted to have you apprised of what's going on.

H.M.Jr: That's very kind of you.

W: All right, Henry.

H.M.Jr: Thank you so much.

W: Thank you. Goodbye.

May 10, 1940  
4:52 p.m.

Operator: Yes, Mrs. Klotz. Go ahead.

H.S.K. All right.

Merle  
Cochran: May I read this to you, and you'll take it down?

H.S.K. If you please.

C: It's dated May 10, 7 P.M. at Paris.

H.S.K. Yes.

C: Personal for the Secretary of the Treasury.

H.S.K. Yes.

C: "Dear Henry: What has happened in the past 24 hours has made it impossible for me to execute those two little jobs, but the man who is fond of little radios will oblige by Sunday."

H.S.K. I see.

C: "And I shall respond in accordance with your wishes. Best wishes, Bullitt."

H.S.K. Is that all?

C: That's all. It was just received here an hour or two ago.

H.S.K. Thank you very much.

C: Thank you very much. Goodbye.

TREASURY DEPARTMENT  
WASHINGTON



OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

IT:P:CA  
CAA

May 10, 1940.

REPORT FOR SECRETARY MORGENTHAU:

In regard to closing agreements under the Vinson-Trammell Act, the developments during the week were as follows:

Walter Kidde and Company, Incorporated:

Contractor's representative filed an additional letter today, May 10, 1940.

Commissioner.

IT:P:CA  
CAA

May 10, 1940.

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Contractor's representative filed an additional letter today, May 10, 1940.

(Signed) Guy T. Harving

**Commissioner.**

CAA/MRA

May 11, 1940

General Marshall gave this to me today when he came to my office for a second visit.

ARMY  
UNITED STATES

ORGANIZATION  
STRENGTH  
EQUIPMENT  
TRANSPORTATION

REGULAR ARMY  
 NATIONAL GUARD

AUTHORIZED STRENGTH  
(225,000 RA  
225,000 NG)  
 RECOMMENDED INCREASE  
(55,000 RA  
85,000 NG)  
 PEACE STRENGTH INCREASE  
(105,000 NG)

MODERN EQUIPMENT ANTICIPATED  
(ANTICIPATED BY ALL  
AUTHORITIES ESTABLISHED)  
 MODERN TRANSPORTATION ANTICIPATED

NOTE: AS OF NOV 1, 1938, 40% OF MODERN EQUIPMENT  
ON HAND AND 60% BEING MANUFACTURED;  
DELIVERIES TO BE COMPLETED BY 6-30-41.  
DELIVERIES OF MODERN TRANSPORTATION  
TO BE COMPLETED BY 3-1-42.  
IF ALL TRANSPORTATION SHOULD BE  
REPLACED ANNUALLY.

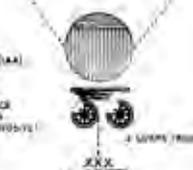
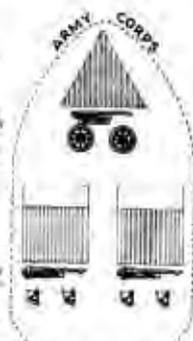
9  
REGULAR ARMY  
DIVISIONS

15  
NATIONAL GUARD  
DIVISIONS

CORPS TROOPS  
FOR 9 CORPS

8  
CORPS HQRS  
(7 SKELETONIZED)

4  
ARMY HQRS  
(SKELETONIZED)



5  
OVERSEAS  
COMMANDS



HARBOR DEFENSES  
ZI INSTALLATIONS



AVIATION  
IN ADDITION TO THAT  
IN CORPS TROOPS &  
OVERSEAS COMMANDS



4  
INFANTRY  
BRIGADES  
(1 BRIGADE FOR 4  
DIVISIONS UNDER  
100,000 PERSONNEL)



ANTI-AIRCRAFT  
REGIMENTS



CAVALRY  
DIVISIONS



GHQ & ARMY  
TROOPS  
& MECHANIZED  
FORCES

CONFIDENTIAL



## RE MILITARY EXPANSION PROGRAM

May 11, 1940  
9:15 a.m.

Present: General Marshall  
General Moore  
Colonel Haislip  
Colonel Dasher  
Mr. Martin  
Mr. Young

*See p. 1 c 2  
for material discussed*

- H.M.Jr: Are you all right physically?
- Young: As far as I know.
- H.M.Jr: In other words, can you take it?
- Young: I have been taking it.
- H.M.Jr: This thing here, General Marshall is coming over, Chief of Staff of the U. S. Army, to see me on the expansion program for the Army. There are two of these Budget officers out here and there is more stuff to check, see. In this thing here that I gave you, had you seen that?
- Young: Yes, I have a copy of that. I sent it up last night.
- H.M.Jr: Well now, that is quite different than what I had before, isn't it?
- Young: We didn't have the figures on personnel training. We had the capital assistance figures.
- H.M.Jr: Wait a minute, airplanes, Pratt & Whitney, but nothing here for Wright. And here is Curtiss-Wright, April 15, eleven million dollars. April 15.
- Young: That is right. I was thinking on this capital assistance. It is on here six million five hundred fifty-six and look at it there.
- H.M.Jr: And production created. Here is production created, 1824 engines.
- Young: But no engines yet.

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- H.M.Jr: Well, this is all right. I won't fuss with this now, but this is --
- Young: I have talked to Ballantyne about breaking down the capital assistance and also George, and they are going to try to do something about it. I picked up one comment yesterday from Ballantyne which might be interesting. He had a conference over at the War Department on getting this DuPont powder with Burns and the other Army people and McCoy and Bradway, the man from DuPont. He said that Bradway did absolutely everything in his power to keep them from getting the order and to make the Army take it. Finally Burns got just as sore as the devil and told Bradway to shut up and he gave him hell.
- H.M.Jr: Gave who?
- Young: Bradway.
- H.M.Jr: Who is Bradway?
- Young: DuPont fellow.
- H.M.Jr: What is the matter with him?
- Young: I don't know. Ballantyne said they had the same trouble with Bradway before on that other amount of 600,000 pounds. I just pass that along for gossip.
- H.M.Jr: This thing here, I am glad to have this in a couple of minutes.
- (Colonel Dasher and Mr. Martin entered the conference)
- I am glad to have a minute or two. General Marshall is on his way over. They have been feeding to the President little pieces here and little pieces there. He was tickled to death to get this big sheet, because it seemed that the day before he had asked what they needed on anti-aircraft and they gave him just one piece of paper on anti-aircraft and what the President -

- 3 -

he gave Marshall certain instructions to have certain things ready and how much it will cost and he is coming in here this morning with them.

Now, the thing that has me confused is, on top of that, I get a letter from Louie Johnson prepared by Colonel Burns --

- Dasher: Yes, Jimmy is Johnson's right hand man down there.
- H.M.Jr: Well, he comes through with a request for a billion four. Look, gentlemen, I am going to let you read that and give you time to study it, but let me have it on my desk. Here is what I want to get. How much is the regular Army supposed to have now?
- Dasher: The regular Army is 227,000 enlisted men, including the Philippines.
- H.M.Jr: Two hundred how much?
- Dasher: 227,000 enlisted men, and there are about 14,000 officers on top of that.
- H.M.Jr: One of the things they have asked for is 15,000 more enlisted men.
- Dasher: That is right, that is the first thing they want is 15,000 more enlisted men. Then they want to go up to 280,000. That is the limit of authorization. They can't go over it.
- H.M.Jr: Why shouldn't they have 15,000 men?
- Dasher: The question came up when the President issued his proclamation last September. The Army then wanted 290,000 men, but things didn't look so bad and the President curtailed them somewhat and said they could have 227,000 and he said if conditions warranted, they could add the 15,000 men later. Now they are after 15,000. The 15,000 is to fill out and to activate units in the Army that are not activated and to --

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H.M.Jr: Are there 227,000 activated?

Dasher: They are all in activated units and there are 6,000 of those in the Philippine Islands as Philippine scouts, but that goes into the strength of the regular Army.

H.M.Jr: Is there any reason why they shouldn't have 15,000 more?

Dasher: No reason why they shouldn't have 50,000 more, up to the limit; that is, if you think the emergency is such as to warrant going up to 280,000 men. That is as far as we can go with the regular Army. The National Guard - we can go up to over 400,000 men in the National Guard. We can double the National Guard.

H.M.Jr: This is what they want. They say 15,000. They say, "Essential items required for increase in regular Army from 227 to 280, 44 million."

Dasher: That is to initially equip them.

H.M.Jr: Yes.

Dasher: To give them the initial equipment to increase the strength up to that. And it would cost about 28 million dollars the first year and then the maintenance would be about 18 million.

H.M.Jr: 53,000 men and they are only asking for 15,000 additional men.

Dasher: Well, the understanding was that they would get 15,000 men immediately by the end of June and that if the President agreed to it, they would increase that up to 280,000 this fall.

H.M.Jr: Have they got the money?

Dasher: No, they haven't got it.

H.M.Jr: How can they do that?

Dasher: Well, they would create a deficiency in an emergency and would make it good. They don't have

- 5 -

an actual division, but they have got enough money to run them until we can get them more money. An eventual deficiency, yes, if we didn't do it differently.

H.M.Jr: Then they come through with this memorandum - this was a memorandum that the President asked for, anti-aircraft, artillery and ammunition, 49 million.

(General Marshall, General Moore and Colonel Haislip entered the conference)

Marshall: Now, if I may, Mr. Secretary, I would like to sketch this problem and outline it first before we get down to any --

H.M.Jr: Just remember, it is all new to me.

Marshall: Yes, sir. It is complicated and difficult for me, also.

In the first place, yesterday when this issue arose there were two - three complications to the present situation that made it very difficult to get on an even keel. The Senate Committee instructed me to submit what they called a confidential memorandum which they have already referred to in the paper and which has not been submitted yet, of all the requirements we thought were vital. I have got the outline of that here, which I will hand you in a moment.

Meanwhile, day before yesterday, the President sent a direction over that we should submit a statement of our anti-aircraft statistics. You will have that right here in just a minute. That was prepared and sent in by the Secretary of War and I added to it another paragraph to show that there were other things of equal urgency and I didn't want it confined to the single factor of anti-aircraft, so I brought in the question of guns and ammunition other than anti-aircraft.

Then you had that memorandum which showed our Initial Protective Force.

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H.M.Jr: Have you got that?

Marshall: I discovered, sir, that was prepared over in my office. As I say, this is quite complicated and I want to get the whole scenario straight, because I think otherwise we will all get in a state of profound confusion. That was prepared, I believe, at your request on the --

H.M.Jr: Harold Smith.

Marshall: Budget Office, and the Budget Office reached Colonel Haislip and Colonel Haislip prepared it and then it met me over there in the President's office for the first time.

H.M.Jr: Did somebody catch hell?

Marshall: I was giving Colonel Haislip hell because he didn't add some things I did. He said he had complied literally with the thing.

H.M.Jr: Do you want a little sequel on that? Mr. Woodring takes me before Cabinet and he said you came in to see him and I had a lot of misinformation. So I said, "Have you got a budget officer over there by the name of General --" What is the name?

Marshall: Colonel Haislip.

H.M.Jr: No, it was Lowery. He said, "Yes." I said, "Everything I have got comes through the General." He said, "Then it must be right."

Marshall: He has reversed himself.

H.M.Jr: I said, "Isn't he a man we can rely on?" "Oh yes," he said, "it is all right."

Marshall: The whole thing is intensely complicated and that is the way it boils up at the present moment, with one or two minor additions that I want to bring up. Then for the benefit of Colonel Dasher and Mr. Martin and the conversation between the Secretary of the Treasury and the President, at which I was present, I brought up the fact that

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we were talking now on all the things that were under discussion here at the moment pertaining to matters for which delivery could not be made under a year at the minimum and mostly a year and a half or two years.

H.M.Jr: May I interrupt you? That is for the money already appropriated.

Marshall: That was for the - that stuff, which is now, with the exception of about six million, is all on the approved budget and is before Congress. Either it is on approved 1940 budget or that supplemental budget of 18 billions the other day. With one minor exception there, that the House added 14½ million over the approved budget, which I assume is included in that. So I moved, as you recall, from that materiel to men, as to the things that we had to have right away. There were certain things we could do immediately, if we should do them immediately, and I represented to the President that there were two things that should be done. One was, we should be allowed immediately to increase the strength of the regular Army within the present fiscal year, that is, before July 1, 1940, of 15,000 men to which I had referred before the House Committee in which I had represented the details of to the Budget, which were needed to complete incomplete units at the present time which are on far too skimpy a basis and we would like squadrons and battalions of existing units of this small force to which you referred of 75,000 men, which we could move right out. That is something immediate and I am putting that very carefully, because there is something I think is not a supplemental estimate affair, but rather in the emergency joint resolution affair.

That being the case, here is the - a draft of the proposed joint resolution which carries the force, incidentally, up to July 1 of this year and then the other estimates go on beyond and that is what it does.

H.M.Jr: Well now, let me just get these things together.

You gave me - now, this thing that you gave me yesterday, is that the first year's cost? Is that the same thing?

Marshall: I think I will just withdraw that now, because I have got the thing on a better basis.

H.M.Jr: You want to take that back?

Marshall: Yes, because that doesn't fit in the general presentation.

H.M.Jr: All right. And this is the substitute?

Marshall: That is a memorandum for your information to show you what that does. Here is the joint resolution.

H.M.Jr: And these two things would go together?

Marshall: Yes, but this isn't a matter to be put forward in the form of any formal proposal. This does that.

H.M.Jr: This does that?

Marshall: And I just wanted to translate this joint resolution into the terms of what it actually does for your information and for the President's information.

H.M.Jr: I see.

Marshall: I will try to reduce that to its simplest form, so that to see why we think it should be a joint resolution rather than an ordinary supplemental estimate.

Dasher: Well, it is a supplemental estimate just the same; it just takes the form of a joint resolution rather than a regular bill.

Marshall: Of course, I am a layman when it comes to the political and the machinery of the thing, except this, that the time factor is now the important thing and I want to get the thing started just

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as fast as we can and we are ready to do it on 24 hours' notice and we can get the people before July 1.

H.M.Jr: Now, your number one proposal --

Marshall: Which is right here. This is the thing that does it. And that is what it accomplishes. In other words, on that first sheet I gave you, to maintain until the end of the current fiscal year and equip with essential items a force of 15,000 men.

H.M.Jr: This is number one. And that is before July 1?

Marshall: Now, I am talking men now with the things that go along. I am not talking critical items of materiel.

H.M.Jr: And the 17 million dollars would go --

Marshall: For the present fiscal year.

H.M.Jr: For these eight things.

Marshall: Those are the things it does and that is the reason we need it right away.

H.M.Jr: When you say, for instance, completely mechanized brigade, two million dollars, I take it that that two million dollars goes for trucks or whatever it is.

Marshall: No, sir. That goes largely for men, you see. We have got two regiments there in that brigade and each one is like a squadron. I want to put the squadron in. I have got the materiel.

H.M.Jr: This is just men, this is not material other than --

Moore: That includes everything. The critical items are practically all provided for.

Marshall: This is not critical items.

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H.M.Jr: Does it include ammunition or tanks?

Marshall: Keep the thing clear. You are not talking about critical items.

Haislip: For the 15,000 alone, now --

Marshall: Now wait a minute, we are not talking critical items, because that takes years and I am talking about a week.

Dasher: Critical items are those things that are non-commercial in character and it takes a long time to produce.

Haislip: This sum and that sum and that sum are critical items.

Marshall: In other words, you have got one million eight hundred fifty-five thousand of critical items there.

Haislip: For that 15,000 men.

Marshall: Well, the breakdown, then, is on the second sheet there.

H.M.Jr: Is there another sheet that goes with this? I have got two sheets.

Marshall: That explains this circular. If you turn this over there, in relation to this, here is the breakdown.

H.M.Jr: That is what I wanted. Salaries --

Marshall: We have taken the items just the way they are given. In other words, we are making pack artillery. We have to get mules, we have to get out some kind of equipment to put these fellows in, sometimes wooden buildings or something of that sort.

H.M.Jr: That is men, it isn't dollars?

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- Marshall: That is just what the units are.
- H.M.Jr: I mean, that is 4,000 men to go into six divisions, do you mean?
- Marshall: That is what it does. And here are the details necessary to implement those men and the joint resolution to get the money for it.
- H.M.Jr: I see. I am getting it now.
- Marshall: All right, sir. Now then, if you go back to your original sheet, look down there to the - to maintenance during the fiscal year 1941, 15,000, and to maintain and equip 38,000 additional men. That takes the Army to its authorized peacetime strength of 280,000.
- H.M.Jr: To maintain during the fiscal year 15,000 increase and to maintain and equip 38,000 additional would require one million more?
- Marshall: You are taking up the previous 15,000 into the 1941 year there.
- H.M.Jr: That only begins after the first of July.
- Marshall: Yes, sir, and the third sheet after that.
- H.M.Jr: That 91 million, does that include everything for 48,000 men?
- Martin: No, sir, it does not include the critical items of material.
- Marshall: You haven't got the critical items.
- Martin: That would mean that 240 --
- Haislip: That would mean that 240 million would be added.
- Marshall: Oh, yes, that is the complication there. We have got one clear-cut material thing which comes later.
- H.M.Jr: Let me just do this thing once more. The 17 million men - 17 million dollars, you can

- 12 -

recruit 15,000 men between now and the first of July?

Marshall: Yes, sir.

H.M.Jr: And there will be other items, I take it, which you are going to explain and which you will need.

Marshall: Out of that 17 million, for instance, we now have their pay and their travel and subsistence, the horses, the temporary shelters, the clothing, the additional hospital facilities, the signal equipment that they need, the medical hospital department, certain engineer service that is involved in there - I am using the technical terms of that - ordnance service and supplies, the gas masks and things of that sort which are 10,000 in the next to the last item, and the organized reserves, meaning officers of the Reserve Corps in the junior grade of lieutenant. We are not asking for any higher grades at all.

H.M.Jr: Now, on the next page comes salaries.

Marshall: Roughly, the same thing, except there, as I understand it, they are not critical items.

Haislip: No critical items in there.

Martin: May I ask one question? The fifteen million two ninety, which is on page two, that is fifteen million of the seventeen million, that is a comparable figure to the nineteen million. In other words --

Marshall: Exactly.

Martin: In other words, couldn't we eliminate that confusion and include all the critical items in your 240, rather than confuse that?

Marshall: Now, you have got me mixed up a little, too.

Martin: You see, Mr. Secretary, this first group of 15,000 men they are asking not only for the

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essential items, but critical items of equipment that require a long time to secure.

- H.M. Jr: For the fifteen thousand?
- Martin: For the fifteen thousand. But the second item, the 38 million for 1941, that 91 million includes only the essential items.
- Haislip: Because at the same time we are asking for that, we are asking for critical items in this other group. For 15,000 men, if we get them, they will be provided with no critical items of equipment.
- Marshall: But you mean it takes so long anyway, you don't see why we can't take the five or six weeks' delay.
- Moore: As a matter of fact, it can be done.
- Marshall: It would be simpler to do what you say instead of what we have done.
- H.M. Jr: Name a couple of critical items.
- Dasher: Any kind of weapons.
- Marshall: Anything that is non-commercial and takes a long time to get. For instance, an ordinary truck is what we call an essential item. We procure that within a reasonable length of time; but a gun or military powder or something of that sort that is purely non-commercial, there we just use the term critical item.
- H.M. Jr: The 17 million for 15,000 men includes the critical items, but the other does not?
- Marshall: Because we have got that later and the suggestion is made, which I think is excellent, that the second column which you have got be washed out and included in the other.

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Haislip: That is right.

Marshall: I think that is much better.

H.M.Jr: What are you going to wash out now?

Marshall: One million 855 thousand.

H.M.Jr: You are going to wash it out?

Marshall: And add it on the general critical items, which is coming next.

Dasher: Take it out of the first item and get it in with all the critical items.

Marshall: In other words, we accept a theoretical delay of five to six weeks in getting the order, which in the end I don't think is material at all.

H.M.Jr: But you are going to wash that out and I take it come to a figure now of critical items now for 280,000 men.

Marshall: No, I will explain that later.

H.M.Jr: All right.

Marshall: Now, that finishes those two sheets. I want you to take this one, which covers the President's request on this. Have you got the one on anti-aircraft there?

Haislip: Yes, sir.

Marshall: Attached to the sheet I have just handed you, attached to that sheet I have just handed you --

H.M.Jr: Do you mind if I take this back, because in my report - I have got my stenographic notes on there. Otherwise, we are going to get all mixed up. Thank you.

Now, if you will look at the attached too --

Marshall: There is the memorandum that the President directed us to submit. I think I gave you a copy of that yesterday.

H.M.Jr: General Watson did.

Marshall: Here is the memorandum the President directed us to submit regarding anti-aircraft, and to which I added the last two paragraphs, which were not in his direction. In other words, this anti-aircraft is of great importance. It is largely of defensive nature. Now, in submitting this statement of purely anti-aircraft deficiencies, I would like to comment on the fact that there are equally serious - that is the important part - shortages of other items of materiel. And then I can give you those items.

That first item, Mr. Secretary, is a new gun. 155 guns and 75-millimeter guns. Three and a quarter million dollars for 48 105-millimeter Howitzers. That is a new gun. We ought to start making those additional guns right away. I may say from the political standpoint we are always being attacked because we have modernized 75's, rather than asking for a new gun, because the Germans happen to have it, and I tell you now that if we had accepted the proposition of taking a newer model, we would have had to spend almost 300 million dollars for the ammunition reserve, for which we already have a fair reserve for the 75 modernized gun, so that on a business basis it was the modernized, rather than to merely say this is something more modern, we must have it. But we should go along with getting it and this is the go-along here, including the ammunition for them. Three and a quarter million dollars for 48 of those guns, those Howitzers and right above it is the ammunition for it.

Then I say eight 155-millimeter guns. I ask you there to bear with me on a complication. We use the word "gun" in one sense and "Howitzers" in another. Gun is a long-range weapon and the Howitzer is a high-pitch weapon. We have 155 Howitzers and 155 guns. We ought to begin to get some of these new guns, because

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it will play a vital part, and then we have 24 eight-inch Howitzers which are of a new model and much more effective and I can explain that by probably comparing it to what we saw in Life sometime back when Hitler gave one of these great parades when he was trying to terrorize everybody to meet him without fighting. They showed all those tremendously heavy guns with great mobility. That is roughly what this is. Then we say 12 75-millimeter pack Howitzers. Now, I think all of us ought to have a pretty fair understanding of what we are talking about. A pack Howitzer is a gun you put on a mule's back. We are now talking about Central America and South America and maybe the Aleutian Islands and Alaska. That is something you can take off a boat and run where there are no roads and it is the first thing we would need if we had anything of that sort, so that is the reason you find we are after men for pack artillery and we are after guns of a more modern type, the pack Howitzer. We already have three-inch pack guns that we can use, but we need pack artillery for anything we might have to do in the Caribbean area or the South American area and we need the Howitzers.

Dasher: What we used to call mountain artillery.

Marshall: Yes, that is a better term. 25 million dollars for the guns and ammunition for aircraft. There I would like to explain that when we came into the aircraft program a year or more ago, the insistence was on a certain number of planes and the amounts were limited, so the trimming was done in the reserve planes and things of that sort in the equipment for the plane and we came out with more planes than we did with equipment. Now, that is vital. That is the thing we are trying to get now on a comparable basis to other states of preparation. If you will recall yesterday when we finished with this, the President said to add to it the speed-up money.

H.M.Jr: That is right.

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- Marshall: If you will look at your front sheet, here it is broken down. Mr. Moore wants me to add one thing, that since a year and something ago in this business, we have had to discard 30-calibre guns in the Air Corps.
- Moore: They have no effect whatever.
- Marshall: We have to get a different calibre gun, which means wearing out a great many guns of that kind.
- Moore: They found one airplane with 10,000 holes in it.
- H.M.Jr: Well now, let me get this thing. This sheet here, the cost of speed-up is ten million dollars and then you have got the cost of new items, anti-aircraft, and is everything on this sheet --
- Marshall: This is the breakdown of that, including the President's direction to speed it up. That is translated now into the --
- H.M.Jr: Well now, let me ask you this: Supposing you got this money which totals 158 million dollars, roughly. Are you going to give me another picture of funds?
- Marshall: Yes, sir.
- H.M.Jr: I would like to come back to this, because I think we may do the President a kindness if we sort of weld this into the whole picture.
- Marshall: I am happy to have you put it that way, because that is my great embarrassment.
- H.M.Jr: Possibly I can be helpful. When you get through, I want to give you Louis Johnson's letter to me which - and that got me all upset. I think that the trouble is - I can say this - the President is getting little pieces and what he ought to have is an over-all picture, which I don't think he has, at least if he has, he didn't indicate it yesterday.

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- Marshall: Now, here is a rough outline of the over-all picture, summarizing what I found it necessary to put into the Senate, which has not been submitted yet, of all the things we need to get under way immediately.
- H.M.Jr: This is what I want.
- Marshall: There is 640 million.
- H.M.Jr: I don't scare easily. I am not scared yet.
- Marshall: It makes me dizzy.
- H.M.Jr: It makes me dizzy if we don't get it.
- Marshall: Now, Mr. Johnson has come in with a billion and a half.
- H.M.Jr: Now, you are going to start - now, that first thing, additional funds to speed up the budget, has that appeared in any of this other stuff, the 15 million?
- Haislip: Mr. Secretary, it is included in that.
- H.M.Jr: That is that ten million, but this here is over all?
- Marshall: This is the whole business, the complete picture of the moment.
- H.M.Jr: Now, this is 15 million. This would do what - the President said he wanted every Government factory in the Army put on a three-shift basis and I take it that this would do it.
- Haislip: Private industry, too.
- H.M.Jr: Now, would this put Sperry or General Electric on a speed-up basis, too?
- Haislip: It would put it in every case where it is possible to speed up production by doubling the men.
- H.M.Jr: But would that apply to the people like Sperry?

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- Haislip: In general, it would.
- Marshall: Whatever seems a practical proposition for a speed-up, that has got it.
- H.M.Jr: Additional funds for speed-up production in the military appropriation bill. What is that?
- Haislip: That is before the Senate now, pending.
- H.M.Jr: And 18 million to supplement statements now before the Senate, roughly 17 million.
- Martin: Mr. Secretary, that refers to this particular column on that big sheet where we had - do you remember this column on this sheet in the 1941 bill? That 16 million is a speed-up --
- H.M.Jr: The billion which is pending now?
- Martin: Yes.
- H.M.Jr: And the 15 million would speed up the money, the contracts already awarded.
- Martin: Yes.
- H.M.Jr: 17 million on money already awarded, roughly 17 million to speed up - if the bill passes.
- Haislip: Yes, sir.
- Marshall: Now we come to the third one.
- H.M.Jr: But doesn't the 17 million and the 15 - the 32 million, will that include speed-up on everything that you are contemplating?
- Marshall: No, sir, you continue your speed-up all the way down.
- H.M.Jr: Remaining requirements and critical items existing in National Guard, including speed-up, seven million.

- Marshall: Now, you see there were certain things that were eliminated in the supplemental budget with the present set-up that we think we need.
- Martin: Six billion seven fifty, Mr. Secretary, was the remaining shortage.
- Haislip: If you speed it up, it comes out seven billion, 159.
- Moore: Roughly 30 percent for speed-up.
- Marshall: Now, you have got the speed-up for everything we now have under way and that is now up on the Hill.
- Dasher: That is right.
- Marshall: Except that shortage of six million and that is stuck in there, too.
- Martin: That is in there.
- H.M.Jr: Remaining requirement of essential items for existing units of regular Army and National Guard.
- Marshall: Now, Mr. Secretary, we are talking about essential items. Those are more of a commercial variety and more readily obtainable than the critical items, which are largely munitions, plane munitions, ammunition, weapons, and so forth.
- H.M.Jr: That would take care of how many men?
- Haislip: That takes care of the present regular Army and the present National Guard.
- H.M.Jr: Does that take care of the 462?
- Haislip: That is right.
- H.M.Jr: Do you call the existing units when you haven't got the men recruited?

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Haislip: Well, we have the 462 now.

Dasher: That is called the I.P.F., you know.

Moore: 227,000 regular Army and 223,000 --

H.M.Jr: How about the difference between 227 and 280?

Martin: We haven't reached that yet.

H.M.Jr: But this would take care of 462?

Dasher: That is right.

Marshall: That is giving the necessary things, transportation for weapons and for supplies and --

Moore: Clothes.

Marshall: Things like that for existing people.

H.M.Jr: Now, if the President asks, "Give me a breakdown of this 74 million," you have that?

Marshall: Yes, sir. This is a skeleton of the statement, you see, that we have been called upon to submit.

H.M.Jr: 27 heavy bombers as a reserve.

Martin: Let me ask you, General, are these the 27 that you have asked the Senate to restore?

Dasher: No, that is just a statement.

Haislip: That is in addition.

Dasher: This is just a rough outline.

(Discussion off the record)

We have in numbers for existing units of the augmented Air Corps, we have no reserve planes of the heavy bomber type and that happens to be about the best.

H.W.Jr: 53, your heavy bombers.

Marshall: 60 have been delivered and we have 118 coming. Let me pause here for a minute. There is a complication there in your money in relation to what is going on up on the Hill. The acting Chief of the Air Corps states the present procurement program cannot be accelerated unless this present procurement program is augmented by such an increase of planes over and above the present program as would justify an increase in existing productive facilities. This would also involve an increase in the strength of the Air Corps; personnel, that is.

The War Department has asked the Senate Appropriations Committee to increase the amounts now carried in the House bill by 20 million 861 thousand, an order to provide 109 planes for the maintenance of combat units. The House had cut the 496 to 57. We asked the Senate to restore 109 of those. It is entirely agreeable to us to eliminate 330, because of our policy as to foreign sales.

Now, the Senate Committee was also informed that it is very desirable to provide 27 additional heavy bombardment planes at an estimated cost of 14 million 182 thousand to complete an operating reserve in that type now. The status of estimates is now as follows: 57 planes, 6 million 537 thousand provided by the House; 109 planes, 21 million 861 thousand submitted to the Senate; 27 planes, 14 million 182 thousand requested by the Chief of the Air Corps, in which I approved. A total of 42 million 574 thousand.

Now, this amount need not be included in any supplemental estimates.

Dasher: It is already up there.

Marshall: If it is to be covered in the 1941 Army Appropriation Bill. Further augmentation in the

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Air Corps personnel and equipment will not be requested - this is quite a political issue - further augmentation in the Air Corps personnel and equipment will not be requested unless the situation as it affects this country becomes more critical than is apparent at this particular time. Our opinion is that until we reach a degree of emergency where control of all manufacturing activities virtually passes to a war basis, that we would probably do more harm than good if we try to stir up the air industry in a major fashion beyond the augmentation program in which we are now in the middle.

In other words, we would get the thing so upset that we would possibly do more to delay than to augment.

Now, undoubtedly political pressure will be to greatly increase the strength of the Air Corps. That may be necessary later, but at the present time, as I see it, it is better to take the thing we have and get it going, carry it along in the most expeditious fashion we can, rather than to muddy the water at this particular moment by trying to do something on a more vast scale.

H.M.Jr:

Well, I can talk with a little more intelligence on air than I can on anything else, because I have been living with it and at the rate that these engine factories are going, they are straining so tremendously to get plants built, and everything else, that they are going great guns and we are doing it with foreign money and I don't see why that isn't pretty good for us and do you see, here as of April 30, since the first of April, the Allies have put up another 13 million dollars on top of 25 million or a total of 38 million in the plants. I mean, in the airplane engine plants. This is for just expansion, 38 million. I got a note last night that they gave - I don't think this was included, Phil, was it, in these figures? They have given Wright another 11 million dollars on top of this, so - that wasn't included, was it?

Young: It is included on this last sheet you have got last night.

H.S.Jr: But not in what I had yesterday morning.

Young: No.

H.V.Jr: So it is really 11 million plus 38.

Wahert: 49.

H.S.Jr: It is how much? Practically 50 million dollars. I was at Allison, as you know, and they are having such great difficulty in getting under way. Of course, whatever is there of the Allies, it is at your disposal if you want it. They really put 50 million dollars as of last night on the engines for just expansion and they haven't begun to get this stuff rolling. The whole of Allison's plant - I saw one finished engine.

Marshall: To amplify --

H.M.Jr: I mean, it is terrible, one finished engine and they have only got one Curtiss P-40 with an Allison engine. There is only one in the air and one on the floor.

Marshall: To amplify that statement I just read and which I am handing you there, what you have just said, we have gone on the basis in our - the decision of the last paragraph there that with the Allied orders, the tremendous productive capacity that we are building up, we have our protection there, because always if it gets to the final emergency the plane is here in four times the numbers that we would normally have for ourselves.

H.S.Jr: You would just take it.

Marshall: Yes, which puts us in a much stronger position than if we upset the whole thing to get something purely for ourselves and still more frankly, I assume that it is at least confidential public policy not to do things that will cripple the Allies.

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- H.M. Jr: Those are the orders I am sailing under, anyway.
- May I just take - do I understand this figure for 42 million - is this in here or is that already up?
- Moore: That is up before the Senate.
- Marshall: That is to explain the fact that I have in here for the modernization - I have 27 heavy bombers as an operating reserve - 14 million - and the modernization of existing combat airplanes. I am getting to confusion there in relation to what is now on the Hill, that is the reason --
- H.M. Jr: Of this 14 and this 28, they are not on the Hill now, are they?
- Martin: Not as specific items, Mr. Secretary.
- Marshall: But it may come out on the Hill in a provision within a million or two of the authorized budget.
- Martin: Yes. You see, Mr. Secretary, first let me explain to you that the war military bill as it passed the House was about 60 million dollars short of the budget.
- Dasher: 110 altogether.
- Martin: 110 including contract authorizations. Now, the Senate has a bill over there that could be stepped up to the extent of 110 million and it would still be in the budget figure.
- H.M. Jr: For aircraft?
- Martin: No, sir, for everything. This 40-odd million of the figure, I think, is aircraft.
- H.M. Jr: Just a minute. Now, you have got a figure here of 27 planes in this thing and in this. Now, do I understand that these 27 planes, 14 million

is now before the Congress?

Martini: Not as a specific budget item, no, sir.

Lashert: Well, the money is there, but not tied in specifically to 27 bombers.

Martini: Let me explain this to you. The money is there in this sense. We set up in the budget money for replacement planes to the extent of 496 planes. The House cut that down to 57 planes. That difference is something like 40 million dollars, I believe. Now, when that bill gets over in the Senate, the conditions have changed and the Senate is calling for the latest information. Major - General Arnold has been up there and he has asked for the restoration of 109 of the reduction made by the House, which will make instead of 57 that is now in the bill, 166 replacement planes.

Marshall: That is still within the budget, you see.

Martini: Still within the budget. Now, the 27 bombers that he needs in addition, I think he has indicated that he would like to have those in lieu of 103 combats. Is that right?

Haislip: Liaison.

Moore: But there is no money available. They - I was present at the hearing. The Senate asked him if there was any way he could use additional money and he said yes, he would like to have 27 of these heavy bombers and it hasn't been processed, it was just testimony before the Senate Committee.

H.K.Jr: Let me ask you, in this letter I have from Johnson, he asked for 400 heavy bombers. Of course, that is based on what somebody else gave him.

Marshall: That is going into a new program of genuine - a war basis, which we would have to start to do if it passed to the next status. You

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see, the minute you pass beyond preparation and go toward the actual war set-up, then you get in tremendous figures right away. There is the first one of them, a billion and a half, and that isn't very large on that basis. We are in a transition.

H.M.Jr: But isn't this again a piece of a picture, not an all-round program, I mean, with the Air Corps kind of --

Moore: That is only one kind of plane.

H.M.Jr: It would have to be explained to me why you need 400 bombers and you don't need a certain number of pursuit ships to protect them and so forth.

Marshall: They are giving you the best estimate they can of what they think has to happen the minute we go to the next stage in a war preparation.

H.M.Jr: Yes, but to get the picture - you are giving me an all-round picture as Chief of Staff - which you think you need, looking at the Army as a whole and not at the Air Corps as a piece.

Marshall: I am trying to get the whole picture as I see it right now in relation to industry, in relation to Allied orders, in relation to our deficiencies, as near a balance as I can get it at the moment. When we step beyond this, we are really going into mobilization, that is what it amounts to.

H.M.Jr: It is interesting that the Allied Purchasing Commission in the last two days have placed this additional stuff with Curtiss and he is in the process today and yesterday of trying to get another order to Pratt & Whitney. If he doesn't get it by tomorrow night, he is going to ask me to help him, so the effect on them is, they are really beginning to fight. So they have as of last night 50 million dollars and maybe by Monday they may put in another ten million.

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- Marshall: I might say right now that this is a procedure for which we have no historical precedent. We have never in the past made deliberate moves one after the other to build up to a preparation before we were in the business. This is one of the steps and something of that nature is the next step.
- H.M.Jr: But that is beyond, that comes afterwards. Well, I am with you.
- Marshall: And I was discussing this 27 bombers in this modernization, because when we get in an involvement of a confusion between the existing affair on the Hill and the approved budget and the additional funds we are talking about here - I have tried to keep that clear. Now, modernization of existing combat airplanes, 28 million. You understand thoroughly what that is, I am quite certain.
- Martin: Has any remark been made on the Hill about that 28 million?
- Haislip: Oh, yes, it was discussed a lot.
- Martin: So those 14 and 28 have been discussed in the Senate?
- Dasher: This is a summary of what they are presenting in the Senate.
- Marshall: The Senate hasn't received that yet.
- Dasher: No, they are going to send that up Monday.
- H.M.Jr: Well, you are going to see the President Monday first.
- Dasher: No, here is what the Senate did. They asked the War Department for information and we can't restrain them from giving it. The information is on what would be required. Now, they are building up a great big detailed statement of which this is a summary, which they are going to hand to the Senate Committee, Monday.

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- H.M.Jr: Well now, may I interject? This is a question of getting reception. Certainly I would telephone the President to stop at first until he had a chance to look at it, because the President told us to come back to see him. Now, he may say he wants more or he wants less. You certainly want his backing on this thing. I think it would be a great mistake to give the Senate anything until he has a chance to look at it, a great mistake.
- Marshall: What this thing amounts to --
- H.M.Jr: I mean this thing is a question of getting the country to take it and like it. Now, the first thing is to get the Commander-in-Chief to like it.
- Dasher: That is right.
- Marshall: What they have done is this: They have passed the budget, approved budget figures and they have called on me to make, using their language, a confidential statement of everything I think is needed right now.
- H.M.Jr: Well --
- Marshall: They have gone beyond the approved supplemental budget procedure and have asked me or directed me to submit to them a confidential statement, to use their terms, of what I think is necessary and what is the position I am in right now.
- H.M.Jr: Well --
- Marshall: And it hasn't been finished yet and here is a summary.
- H.M.Jr: All right. You and I are in agreement if you get the President - if you go up and say this has or hasn't got the approval of the President, your whole position will change.
- Dasher: He has to do that anyway. When he gives this to the Senate, he has to say they asked him for his personal opinion and here it is. They

are put on notice it hasn't been submitted to the President.

H.M.Jr: That leaves the General in an impossible position.

Martins: I think it does, too, Mr. Secretary. It would be so much better for the General to say that this is what the President thinks.

H.M.Jr: I don't know what went on, but on that Air Corps business, you fellows stalled for a week, didn't you, so the General can stall for a day.

Halslip: They are completing the hearing Monday.

Marshall: I see they have come out publicly by stating that they want to present my statement to the President. Of course, that is a fine one for me.

H.M.Jr: Well, when we get through here I will call up Watson and we will talk to him.

Marshall: But that is the situation as it stands now, but this is the summary of this thing we have hurriedly gotten together. I don't imagine there is any particular discussion required in connection with the 28 million for the modernization of the existing combat planes, except for me to say that we have been robbing Peter to pay Paul to do some of this modernization.

Now, we have got to come out clear funds to do it.

Dasher: We have been using spare parts money.

Marshall: All sorts of circling ways to get at the thing. Now, the additional amounts for the sea coast defenses for Porto Rico and Panama. That, for Porto Rico, is about three million dollars, isn't it?

Dasher: Three and a half that the President approved of a seven million dollar project.

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- Marshall: You people, in other words, have already been into that.
- Dasher: We are sending that up for the second deficiency bill, three and a half million dollars.
- Marshall: The other part is additional anti-aircraft for the Panama Canal. I might say now in connection with that, this is the practical aspect of the situation. We have changed Commanders down there. We have got a much more level-headed Commander. We have gotten away, confidentially, from a certain degree of senility. This is straightening that out, since I have down there and General Arnold and General Strong and General Moore have been down there, and General Voorhees has been fixing it.
- H.M. Jr: Nothing ever leaks out of my office. Nothing ever has.
- Marshall: I might say in connection with that, Mr. Secretary, that the Commander down there, General Ridley and Harwell, his staff officer, who was an artillery officer, had an elaborate program of sea coast defense. I threw it out. I think we need a very moderate one of just using some existing one-inch guns, but we need effective air protection there more than we do an elaborate sea coast thing, so I refused from my point of view to go with them on the 16-inch guns and other elaborate installations and I don't think we need it. I think it is unnecessary expenditure.
- The next item is the provision during the fiscal year 1941 for the increase of 53,000 enlisted men. You have got that there.
- H.M. Jr: I have got that.
- Martin: That recommends the --
- Marshall: The essential part of it, including certain temporary construction. I want to ask you very particularly, Mr. Secretary, - unfortunately, in

the way of the list of items which is prepared there, they are in the order in which they come from the budget, keeping arrangements, and that presents a very tempting proposition for cutting out various things there that don't look essential, but they are practically vital. I made them put in here - they are barracks and quarters. Well, I thought the President would see 13 million more for that and his reaction would be, "Well, we shouldn't be spending our time with construction." That is merely a frame thing to get these fellows in out of the slush and snow. It is cantonment construction. We have to have it. We took a terrible beating this winter with these people and camped down there with the thermometer down to zero month in and month out with nothing but their kitchen and a piece of mess hall where the men could assemble inside a tent. That was in the South and we have got to have this thing, so I am very hopeful that won't be cut out. These things are essential to the implementing of the thing. You have got to have them in their various aspects and it is merely the accounting system which gets them into that unfortunate array, but --

Casher: Construction is cheaper than tents, anyway. Tents have to be replaced every six months.

Marshall: And then all of these things present an immediate availability for mobilization, which is very important. For example, out of some of the temporary funds we have got, I am having the sewage and some of the roads fixed in the camps that have been vacated in the South at Camp Jackson and at Fort Benning, because that means we can throw in a division there. We can mobilize troops immediately much more effectively than we can now. We have got to locate camps in unfortunate places and under difficult conditions, because we didn't have permanent sewage and things of that sort. I have gone ahead to have those things put in and they present assets in defense for mobilization to avoid all the scandal and incrimination that usually come up and similarly this temporary

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shelter is of the same general nature, not only needed for that, but if these troops are moved away, the thing is available for use to us. We must never get into that broadcast cantonment construction we had in the last War, because it is unfortunate to have these huge gatherings. Mobilizations should be spread out, better integrated into the communities and not present such a terrific impact at certain places with all the consequential things.

- Dasher: General, will you inject one thought there, that the use of WPA labor - we have only got now in the bill as it is up on the Hill with a reduced amount, about 20 million dollars for direct Federal projects and the Army would only get six or eight million dollars out of that. Then you would have access to the state funds wherever they would fit in and so your figures there are based on using WPA labor to the maximum under the conditions that will prevail, is that right?
- Moore: As long as time will permit. In every case that time will permit, we will do it.
- Dasher: All right.
- Marshall: I have not had a chance to analyze these figures to find out whether they have the machinery in there for road construction and things of that sort.
- Moore: Yes, sir, we have made an allowance on there per man.
- Marshall: I might say there, Mr. Secretary, as long as it is a general explanation of the conditions of mobilization, that when we came into this very minor affair this winter which was a dribble of troops, only about 60,000 - 56,000, I think, in actual camp, which is a very small number, we found ourselves in a situation where we had practically no modern machinery to do things quickly in order to get the camps and things on a going basis. So we were lucky in the fact that during that early period we had

wonderful weather. We didn't know we were going to have a terrific winter, but we didn't have the usual mud. Usually the accompanying condition of everything I have seen and more that goes along with it and has a tremendous effect on morale and awakens great public criticism by its results. Now, in analyzing that thing, when I went through these camps time after time to check up what was going on and try to have them gotten ready more quickly, I found the engineers who not only had not had the engineer units in sufficient number to do anything - we would have to create the units complete out of that 17,000 that we have got, but we had no machinery with them, we had no ordinary road graders. We had no small shovels. We had no air compressor things to run the drills and the saws and things to do the work of a hundred men in the very same time as one man would do it and it took us months to get these things for the few engineer units we had in there. Had that been a National Guard mobilization which we might visualize here later on, we would have these people in camp all over the place and we would have a serious problem on our hands, because we lacked things of that nature which go to make the machinery run and which also are needed urgently the minute we send troops anywhere outside of this country. You tell me you have that in here.

Hooper:

Yes.

Marshall:

But there was one item of our unpreparedness which seems a very simple thing, but we had never - and I am using that word accurately - been allowed to get anything of that sort and we just went all over the country to try to rent it to do anything we could to get it and I thanked God I was only involved in a little force who don't dare complain. Their discipline is such we don't hear anything from them. Had that been a volunteer army, we would have had Mr. Wenchell on the air twice a week attacking the Army. I am just trying to make a picture of the necessity of these things and

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we are trying to get this thing on a basis to avoid all that recrimination. That is the reason it is important not to cut out certain essential things that we have in it.

Now, I will get down to my next item. Remaining requirements in critical items of equipment for the Protective Mobilization Plan force. Now, there is your big critical item.

Martin: Is that the million two, General?

H.M.Jr: I can't hear, I am sorry.

Marshall: Protective Mobilization Plan force. It is 750,000 men organized or in ranks and 250,000 men for replacements.

Dasher: Plus the officers.

Martin: In other words, Mr. Secretary, above this figure we have been talking about is what is necessary or critical and essential for the 280,000 regular force, plus the National Guard, is that right?

Marshall: No, the I.P.F. is not 280,000. It is only at present 227.

H.M.Jr: I am going to ask you, will you get this thing on different pages, because I know how the President likes it. Up to this point, you have been talking, I take it - up to this point, to equip as rapidly as possible 280,000 men. Is that right?

Martin: The regular Army and the National Guard.

H.M.Jr: That is the 462?

Martin: 462, plus the 53.

Marshall: No, we are talking above this line about the Initial Protective Force, which is not 280.

H.M.Jr: Are you going to go to the 280?

Dasher: When you go above what you have got now, you are approaching the P.M.P.

H.M.Jr: Is there a chalk line on what it costs to - to put 15,000 men on and then the balance between that and 280?

Marshall: That is what we had when they had this critical item of 15,000 here which they thought better to transfer.

Martins: Isn't the Secretary right, that you draw the line here? The next step gives the critical items of equipment for this 38,000 men.

H.M.Jr: Could you do it this way? It would clear me, and I take it what the President wants is for me to understand it and then maybe I can explain it. The first thing is item number one, if you will bear with me a minute, which is the 15,000 men, is that right, and those 15,000 men - and then the money asked for is to fully equip them with everything.

Marshall: That is what we have down here.

H.M.Jr: He has got to decide, gentlemen, "I will go so many steps." Now, that is step number one. That is what I put it down the way I started to put it. That is step number one and it is going to cost so much money to take 15,000 men and fully equip them, is that right?

Marshall: 17 million --

H.M.Jr: Step number two is the difference, what is left --

Haislip: 38,000 more.

Marshall: But before you leave step number one, sir, you had better, unless you are just going to make personnel one page and equipment one page, you have got all these other things.

Dasher: Can I make a suggestion? Why don't you make him up a table like this, I.P.F., what you have got now?

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H.M.Jr: Talk in terms of men.

Dasher: I.P.F., 462,000 men. That is the regular Army plus the existing National Guard. What have you got, what do you need --

H.M.Jr: You can't do it that way.

Haislip: We could, Mr. Secretary, but it isn't a question of what we have got. This is what we need.

H.M.Jr: Now, wait a second. You have got here - here is 640 million dollars. Now, I needn't tell you that you could incidentally get my support and positively get the President's, the latter part is important. These are a series of precedents. If you go along to 640, you have got to draw up a message for the President to sign increasing the debt limit, so I mean this is an all-round fiscal picture as well as it is to the Army and in presenting it to - he may even want to go on the air, go back if you wish. I am thinking out loud.

How much does it take - well, let's do it in an entirely different way. These budget men told me today you could put 75,000 men in the field with modern equipment. General Marshall says 80. I will take his figures. All right? By the first of January, how many men can you put in the field and then six months later, there are two ways to go after it, see, because I think if the President of the United States said if he had to put a fully equipped modern Army in the field today he could only put - using your figure, 80,000 - is that correct? He wants to be in a position that by the first of January he can put "x" number of men in the field and it is going to cost so much, Mr. Taxpayer, and by July 1, 1941, if you give him so much money, he can put "x" number of men fully equipped into the field. In other words, instead of saying 640 million dollars - my God, look at all the money they have got now, but gentlemen, ladies, we can only put 80,000 men in the field and in seven months hence we can

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do so much and 13 months hence we can do so much and I think that would impress the President and would impress the country. I am trying to think of it from the standpoint --

Marshall: I am deeply sympathetic with you.

H.M.Jr: Now, we will end up - I hope that you get what you want, but you have shouted for it and you haven't got it yet. Now, let's make it both palatable and sound.

Marshall: Now, let me, if I may discuss some of the - the general idea you just brought up. Take the --

H.M.Jr: I am still --

Marshall: This list here of items that I have read and gone down to the middle, where it says additional amounts for sea coast defenses for Panama and Porto Rico, that is 15 million 980 thousand dollars. Above that are the requirements not only for the missing critical items and for the essential items for existing units of the National Guard, whatever you call them, Initial Protective Force or anything else --

H.M.Jr: Above the fifteen.

Marshall: Including the 15 million and going up to the top, are not only the requirements for the missing critical items and the immediate essential items for the existing --

H.M.Jr: Now you have got the idea.

Marshall: Existing troops of the regular Army - I am getting to the complications - but there are also the amounts for the speeding up of various things. Now, --

H.M.Jr: Could I interrupt you?

Marshall: Yes. Let's just stop through the fifteen. Could you say this --

H.M.Jr: You like me to use the figure of 80,000 men today, don't you?

Marshall: I would have to finish that first.

H.M.Jr: You finish this.

Marshall: Now, you might say then that if we add to that the requirements for the 15,000 additional men we are talking about, to accomplish - implement within this fiscal year, that that would be the first total you were speaking about, including the 15,000, if we added the 17 million to it, which gives the additional critical items needed, but when you go down below that, you find several other things that I don't know which side of the picture they go into. One, for example, is the essential facilities to speed up ammunition production. That can't be translated in terms of 70 or 80,000 men. That is something that has to be built to take some time, because they tell me right now that we can't get any increased orders in powder and in certain other things of that sort under 22 months, isn't it?

Baislip: 22 months.

H.M.Jr: We can't even place the thing under 22 months unless we build certain structures which are purely non-commercial in nature that have to do with loading and powder before we could even start to do this.

Please emphasize that to the President, because he told me so often that it is just a couple of shakes, that I went down to Indian Head to see it myself and I came back and said, "Before you go on the third shift, you have got to spend the great sum of \$80,000 to get some machinery which you can't get under five and a half months," and he issued the order the next day and he issued the order to get them the machinery, but he has got the idea for some reason or other that a powder factory is just four walls of tin.

Marshall: If you recall a little over a year ago when we were having the discussion of the plane program, we came in there with 300 millions of materiel money of which 110 millions, as I recall, was ammunition alone and if you recall the conversation, the President said the Indian Head plant could take care of all of our requirements. They couldn't even take care of their own.

H.N.Jr: On the first of June they go to 25,000 pounds a day and in six months they can go to 40,000 pounds.

Marshall: Well, at the present time we have a deficiency of 12 million and a half pounds of powder, a deficiency of that, not to mention the fact that of the existing powder, 45 million pounds are World War powder and we can't use that for reloading. We can only use it in the thing that is in for immediate use. It is a question then of just how valuable that is and Colonel Burns, our principal brain, I think, in the procurement end, and he is executive also for the Assistant Secretary, when I turned to him about what - how he valued this 45 million of old powder, just what its quotient of deficiency was, just as good and no better than a 62-year-old Brigadier General. In other words, he was almost contemptuous of it. They say that has a value. There is 45 million pounds of war materiel that is figured in as being available. We have 47 million pounds of powder, of new powder, but if you take the grand total that you think we should have for the P.M.F. and we have to go into terms of powder for that, even with the 45 million pounds of old powder, we have got a 12 million and a half pound deficiency, so that roughly is that.

Now, I get back to this thing. Here are essential facilities, meaning reloading plants, meaning powder things, which I am assured are absolutely vital if we try to get these other things. That this is a requisite, this is a prerequisite of any war program --

Haislip: It is a prerequisite of the 297 million.

Marshall: It is of number one priority. Now, where do you place that? You can't relate that to 280,000 men. I am just getting into some complications there. We could put that above the line here as the immediate things that must be done right off, but we still have the complication that it can't be compared across to a certain number of men. Now, let me discuss the 80,000 men and my complications are how to put that picture. That is a ground force. What we call mobile troops, that is, infantry, artillery, cavalry, mechanized troops, anti-aircraft, engineers, signal troops, medical troops, and all of the ordinary soldiers that go in the Army prior to the war in air, things of that sort. It does not include the coast defense troops. It does not include - that is, the coast artillery troops for coast defenses. It does not include them. It does not include the foreign possession troops, and I might say that those are in a reasonable state of preparation except for the deficiencies in Porto Rico and Panama. Hawaii is very well fixed.

H.K.JF: What about the Philippines?

Marshall: That is something we can do almost nothing for until we have more modern planes and until we have the material to spare and the available men to spare to send about 10,000 men out there and to send quite a considerable amount of anti-aircraft material out there and then put in modern bombers. The air defense would be the most effective thing. But unless you go in with at least 20,000 men with all the stores of ammunition and anti-aircraft material which we haven't got at all now to furnish them, it would be just pouring that much down a rain barrel and putting them in a terrible predicament.

Now, in addition to the fact that the 80,000 doesn't include coast defense troops, doesn't include foreign garrisons, it also does not

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include the personnel involved in the air force, which is some 45,000 men. Now, we have those 45,000 men. I am just trying to get at the difficulty of presenting that figure. People have a very hard time visualizing this business of an Army. The Navy gets together in a fleet and you see it, but this thing is scattered everywhere, but it has never had a mobile force in this country that we could send to the Caribbean, we could send to Brazil, we could send to Mexico, if anything came up, and we could use within our own borders for defense. That is the 80,000 that we are talking about of these seasoned soldiers and not National Guard.

Dasher: What we call the mobile combat troops.

Marshall: The mobile combat troops. Now, it doesn't include this, which is of great importance. It doesn't include overhead. Now, there is also a tendency to lop off the overhead, but the overhead is this, it is the things that enable us to make the rest of the business function. You might turn around and hire civilians for depots and arsenals and things of that sort, but you have got to get them just the same. But it means also the troops at these big schools that we have got to have, because the more the increase, the more the training we have to do and if we have to take the units away from the divisions to put them into schools, that merely means that the minute we pass to a war basis, the school goes out of operation, because we take the troop away from it at the very time the school has to quadruple or more in size in order to accommodate us to the people we need.

Dasher: Service troops.

Marshall: So that when we get into overhead, always the thing has been cut because we were trying to create other units. I am merely trying to state all this to show the complication of stating the 80,000. That has been our great deficiency, so we have talked about it a great deal.

When you come to the 80,000, there is another complication, Mr. Secretary. From our point of view in handling these people against emergencies, those are regular seasoned soldiers. Those are at peacetime strength. They are not at war strength. A company, in other words, is something over a hundred and - around a hundred and ten men, we will say, when it is war strength, it is around two hundred and everything else is on the same basis. Now, the enlisted reserve, which has a strength of around 30,000 now, it is a gradually growing thing and as men pass out who are still under 35 years of age, the enlisted reserve enables us by a quick telegraphic order to bring in men who have the training and quickly put them into these units and carry them up to a war strength of over 100,000, but the youth itself can be used immediately. It is of such strength to be workable. It is of a sufficient strength to be workable. Here is the point. We are confronted with this possibility and in any entry into the War with a problem that we have to send people to various points in the Caribbean area or into South America and send them just like that - that is where the mobile troops of seasoned soldiers of the regular Army come in. But we must have such a number that we can immediately send a division here and a division there, we will say, up to four and maybe even five divisions and not leave us flat back here in the United States without any means for the Federal Government to stabilize what may be a very chaotic situation in this country due to unrest of one kind and another. It isn't conceivable that we would have a regular establishment large enough to be sent out as a great force to this place or that place, but it is probable that we must have divisions and at least two corps, meaning corps troops of 10,000 each of this heavy artillery, that we can send very quickly to the various places in Mexico, in Central America, or into the Caribbean - southern Caribbean area that we can send very quickly and we must have something left in this country of a mobile force.

That is about all we can do with a regular garrison. At the present time it is too small. It is only five divisions. We have pieces that with this 15,000 we would get six divisions right away. We would get this mechanized force up.

I am asked up on the Hill - well, several Senators and Senator Connally from down there in Texas and other pretty powerful Senators, they say, "Why do you want a mechanized force?"

One of the most effective things we have in case of trouble in Mexico where it might be fomented by Japan or Germany and particularly dangerous now when they are bringing in all of these Spanish refugees with God knows what inclination, and with the German influence there already and with the Japanese people working on it - there is something we can use in a minute. All northern Mexico we can almost handle with that unit and the cavalry we have. But the cavalry, to exaggerate, is almost all overhead rather than fighting. The number of actual fighting cavalry troops are so skimpy that this thing needs to be carried out and one of the things we do, when we go up to 280,000 is carry that out. I don't put that on the 15,000. I can't afford to increase the cavalry division for that purpose and yet it is very important that it should be increased.

A little later, as soon as we can in the major problem, to make - we should make its effectiveness on the southern border comparable with the mechanized forces. The mechanized force lacks two squadrons. I want this reconnaissance thing. Instead of being a little skimpy 500 men, it would be 200 - we would borrow 80 men from a regiment which we have taken all to pieces. I want it to be a normal strength. That is what we are talking about when we come up to 280,000. It isn't a very big force we use as a solid block. We cannot have that in the regular Army, but it does give us the units to use in

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these various places and still leave us something back in the United States, but when you are talking about 280,000, that is not war strength. The next move is to carry the regular Army to war strength.

- H.M.Jr: But this money goes above the 462, doesn't it?
- Marshall: Yes, this goes to the regular Army. This doesn't include the National Guard.
- H.M.Jr: Have you included here everything that you need to put the 280,000 on a war strength basis?
- Marshall: We haven't included the additional men. 280,000 is only a peace strength basis, but it is an operative basis.
- H.M.Jr: But is everything in here to put the 280,000 men fully equipped on a wartime basis?
- Moore: Except some of the critical items.
- Haislip: Yes, sir, but they are in the 279 million.
- H.M.Jr: But this would put 280,000 men in the field fully equipped?
- Haislip: Yes, sir.
- Marshall: When we say fully equipped, we are going to use some of the World War stuff.
- H.M.Jr: But they will be - let me put it this way to you.
- Marshall: Let me interject again. You said in the field. When you say 280,000, you are talking about Panama, Hawaii, Porto Rico, and so forth.
- H.M.Jr: That is right. How much of the 640 goes over and above the 280? What figure do you use, the 280, or what figure do you have in mind?
- Marshall: 280, so far as the regular staff is concerned, is an intermediate point between the existing

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troops which we call 462,000 left in this country and National Guard, and we call them the I.P.F. and the P.M.P. It is in between.

Dasher: It is a bit toward the P.M.P.

H.N.Jr: How does it go toward the bigger force?

Marshall: On the regular side, it goes to within 50,000. In other words, the regular Army should be - of the P.M.P. - should be about 330,000. That is the war strength of 270. The 280 is peace strength.

H.M.Jr: Yes, but some of this money is going to go over and above your 480, isn't it?

Marshall: Some of which money, sir?

H.M.Jr: 640 million.

Marshall: Oh yes, 640 million is for the 750,000.

H.M.Jr: It is?

Marshall: And replacements. Now, let me explain that to you a second, Mr. Secretary.

In the World War they organized divisions all over the United States, as you are familiar. The War Department felt that it could not get public backing with the Selective Service Act to having a tool for recruits. The result was, the minute we got over there and into the struggle, General Pershing had to break up complete divisions as they landed in France. They had been trained and their morale worked up in certain localities in this country. He had to take them all apart and right from the boat onto the trains as individuals to fill the ranks of the troops they were relieving. When we say 250,000 replacements, we mean we are not going to do that again. If we say 750,000 as a Protective Mobilization Plan, then we must have the replacements against casualties by fire, by sickness, by camp diseases, like

diarrhea and measles and all that sort of thing, by dereliction and everything, so that always we have 650,000 men, but those are the organized people and the rest are replacements, but the 750,000 is the P.M.P., but they use the general term, 250,000; in other words, 25 percent of that is merely replacements.

H.M.Jr: But you can go to 280, is that it?

Marshall: We can go to that and I have got this other item here which I was going to bring up last, because I was considering it. The authorization on a normal basis is for 280,000 for the National Defense Act. But it is stated this way: Except in time of war or similar emergency when the public safety demands it, and that is an important part of the thing, or similar emergency when the public safety demands it, the number of enlisted men in the regular Army shall not exceed 280,000.

That means this, that in time of peace in normal periods your Appropriation Committee can go up to 280,000. Any proclamation of Executive Order might change that. It also means, as I see it, that in view of this statement, "Or similar emergency when the public safety demands it," that he, by Executive Order, can run us up to 330,000, which is war strength, or 500,000 or anything beyond that. Now, the problem in my mind was what to say about the fact that I am only dealing outside of material in peace strength figures, meaning the normal organization of - that we carry or are supposed to carry in time of peace, but seldom ever reach, and the question was whether we should ask the military committees in Congress for an additional authority to go beyond 280. I don't think so. I think the President can do it sufficient for our purpose by an Executive Order under this thing.

Dasher: That is a legal question.

Marshall: Or similar emergency when the public safety demands it. So 280,000 is peace strength.

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H.M.Jr: That is an important point.

Marshall: We talk of peace strength. That is a technical thing which means the strength we think should be maintained in peace. Actually, we too frequently maintain what we legally should call appropriation strength. The National Guard is not at peace strength. It is what they call maintenance strength, which means real appropriation strength, and we recently raised that out of the President's emergency order where we ran little companies from 60 to 75, where we took critical companies of small troops and ran them up to a hundred and where we increased the strength and effectiveness of anti-aircraft troops in the National Guard and increased their effectiveness. They are still way below peace strength. It takes 85,000 men to run the National Guard up to peace strength.

Dasher: Maintenance strength. Under the law, you can recruit the National Guard now without any change in law to something like 436,000.

(Discussion off the record)

H.M.Jr: May I just, before you go on - I want to - what is the request that you have to come on the Hill on Monday? You were requested by --

Marshall: The Chairman of the Senate Committee, Floor Committee, requested me to bring up a confidential statement, as he termed it, on what I thought was needed at the present time for the War Department to bring the Army up to a proper basis of preparedness.

H.M.Jr: On Monday?

Marshall: He didn't mention the date or the time, but now they tell me --

Haislip: We have had several postponements and said that - Thomas said Monday at the latest --

H.M.Jr: Thomas of Oklahoma?

Dasher: Sub-committee of Appropriations handling the War Department bill.

H.M.Jr: Let me break in a minute and see if Watson is in the office and see what I want to tell General Watson, that you have got this request and what would the President's wishes be about seeing us before you go up. Would that be agreeable to you?

Marshall: Yes, entirely so. They can publish it in the papers.

Now, this question here, which maybe will clarify all of this, we have 640 million here. What does that do? In terms of enlisted men, that carries the Army, including its pay, up to 280,000. In terms of equipment, it prepares for 750,000 in ranks.

H.M.Jr: Say that again. That is just what I want.

Marshall: Here is a requirement of 640 million dollars. What does that do? In terms of enlisted men, it provides for 280,000.

H.M.Jr: If I can digest this between now and 1:00 o'clock Monday, I think I am pretty good and you will just have to tell them that you are expected to go to the White House, that you will be available Monday afternoon and you will know where you are at. Is that agreeable?

Marshall: Yes.

H.M.Jr: And then I imagine that you will want to kind of - but you were saying that 280,000 --

Marshall: I will state it this way. This 640 million as pertaining to enlisted men provides for 280,000 in the regular Army and the existing strength of the National Guard.

H.M.Jr: Which is?

Marshall: 235. It also, in terms of materiel, provides

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for the critical items and the facilities necessary for the Protective Mobilization Plan force of 750,000 men, plus replacements. It does not provide for the essential items, that is, the items of a commercial nature that are needed for the additional men above the regular establishment of 280,000 and above the National Guard establishment of 235,000 as it now stands for 750,000 men.

H.M.Jr: Excuse me. The 750 is National Guard and Army or regular Army only?

Marshall: That is National Guard and Army. It also does not provide for a remaining portion of the general ordinance facilities needed to implement production of critical items. In other words, if we include the essential items necessary for the full P.M.P. of 750,000 men, plus replacements and the full ordinance facilities to - as to powder and reloading and matters of that sort, which are purely non-commercial and which the Federal Government will have to set up itself, we would have to add about 308 million.

Martin: That is the point. You need about 308 million.

Marshall: I think that statement, if you can separate that from the mass of things there --

H.M.Jr: I think when we go in to see him on Monday that we will sort of recast the situation.

Marshall: Now, let me add this to the general picture. I have not said anything about the further increase of the National Guard at this particular time. They have absorbed about all the men they find they can at the moment under the present condition and the public mind and under their own resources. They are complicated so long as we are on a peacetime basis by state laws in some cases where the law requires the state to pay the Guardsmen an additional sum and their budget has not provided for additional increases and the law was built around the old force, so if we call on them at the

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present time for a large increase prior to a mobilization status under the Federal Government, they have many complications to meet and would have - there would be quite a resistance. We have pressed them as hard as we can to further preparedness in the way of increases. We have got 35,000 for them and in the way of 40-odd - 40-odd thousand for them, and in the way of training, for which until right now they have been very much opposed in certain localities to an extra week on account of employers and on account of men, but largely on account of upper control - but that has been more or less confined to New York and that district up there and not to other portions of the country.

Now, with the present state of the world, I think that evaporates, because everybody can see we have got to do business, so I haven't said anything about their further increase at the present time. I don't think we should do anything about it at the present time and I think what will happen is, they will turn around and urge a little later and that is the better way for that to come, short of an actual mobilization.

H.M.Jr: Now, General, in this statement, I know the first question the President is going to ask. He is going to say, "All right, gentlemen, 280,000 men, then, to take care of the strategic material for 750 - what part of the 640 goes to the 280 and what part goes to the strategic stuff for the 750?" We will have to have those two figures.

Marshall: We will get a skeleton statement like this that brings in those various points.

H.M.Jr: But I think you ought to have that, because I think that is the important decision he will have to make on Monday, one, does he want to equip the 280 and two, does he want to have the strategic material to take care of the 750.

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Dasher: What I was going to suggest a while ago was a big sheet, one, two, three phases. First phase, what is required to bring the I.P.F., the present force of 482,000 men up to the maximum in the way of critical materials and everything else. When you get that figure you have got your 482,000 men and it is right there before you. Then you come down to your 15,000 men, which is the second phase, which is a step toward the P.M.P. You state what you need for the 15,000. Then the next step, what you will need to bring that force up to 280,000. Then your critical items for the 15,000 men - the - up to the 280,000 men, then down below that, all the other things that are not irrevocably tied into the number of men, but into the ammunition and facilities of one kind or another, so that at the end you have the picture painted in the various steps until you get down --

H.M.Jr: Can you have that by Monday morning?

Dasher: ....to 750,000 men and exactly what you will need to implement those men in the way of critical materials, essential items and as a separate thing, sea coast fortifications, powder factories and things like that that are not tied into the men, so there might be three or four phases, each one set out separately showing just exactly what you require to give effect to that on just one sheet that anybody can look at and see, without having it scattered around in a thousand little pieces of paper --

H.M.Jr: Right. Now, Dasher, let me interrupt you, and I think it would be impressive to say we are not asking for the money that was required to bring the 750 up, because that will take so and so much to show you, see.

Dasher: Just what are the costs and what we are asking for.

H.M.Jr: This is what we are asking for, but we are not asking for the money required to bring the 750 up.

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- Marshall: To create the 750 in terms of men.
- Dasher: Not in men, but in critical items.
- H.M.Jr: Yes, we are in critical items, but if you wanted, Mr. President, to bring the 750 up, that would take the 750 - whatever that figure is.
- Moore: I can give you that round figure. It is two billion, 800 million.
- H.M.Jr: I think he ought to have that. I am in something entirely new. Maybe you have had this chance to explain all this to him the way you have to me today.
- Marshall: No, I have not.
- H.M.Jr: I didn't think you had, but I know I went all through this with General Craig. I take it that you did not have the chance and so I think that - you see, the first shock - gee whiz, 640 is terrible. Then, knowing him, I would say, "But Mr. President, if you really want to do it, put 750,000 men in the field, it is going to cost two billion 800 million."
- Marshall: Just short of three billion.
- H.M.Jr: Again, the reaction on me is, "Well, 750,000 men are very few men and three billion dollars, that is terrible, but you are letting me off easy, only asking me for 640."
- I am using this as - to try to put - you see what I am trying to do for you. So I think the President ought to have a picture showing that it costs around three billion dollars and of that, you are only asking 640 at this stage and I think then he will feel that he in turn can sell that to the people of the country.
- Moore: What this actually does, Mr. Secretary, it visualizes raising the regular Army to 280,000

in the next six months and buying other materials so that the mobilization of this 750,000 could be done in the next 18 months.

H.M.Jr: As to critical material.

Moore: Yes, so we would have it on hand when we mobilized them in 18 months.

H.M.Jr: I have got it. Eighteen months from now you could mobilize them and have the critical material in the works.

Moore: If we get this 640 million dollars.

H.M.Jr: But to put in the 750,000 fully equipped, costs three billion dollars.

Moore: Yes.

H.M.Jr: And we are asking 640, which is bringing the regular Army up to 280,000 and we are asking additional money for critical equipment that if we want the 750,000 in 18 months --

Marshall: Incidentally, after we --

H.M.Jr: That is the way I think I would put it on the first page.

Marshall: We have got to get it in some form, there is no question about that.

H.M.Jr: Now, I am beginning to understand it. It is very good to practice it on me, because I have been with him so long I know what he likes.

Marshall: And incidentally, the additional men required above what we are asking for here, which is the regular 280,000 and the National Guard, to go to 750,000 men in ranks is only 230,000, it isn't many more men, but there is a tremendous amount of equipment.

H.M.Jr: Another recommendation I am going to make to the President - and I can say this - I think

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there should be only one person go on the Hill and that is General Marshall, and all the rest of this business, everybody else is as confused as I am. I don't think anybody ought to go on the Hill except General Marshall, because - I mean, I have only been on this thing two or three days, but in view of what has happened, I don't think you are going to have any trouble to get your 640 million.

- Marshall: The whole thing is to get it on a business-like basis.
- H.M.Jr: I think there is only one man who can do it and we can't have the Air Corps asking for 400 heavy bombers, as though that was going to solve the whole picture.
- Marshall: They get up and ask questions and somebody talks outside the executive session and that is broadcast over the whole country.
- H.M.Jr: Look at the damage Lodge did the other day.
- Marshall: They took me one day and had me buying sirens for all the lorries in the United States and I was talking about detectives.
- H.M.Jr: You have got a good press.
- Marshall: I have for the moment, maybe. I haven't had my ears pinned back, but I will.
- Martin: Mr. Secretary, I am not sure that we have in that 640 million the 17 million of that 15,000 you want to put in.
- Moore: Yes, you have. It is 53 million.
- H.M.Jr: General, would you be willing to have another dress - well, you can get this thing. Would you be willing to have another dress rehearsal before we go over there?
- Marshall: Yes. Whenever I get ready - presumably Monday morning.

H.M.Jr: He is going to see us about 11:00. I don't think we need another rehearsal.

Marshall: Let me come over here a few minutes ahead, say 30 minutes ahead.

H.M.Jr: Supposing as soon as we hear from Watson we get together, maybe a little bit before.

Marshall: Yes, sir.

H.M.Jr: I would --

Marshall: I appreciate tremendously your letting me speak freely and in detail, because the thing is very complicated and I might say now that the minute we get through this appropriation, and if Mr. Hitler doesn't further upset us, what I want to do is to bring about through some joint study - I mean Budget and my people over there and I presume the concurrence of the Appropriation Committee of Congress, a simpler method for presenting Army requirements, because it is very difficult right now.

Dasher: Would you have any objection to Mr. Martin and I sitting way in the back of the room when you talk to the President Monday?

H.M.Jr: I --

Dasher: We just want to keep abreast of the thing.

Martin: I don't think so.

H.M.Jr: Let me - can I put it up to General Watson, see? I will put it up to him. I think it is a good idea, but let's see how he feels about it. I don't know. Let General Watson - I will put it up to him --

Dasher: Well, we are not hunting trouble, but we just want to be all the help we can.

Marshall: Thank you.

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H.M.Jr: Thank you for your patience.

Marshall: Thank you for letting me speak so freely. I apologize for the complexity of my analysis.

May 11, 1940  
10:58 a.m.

W.M.Jr: Hello.

Operator: General Watson.

W.M.Jr: Pa.....

General Watson: Yeah.

W.M.Jr: Good morning.

W: How are you?

W.M.Jr: Fine. General Marshall is here with me.

W: Yeah.

W.M.Jr: We've been getting along great guns.

W: I -- I was hoping you two would get together this morning.

W.M.Jr: Well, we've been together for a couple of hours.

W: Yeah.

W.M.Jr: Now here's the point. He's been asked to come up on the Hill and give some confidential figures Monday morning.....

W: Yeah.

W.M.Jr: .....by Senator Thomas of Oklahoma.

W: Yeah.

W.M.Jr: And it seems to me that before he goes up it would be a great advantage for him if we could see the President before then.

W: Yes.

W.M.Jr: Now, we're ready any time, see?

W: Yeah. What time does he have to go up to see Thomas?

- H.M.Jr: (Talks aside to General Marshall.)  
He says about ten-fifteen Monday morning.
- W: Well, you wouldn't get to see the President before then unless we'd get him in at nine-thirty.
- H.M.Jr: Well, we can't do it in that, -- because he could ask, if necessary -- he said if the President would send for him he could do it Monday afternoon then. He could say he'd be available Monday afternoon.
- W: You mean, tell Thomas?
- H.M.Jr: Yeah.
- W: Well, I tell you, why don't you give me a little chance to maneuver Monday morning. Of course, the President -- I've told him goodbye; we're not having any appointments today and he's going to spend the day down the river tomorrow.
- H.M.Jr: Right.
- W: Getting back tomorrow night after supper. Now, I can work on him early Monday morning and I know I can get the three of us in there.
- H.M.Jr: Right.
- W: And I think it's a good idea. He has told me twice that he liked that list that I got him.
- H.M.Jr: He liked what?
- W: He liked that list of emergency stuff, and I think -- now, are you going to get in touch with the Navy and have their corresponding list?
- H.M.Jr: Oh, God. You're a tough guy. Well look, Pa, you'd have to tell the Navy to come over to see me because you know how I am about these.....
- W: Yeah, I know.
- H.M.Jr: .....-- the rest of those. If the White House wants me to do it.....

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W: Well, the President did tell me to do it.

H.M.Jr: Well.....

W: He said.....

H.M.Jr: .....I'll work tomorrow with the Navy if they're ready. I'm here; I'm ready.

W: All right.

H.M.Jr: But the order would have to come from the White House.

W: Well, how -- well you know, I'll tell you what it is. The President told me yesterday when I told -- when he told me to -- after this meeting he said, "Now you have Marshall get that thing together and you phone Stark to get a corresponding emergency list. I want to make it a separate list," he said, "of emergency and normal ones."

H.M.Jr: Well now, Pa.....

W: Yeah.

H.M.Jr: .....may I make a suggestion?

W: Yeah.

H.M.Jr: The General here, and I've got the Budget officers here, they're going to have all they can do to get this thing ready for Monday morning.

W: Yeah.

H.M.Jr: And the same Budget officers work on the Army that do on the Navy, see?

W: Yeah.

H.M.Jr: So let's for once in our life take care of the Army first.

W: I think you're right.

H.M.Jr: Unless, of course, you think.....

- 4 -

W: Let's do it. That's all right with me.

H.M.Jr: And then after.....

W: That -- you know didn't put in anything about the Navy.

H.M.Jr: Well, let's -- I mean, I'm only human too, and if we're ready Monday morning on this thing, it'll be the quickest job that he's had done yet.

W: All right.

H.M.Jr: And then after that, if the President wants me to sit in with Admiral Stark, I'll be glad to do it.

W: All right.

H.M.Jr: But I think he'd have to give the order.

W: Good. Well, he -- he told me to tell Admiral Stark to do it, but he didn't tell me that it had to go in Monday morning, so let's go ahead and take care of the Army..

H.M.Jr: Let's take care of the Army.....

W: All right.

H.M.Jr: .....and then if the President wants me to sit in with the Navy I'm available, but he'd have to give the order.

W: All right.

H.M.Jr: And then, shall we leave it this way, that you're going to get us a full hour.....

W: Oh, Christ, I don't know about that.

H.M.Jr: Well.....

W: I'll get you all I can.

H.M.Jr: There's no use doing it in less than an hour.

W: Yeah. Well, I'll do the best I can.

- 5 -

H.M.Jr: And will it be the first appointment?

W: Yeah. That's what I'll -- ask him for the first one.

H.M.Jr: When would that be -- around ten.....

W: I would say -- I would say eleven to eleven-thirty. Of course, he'll probably have the "big four" you know.

H.M.Jr: Oh yes.

W: They come in.

H.M.Jr: You don't suppose he'd want to do it Sunday night?

W: He's not getting back until after supper Sunday night. He's going down on the boat, and that's why I'm trying to keep him free.

H.M.Jr: Uh-huh.

W: He seemed -- he's looking forward -- he talked to me a few minutes ago about how much he's going to enjoy it and so forth.

H.M.Jr: So you think it would be around eleven Monday?

W: Yeah.

H.M.Jr: O. K.

W: All right.

H.M.Jr: Now, so we understand each other?

W: Yeah.

H.M.Jr: I'm not going to do about -- anything with the Navy until the President instructs me.

W: Yeah, all right. Right. The only thing is he has instructed me, but I'll just kind of stall on that.

H.M.Jr: Yeah. Well, look what a big guy you are!

W: (Laughs) Well, all right. I'm looking out for the Army. Hell, now don't get the idea -- I'm the first boy that thought of that. I went down the other

- 6 -

morning. Who in the hell got that list. I got it! I went down and got an emergency but I did see that you would listen to reason.

H.M.Jr: O. K.

W: You've listened to reason.

H.M.Jr: Yeah.

W: The other day.

H.M.Jr: Yeah.

W: Louis Johnson has got some damn thing, but we had better take care of this first.

H.M.Jr: Now, while we're on Louis I got a letter from him and I'm not going to do anything about it.

W: No, I said that to the President in a slow way.

H.M.Jr: No, I got -- I got another letter from Louis.

W: Well, I got one too, just like you got. Even got a copy.

H.M.Jr: Yeah, one prepared by Colonel Burns.

W: Yeah, that's the boy.

H.M.Jr: I'm.....

W: But I'm sending that the slow way. This other one is what we're after.

H.M.Jr: O. K.

W: All right.

H.M.Jr: We're together.

W: I'll work together on the Monday. All right.

H.M.Jr: Ever so much obliged.

W: All right.

May 11, 1940  
11:38 a.m.

H.M.Jr: Hello.

Operator: Mr. Purvis.

H.M.Jr: Right. Hello.

O: Go ahead.

H.M.Jr: Hello, Purvis.

Arthur Purvis: Yes, Mr. Secretary.

H.M.Jr: I got your message.

P: Yes, sir.

H.M.Jr: And I think I'll have to wait now until Monday until they find out that they've definitely turned you down.

P: I see.

H.M.Jr: I don't think I can do anything today.

P: No. Well, I thought it might be difficult today. They told me that -- what they told us is that they won't be able to sign up on Monday as they had arranged; that they are hoping that this thing would clear on Tuesday.....

H.M.Jr: Well.....

P: .....and they -- I don't think they can tell us that. I gather what has happened, and of course we got this very confidentially and personally, is that they have received a warning letter.

H.M.Jr: Oh. Now, just what is it that you have on order with Colt or propose to.....

P: We've got on order this 80 thousand 680 rifle and large calibre guns for the new aircraft program.

H.M.Jr: Oh. Is that -- do those go into airplanes?

- 2 -

- P: They are entirely for the new aircraft program fitting in with the -- into the planes for which you have given us releases.
- H.M.Jr: Well, supposing you get down here for Ballantyne and he could give it to Phil Young Monday.....
- P: Yes.
- H.M.Jr: .....some details on that, will you?
- P: I will.
- H.M.Jr: And then -- so that I could get it Monday.
- P: I will.
- H.M.Jr: And.....
- P: One other thing that -- may I -- I'd like to ask you. I don't suppose you'll be able to give me an answer but I just wanted to -- a rumor has gone to the other side that the United States Government may consider placing an embargo on the exports of wood pulp.
- H.M.Jr: Ah -- if it's so I haven't heard a word of it, and I don't know of any embargoes.
- P: No. They asked me whether I could ascertain if there was anything like it and to get any help to -- to prevent it happening or at least to review what the situation would mean for us if it did happen.
- H.M.Jr: You can deny it because I don't think there's a word of truth to it.
- P: No, and what department would that come from. Is that a State Department thing?
- H.M.Jr: Well, we have no authority to have any embargoes.
- P: No, no.
- H.M.Jr: We can't say it's part of airplanes.
- P: No. (Laughs) Not yet anyway.

- 3 -

H.M.Jr: No. No, that's just gossip.

P: Yes.

H.M.Jr: Tell.....

P: Thanks -- thank you very much, Mr. Secretary.

H.M.Jr: No, that's just gossip and -- anything new on Pratt and Whitney?

P: Oh yes, the -- we're going to -- Wilson is coming in. I had another talk this morning. Wilson is coming in. He did -- he was to come this morning but he asked whether we could postpone it until ten o'clock on Monday morning.

H.M.Jr: Good.

P: And -- you see, the situation really is this. As you may have noticed we have placed -- we have at least put a sheet to windward by getting a -- an important proportion of the not -- covered by a further contract with Wright.

H.M.Jr: I got that last night.

P: And therefore we're not -- I mean, no one is still worried. We're not as worried as we were when I saw you last.

H.M.Jr: Good. Well, in other words you -- you've been -- you can do a little trading.

P: We can do just a little trading I think, but I've -- I've emphasized with our people not to overdo it.

H.M.Jr: But you are -- you are handling Wilson yourself.

P: I'm handling Wilson myself and I really -- after I saw him the other day I got onto an entirely different basis.

H.M.Jr: Wonderful! Well, you send the stuff down so that I can have it Monday and if for some reason or other Colt turns you down.....

- 4 -

P: Yes.

H.M.Jr: .....or at least they refuse to sign a contract, I'll see what I can do.

P: Yes. They have informed us they'll have to do that on Monday, but we'll give you an official thing. Thank you very much.

H.M.Jr: Well, I think I -- I'm quite sure I can be helpful.

P: Yes.

H.M.Jr: I imagine I know what's going on.

P: Yes, exactly.

H.M.Jr: Right.

P: Thank you very much, sir.

H.M.Jr: Thank you.

P: Goodbye.

HSM

PLAIN

London

Dated May 11, 1940

Rec'd 8 a. m.

Secretary of State,  
Washington.

1171, May 11, noon.

FOR TREASURY FROM BUTTERWORTH.

1. Aside from the actual military situation interest in the city centers on the appointment of a new Chancellor of the Exchequer and there is a confident sense of relief that he will not be Sir John Simon.

2. Under a new Treasury order diamonds are added to the list of products (rubber, tin, whiskey, jute and furs) which can be exported from the United Kingdom to Belgium, Holland, Switzerland, the United States of America, and certain other countries in the Americas only if the foreign exchange proceeds are made available to the British exchange control in one of the specified currencies--belgas, Dutch and Netherlands East Indian guilders, Swiss francs or American dollars.

This is not a structural change in the British exchange control system but the British Treasury's request to the diamond trade for voluntary action to the same end was  
being

hsm -2- No. 1171, May 11, noon, from London

being violated by a small group of diamond dealers and this measure is therefore designed to close this loop-hole and eliminate discrimination within the diamond trade itself.

KENNEDY

KLP

JI

GRAY

Milan.

Dated May 11, 1940

Rec'd 11:05 a.m.

Secretary of State

Washington

26, May 11, 3 p.m.

FOR TREASURY.

Today's prices as follows: 199.75; 344.50;  
510; not listed; 985; 209; 1687; 65.50; 231. Volume  
89,075.

Market fairly active prices irregular but not  
as weak as expected in view political developments.

SHOLES

WWC

MEMORANDUM

May 11, 1940.

To: Secretary Morgenthau

Re: Mr. Sullivan

At the request of Chairman Vinson I called on him this morning and showed him the proposed letter to the Secretary of the Navy dealing with the general problem of the Midvale Company and the Carnegie-Illinois Steel Corporation. Vinson approved the letter and further said that the Navy should buy whatever facilities are necessary for Carnegie-Illinois and Midvale and that they would save money on their contracts by doing so.

I advised him that a navy officer (Commander Braine) had told one of the men at the Bureau yesterday that the additional \$6,000,000 that had been set aside would be used for some other purpose than Carnegie-Illinois and Midvale. He asked me to check this with Admiral Furlong. I explained to him that it would be difficult for us to comply with his request for an itemized statement as to what could and what could not be charged off against a shipbuilding contract. I stated that I knew of no exemption or disagreement between the shipbuilders and the Bureau. I said that if we were to insist upon a uniform bookkeeping system almost every company would have to change and that this change would be unfair and expensive. I stated that a letter was prepared enclosing the regulations setting forth the general principles under which we operated. He said that this would be satisfactory.

He then inquired if we would draft a Bill to be used as a substitute for H.R. 2464. I told him I had discussed this matter with Secretary Edison and Assistant Secretary Compton and they are in accord with me that H.R. 2464 should be withdrawn and we would substitute therefore an amendment permitting a four-year carry-over of losses on shipbuilding contracts. I also stated that Assistant Secretary Compton and I were ready to come up to testify together, but that I thought it would be just as well if, instead of appearing, I wrote a letter setting forth the proposed amendment and the Navy's support of it. He said he thought this would be far the better way of handling it.

He then said he would like to raise the exemption limit on sub-contracts from \$10,000 to \$25,000. I told him I would like to discuss that matter with my people, but that I thought the Treasury would be opposed to it because of the splitting up of sub-contracts. I promised to report to him on this.

- 2 -

Upon my return to the Treasury I called Admiral Furlong and the attached conversation ensued. I then called Assistant Secretary Compton and the attached conversation ensued.

I then asked Burrus, Reiling and Appel to review the proposal to increase the limit on exemption sub-contracts from \$10,000 to \$25,000 and report to me.

JLS

Telephone Conversation - Mr. Sullivan  
called Admiral Furlong of the Navy  
Department at 10:35 - May 11, 1940.

- F. Admiral Furlong speaking.
- S. Admiral Furlong — this is John L. Sullivan of the Treasury. I understand that yesterday Commander Braine told either Mr. Reiling or Mr. Appel at the Bureau that \$6,000,000 that Congress was to give for additional facilities was for something other than armor plate.
- F. No — the \$6,000,000 — you mean that we had to use for facilities:
- S. No — they are giving you \$6,000,000 more.
- F. The \$6,000,000 already given is for armor plate, in case we decide we have to put them in. They have not given us \$6,000,000 more and we have not asked for it. It was in the Bill — if we wanted it, we could have it in case things happened here — we could have it.
- S. Oh, I see.
- F. The additional \$6,000,000 has not been allocated to anything yet. We haven't even asked for it.
- S. It has not been allocated to anything?
- F. No.
- S. Well, I wanted to know as I was talking to Chairman Vinson this morning.
- F. It can only be allocated to facilities for armor plate. The reason I was going a little slow about allocating it is because this \$6,000,000 we get will only add 7200 tons a year, whereas, the first facilities we put in would total about \$6,000,000 or a little more than double our capacity. It adds more than 20,000 tons a year.
- S. All right, thank you very much.
- F. You're welcome, Mr. Sullivan.

Telephone Conversation - Mr. Sullivan  
called Mr. Compton at 10:40 a.m.,  
May 11, 1940.

S: Hello.

C: Yes.

S: Hello Lewis, this is John Sullivan. I had a grand time the other evening.

C: It was a lot of fun. We will have to do it again sometime and bring the ladies along.

S: That will be fine.

By the way, I have seen Vinson this morning and I told him we were sending up a new bill providing a 4-year carry-over on losses for shipbuilders which would be substituted for the other bill. I told him I had discussed it with you and Mr. Edison, and you and I wanted to come up but had decided some of the members might inquire about this, that, or the other thing and I told him I thought it would be just as well if we wrote him a letter. I told him we thought it was just as well if you and I didn't appear.

C: I agree - we can let it go that way without testimony and stand by in case they want us. I assume you know but I don't know if Chairman Vinson knows about this memorandum from the President on the same subject. It might add weight to the fact that you and I are in agreement.

S: Here's the suggestion I made. I said that the Navy is in favor of substituting this amendment for the other one that is pending.

C: Let me read this memorandum to you. "It is my understanding that Senate Bill 2464 referred to in memorandum of May 4 is being revised by the Treasury Department at the request of Chairman Vinson to provide a 4-year carry-over of net losses with no changes in the Vinson-Trammell Act contemplated - reduction of allowable profit on aircraft - elimination of carry-over and discontinuance of exemptions in favor of scientific instruments will be considered by the next Congress." I think Mr. Vinson is to be here in about ten minutes and I could get Mr. Edison to read this memorandum to him.

S: In my letter I can state that we, Navy and Treasury, are in accord.

C: Very definitely - I am with you 100% on it. I will ask Mr. Edison to read this memorandum to Mr. Vinson and it should cinch things.

COPY

HSM

PLAIN

Athens

Dated May 11, 1940

Rec'd 11:55 a.m.

Secretary of State,  
Washington.

87, Eleventh.

Depreciation of sterling caused Bank of Greece to modify drachma sterling pegged rate from 546-550 to 530-535 effective today. Dollar rate moved accordingly today to 168-170. Contractual rates with clearing countries unchanged. Bank states drachma will continue pegged to sterling but with possibility of further price revision if sterling fluctuations necessitate. Foreign exchange regulations unchanged.

MACVEAGH

DDM

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris

DATE: May 11, 1940, noon.

NO.: 628

FOR THE TREASURY DEPARTMENT.

The Manager of the Guaranty Trust branch in Brussels, Mr. Clayborne, telephoned this Embassy from Brussels Embassy just now, saying that there was a heavy run on all the Brussels banks yesterday but that the National City Bank and the Guaranty Trust were able to meet their depositors' demands successfully. Until Tuesday morning all banks in Brussels will be closed, and all foreign exchange operations are prohibited, as well as conversions into gold. Mr. Clayborne believes that restrictions will be placed on amounts that depositors may withdraw from their banks commencing Tuesday morning. This information has been sent to the Paris branches of the National City Bank and Guaranty Trust in view of the fact that the Brussels managers of these banks have been unable to establish direct communication with their head offices in New York.

It was telephoned from the Embassy in Brussels that yesterday forty-one persons were killed and eighty-two persons were injured in air raids on Brussels. There were no raids in Brussels last night and thus far today none have occurred.

BULLITT

EA:MSG

JT

GRAY

RIO DE JANEIRO

Dated May 11, 1940

Rec'd 12:32 p.m.

Secretary of State,  
Washington.

208, May 11, 1 p.m.

In view of the invasion of Belgium and the Netherlands the Bank of Brazil has suspended authorization to close exchange in advance for imports from Europe with the exception of France, England and Portugal; provisional milreis deposits will be accepted in the usual way to cover drafts from other countries.

The Bank of Brazil has no bought position in the affected currencies and therefore anticipates no exchange losses as a result of the invasion.

The Brazilian Government is taking measures to block Belgian and Dutch assets provisionally. The Director of Exchange hopes that the similar measures taken in the United States will not operate to prevent normal payments here from Belgian and Dutch balances there.

The Minister of Finance said this morning that it would probably be necessary to take measures to prevent a coffee price decline.

Please inform Treasury.

CAFFERY

W/C

EDA

PLAIN

SHANGHAI VIA N.R.

Dated May 11, 1940

Received 1:38 p.m.

Secretary of State

Washington

408, May 11, 1 p.m.

FROM COMMERCIAL ATTACHE.

Special Financial. Shanghai open market foreign exchange rates, aside from making technical adjustment to New York London cross rate parity, opened steady this morning but later firmed due profit taking liquidation by hoarders, speculators and banks. Market believed that as result of extension of European war, the declining free sterling rates and expectancy of smaller import exchange demands on account of inability to obtain sufficient supplies from belligerent countries and their colonies the Chinese currency has been put in a more favorable position, though admitting this situation may be altered in light of further international developments. Yesterday afternoon Shanghai exchange market on receipt European news was immediately flooded with buying orders for United States dollars and arbitrage operations anticipating lower cross rates, with interbank selling spot rates

EDA - 2 - #408, May 11, 1 p.m. from Shanghai

rates closed at four five eighths and three seven sixteenths (cross rates parity of three point two two nine). Interbank spot selling closed this noon at four eleven sixteenths and three nineteen thirty seconds (cross rate parity of three point one three nine) with high today of four thirteen sixteenths and three twenty one thirty seconds and low of four nine sixteenths and three one half. May delivery one eighth cent and one sixteenths penny lower. Other quotations this morning: Gold bars around yuan seven thousand, Wei Wah cash discount twelve per cent, Bank Japan notes and military scrip yen one equivalent to Chinese yuan one point two eight, Huahsing yuan one for Chinese yuan one point seven naught, Tientsin exchange rates four three sixteenths and three one quarter. INFORM COMMERCE.

BUTRICK

WWC

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, The Hague, Netherlands

DATE: May 11, 1940, 4 p.m.

NO.: 172

RUSH.

It is reported in the local press that an embargo on the transfer of Netherlands funds and credits has been declared by the United States. The hope has just been urgently expressed to me by the Foreign Office that this embargo will not apply to funds of the Government as long as Amsterdam, the Hague and Rotterdam are not in the hands of Germany. According to the report, the embargo is similar to that which was imposed in the case of Denmark and Norway. It is the belief of the Dutch Government that the embargo concerning the Netherlands should not apply to funds still under the control of the Dutch Government, since Norway and Denmark were occupied by the Germans whereas parts of the Netherlands still remain unoccupied. If it did apply to Government funds, it would seriously hamper the Government's disposition of its funds abroad. It is hoped in any event that in the case of funds transferred to Minister Loudon an exception will be made in applying the embargo.

It is requested that reply to this be rushed.

GORDON.

EA:LWW

CK

GRAY

Brussels

Dated May 11, 1940

Rec'd 4:05 p.m.

Secretary of State

Washington

110, May 11, 2 p.m.

FOLLOWING FROM COMMERCIAL ATTACHE

Measures taken by Belgian Government May 10th include suspension national bank's obligation to reject banknotes, removal of all restrictions on government's authority to borrow from the national bank, closing securities exchanges, prohibiting trading in foreign exchange and blocking assets or crews enemy citizens or residents of enemy occupied territory. Legal tender status national banknotes not affected. As result foreign exchange trading prohibition licenses dealing foreign exchange held Belgian branches American banks withdrawn morning May 10th. Foregoing branches transacted other business normally May 10th paying franc depositors and franc drafts in full. All banks closed May 11th to 13th inclusive regular Whitsun bank holiday.

CUDAHY

EMB



DEPARTMENT OF STATE  
WASHINGTON

May 11, 1940.

My dear Mr. Secretary:

There is enclosed a copy of a personal message  
from Paris.

Sincerely yours,

*Herbert Feis*

Herbert Feis  
Adviser on International  
Economic Affairs

Enclosure:

Paraphrase, No. 621 of  
May 10 from Paris

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: May 10, 1940, 7 p.m.

NO.: 621

PERSONAL FOR THE SECRETARY OF THE TREASURY.

Dear Henry -

It has been impossible, because of the events of the past 24 hours, for me to take care of those two small jobs. However, the man who likes little radios will oblige by Sunday, May 12, and I shall answer in accordance with your desire.

I send you my best wishes.

BULLITT.

TREASURY DEPARTMENT

358

INTER-OFFICE COMMUNICATION

DATE May 11, 1940

TO Secretary Morgenthau  
 FROM Mr. Cochran

**CONFIDENTIAL**

In an extremely dull foreign exchange market, sterling improved from an opening of 3.21 to a final quotation of 3.28-1/2.

Sales of spot sterling by the six reporting banks totaled £84,000, from the following sources:

By commercial concerns.....	£ 44,000
By foreign banks (Europe).....	£ 40,000
Total.....	£ 84,000

Purchases of spot sterling amounted to £139,000, as indicated below:

By commercial concerns.....	£ 34,000
By foreign banks (Europe and Far East).....	£105,000
Total.....	£139,000

The following reporting banks sold cotton bills totaling £45,000 to the British Control on the basis of the official rate of 4.02-1/2:

£44,000 by the Guaranty Trust Company
1,000 by the National City Bank
<u>£45,000 Total</u>

The Guaranty Trust Company reported that it had purchased £3,000 for forward delivery from the British Control at 4.03-1/2. The funds will be used to pay for a shipment of rubber.

Developments in the other important currencies were as follows:

The French franc advanced from .0182 at the opening to a high of .0186-1/4 at the close.

There were no quotations reported for the Dutch guilder or the belga. Around noontime, an Amsterdam despatch appeared on the Dow Jones ticker, stating that a long list of new exchange measures were announced in the Netherlands today, designed to conserve that country's supplies of foreign assets. The regulations prohibited residents in the Netherlands from disposing of gold, foreign currency or foreign deposits, securities domiciled abroad, and property held abroad. Non-residents were forbidden to dispose of assets located in Holland. The export of gold, currency and other means of payment as well as of securities was prohibited.

The Swiss franc was steady and closed at .2236.

The final discount for the Canadian dollar was 17-1/2%.

The yuan was quoted in Shanghai at 3-17/32d against sterling and 4-5/8¢ against the dollar. While the former rate represents an improvement, the dollar rate was lower as a result of the drop in the sterling-dollar quotation.

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

\$20,000,000	from the Swiss National Bank
2,500,000	from the Netherlands Bank
90,000	from the National Bank of Belgium
<u>\$22,590,000</u>	Total

The Federal Reserve Bank of New York reported that the following shipments of gold were being consigned to it:

\$3,502,000	from Canada shipped by the Bank of Canada, Montreal, for its account for sale to the U. S. Assay Office at New York.
2,186,000	from Switzerland, shipped by the Swiss National Bank, to be earmarked for its account.
<u>\$5,688,000</u>	Total

The State Department forwarded to us a cable stating that the following gold shipments were being made from Bombay, India:

\$1,102,000	shipped by a French bank to the Guaranty Trust Company, New York.
879,000	shipped by the National City Bank, Bombay, to its head office at New York.
492,000	shipped by the National Bank of India to the Chase National Bank, New York.
414,000	shipped by the National Bank of India to the Chase National Bank, San Francisco.
<u>\$2,887,000</u>	Total

Although there appears to be no holiday in India today, the New York banks received no silver quotations from that center.

In a report from the Federal Reserve Bank of New York showing deposits for the account of Asia as reported by New York agencies of Japanese banks on May 8, such deposits totaled \$52,604,000, an increase of \$2,323,000 since the last report of May 1. Included in this total were \$30,011,000 in deposits with the Yokohama Specie Bank, New York, made by its branches in China, and deposits of \$13,494,000 made by the head office and Japanese branches. The overdraft of the head office and Japanese branches on the books of Yokohama's New York agency was \$99,254,000, an increase of \$6,345,000 since May 1.



TREASURY DEPARTMENT

360

INTER-OFFICE COMMUNICATION

DATE May 11, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

On May 9, I received Mr. Mikitaro Miho, the gentleman mentioned in Mr. Gerard's letter of April 24.

Mr. Miho spent considerable time in the United States when the post-war loans for Japan were being floated in this country. He hopes eventually to do some more of this business on our market, but realizes that the present moment is far from opportune. He said Japan is "not so hot" with America. I did not dispute this. His concern is active in various mining and metal developments in Manchuria as well as Japan. He really had nothing to request of us, and volunteered little information.



361

Mr. Mikitaro Miho  
Director  
Manchuria Industrial  
Development Corporation  
To Kyo

362

Mr. Mikitaro Miho  
Director  
Manchuria Industrial  
Development Corporation, Tokyo  
at The Mayflower

JAMES W. GERARD  
40 WALL STREET  
NEW YORK CITY  
TELEPHONE WHITEHALL 8-0000

April 24, 1940.

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

My dear Mr. Secretary:

This is to introduce to you Mr.  
Mikitaro Miho, an old friend of mine, from Japan.

He has just spent a month in Moscow  
helping to negotiate a trade treaty between Japan  
and the Soviets, and arrived in Moscow via Siberia -  
coming to America after a month in Rome.

Mr. Miho is a director of the Man-  
churian Industrial Development Company which has  
a capital of four hundred and fifty million yen.

You will probably be interested in  
talking to him.

Yours ever,

*James W. Gerard*

## TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 11, 1940

TO Secretary Morgenthau  
FROM Mr. Haas *HA*  
Subject: The Business Situation,  
Week ending May 11, 1940.

Conclusions

(1) After the period of stability last month, business indices have begun to show clearly defined evidence of an improving business trend, which suggests that April marked the low point of the recent decline.

(a) Steel activity has increased sharply at a time when the trend is normally downward, and further advances are scheduled in important districts this week. The improvement in the steel outlook is substantiated by a sustained advance in steel scrap prices.

(b) Well maintained automobile production, cotton mill activity, and freight car loadings are also contributing to an improvement in statistical measures of business activity. The New York Times index, which had held through April at approximately 102 in terms of the FRB index, rose to the equivalent of 103 during the first week of May.

(c) Heavy capital expenditures by the electric utilities in prospect for this year, an extensive remodeling program by the automobile industry, and further gains in residential construction volume, are among other factors contributing to an improved business outlook.

(2) The beginning of full-scale warfare in Europe this week has caused a sharp upturn in prices of both industrial materials and foodstuffs. It will doubtless result in increased production of war materials in this country. On the other hand, it has caused an initial shock reflected in a break in security prices, which may act as a restraint on business initiative. The possibility of Allied reverses also constitutes a potentially depressing influence.

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Business rise beginning

Following noticeable stability during the past month or more, business indices have begun to show clearly defined evidence of an improving business trend. The New York Times index for the week ended May 4 rose .7 point to 93.9, lifted chiefly by upturns in the indexes of steel production, miscellaneous carloadings, and "all other" carloadings. Barron's index for the same week rose from 99.8 to 101.0.

This moderate initial upturn has been followed by evidence that the improvement is continuing. A sharp contra-seasonal rise in steel production in the week ending May 11, together with a less than seasonal decline in automobile production, suggests the likelihood of a further rise in weekly business indexes in that week. With steel production pointed upward at a time when production normally declines, the adjusted index will rise more rapidly than production.

A weekly estimate of the FRB index of industrial production, based on its relationship to the New York Times weekly index of business activity, indicates that the FRB index in the first week of May was back about to the March level of 103, after holding steady at 102 through the four weeks of April. (See Chart 1, upper section). While the two indexes differ in composition and coverage, the New York Times index over the past several years has indicated with reasonable accuracy the movements of the FRB index. (See lower section of chart). In 1937, however, the two indexes showed considerable divergence.

Improvement under way in various industries

The lead taken by the steel industry in the current business improvement became more evident last week. Following an upturn of 4 points in the industry's operating rate, as estimated last Monday, further substantial increases have been made in a number of important districts which will be reflected in this week's rate.

The step-up in steel production has been accompanied by a further rise in steel scrap prices for the fourth consecutive week, as measured by the Iron Age composite price. Additional increases were reported at Chicago and Pittsburgh at the end of the week.

Secretary Morgenthau - 3

Total steel orders booked at recent reduced prices are estimated in the trade at several hundred thousand tons. If fully specified before the June 30 deadline, the orders are believed sufficient to raise sheet and strip mill operations to sharply higher levels during June, according to the Iron Age. Whether all orders booked will be specified for delivery, however, will depend to a considerable extent upon the price outlook during June. Signs of price weakness would lead to some cancellations.

Since present orders partly anticipate buying that would otherwise have been done later in the summer, a letdown in steel production is possible after June unless war orders or other steel business provide additional support.

#### Large-scale warfare favors steel activity

The initiation of full-scale warfare in Europe last week will doubtless tend to support steel activity during the summer months, since (1) the threat of higher industrial material prices, added to the concrete evidence of rising steel scrap prices, will impel recent buyers of steel toward full acceptance of the orders placed at cut prices; (2) the expected intensification of Allied war-material buying will provide a larger volume of business for the steel companies after the increased domestic orders have been filled; (3) fear of higher steel prices, or of inability to get prompt delivery, may cause some repetition of the bunching of rail equipment and other orders experienced last September.

The outbreak of large-scale warfare, however, has brought with it certain unfavorable possibilities. The shock to public sentiment, initially reflected in a break in security prices, may act as a restraint on business initiative. The beginning of the long-awaited "total warfare" also brings with it the threat of Allied reverses, which would be depressing from an immediate business standpoint.

#### War raises commodity prices

Prices of raw industrial materials and foodstuffs both rose sharply on news of the German movement against the Low Countries. In the futures markets, the most striking advances

## Secretary Morgenthau - 4

came in rubber, silk, and tin, all imported industrial materials. The index of industrial material prices, supported by an improving industrial demand in this country, has risen more strongly than it did in early April. (See Chart 2). Domestic commodities, including wheat, lard, cottonseed oil, sugar, hides, copper, zinc, and lead showed strong increases. Cotton and coffee, being export commodities from this Hemisphere, declined.

Rubber spot prices closed on Friday at 25 cents a pound, equalling the high of the September 1939 rise. Futures prices of rubber had been rising earlier in the week, and spot demand had apparently been strengthening, as indicated by an increasing premium on near-month futures. The intensification of war activity has raised serious doubts about availability of shipping space for commodities which are largely obtained from the East Indies, including tin, spices, and certain chemicals. Tin spot prices closed at .5350 on Friday, the highest since November 1939, but .065 cents below the September top.

Wheat advanced considerably on the war news. This represented an abrupt change from the movement in the early days of the week when the price sagged under the influence of larger private crop estimates and evidence of increased acreage in Argentina and Canada. The Government estimate of domestic winter wheat production, which appeared after the close on Friday, was somewhat higher than the average of May 1 private crop estimates and higher than the official April 1 figure. The figure of 460 million bushels compares with 563 million bushels of winter wheat produced last year.

Textile orders lower

Our index of new orders declined somewhat during the week ended May 4 (see Chart 3), because of a decline in reported orders for textiles. Orders reported by the United States Steel Corporation were but slightly below the previous week's improved figure, while orders increased somewhat for products other than steel and textiles.

Electrical industry plans expansion

Industrial production may derive increased support this year from the utility industry. Although subject to revision, the latest estimate of the Edison Electric Institute for

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construction expenditures for the industry in 1940 (exclusive of Federal hydroelectric projects) is \$643,000,000. This would represent an increase of 39 per cent over the 1939 amount, and in fact, would be the highest figure since the very active year of 1930, when public utility construction was being pushed as part of an effort to offset the general business decline then in progress.

The public offering in April of three public utility stock issues for new capital purposes, aggregating nearly 30,000,000, may be a forerunner of increased public financing for expansion purposes. This type of utility financing has been virtually nonexistent for a long time, and the amount mentioned is substantially greater than total stock issues publicly offered for new capital purposes by the electric light and power industry during all of 1939.

Although new orders for electrical equipment have receded from the high levels of the final quarter of 1939, nevertheless orders booked in the first quarter of this year were still 21 per cent above the corresponding period of 1939, and prospects seem favorable for a continued high rate of operations in the electrical equipment industry. Employment and payrolls of manufacturers of electrical machinery, apparatus and supplies in March showed gains of 18.4 per cent and 25.9 per cent respectively over March 1939. Some important business in the heavy equipment field has developed as a result of the current activity in the shipbuilding industry. The Westinghouse Electric Company, which is usually a prime beneficiary of activity in the heavy equipment lines, had the highest unfilled orders on record at the end of March.

#### Extensive automobile changes planned

The probability of extensive changes in 1940 model automobiles is of business significance in several ways: (1) It promises to increase the replacement demand for new cars next fall; (2) it will increase the volume of machine tool orders; (3) it may lengthen the shutdown period this summer for retooling of automobile plants.

While the average annual outlay for retooling in recent years has been close to \$50,000,000, according to trade estimates, there is said to be no question that this year will be

Secretary Morgenthau - 6

far above average in important design and mechanical changes, which will mean a substantial increase over average retcooling costs.

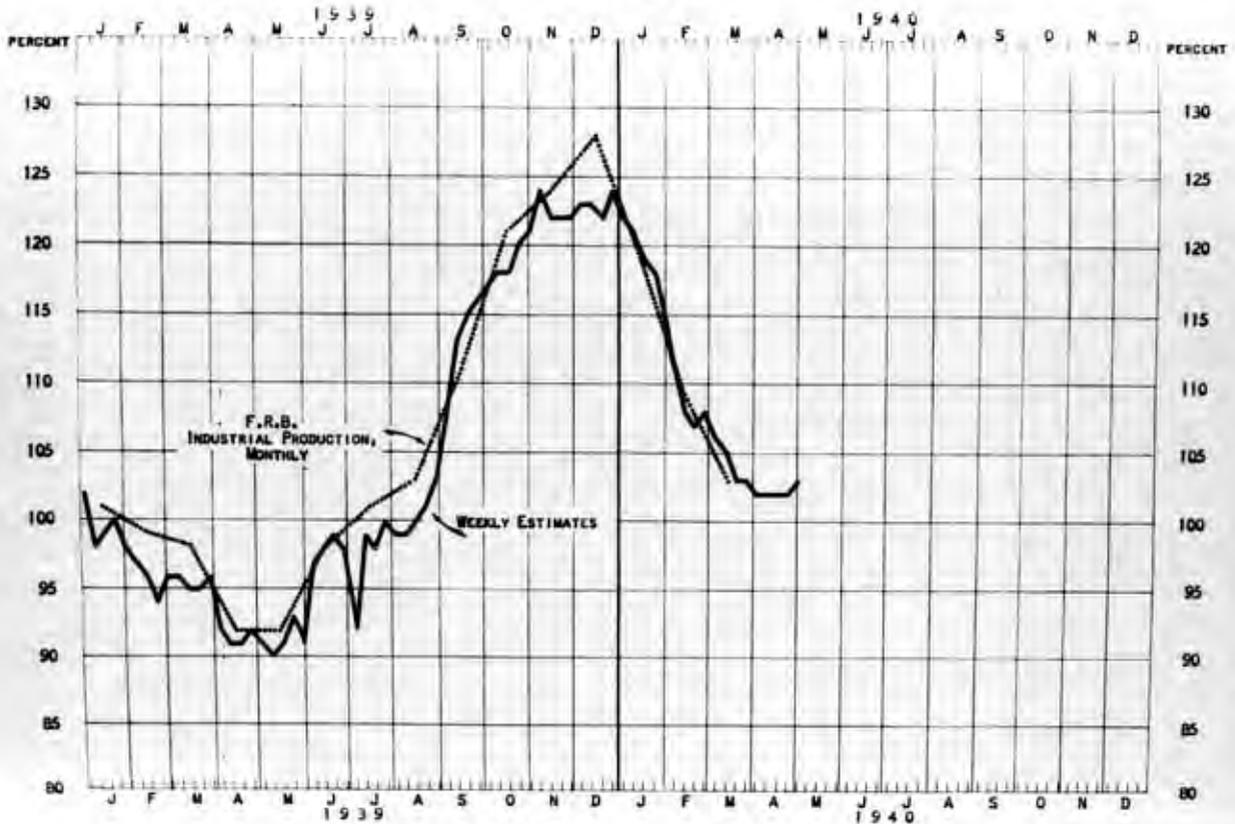
Residential construction continues to gain

Data now available on construction activity for the full month of April reveal that recent encouraging trends in residential construction have continued, and that new peaks have been attained in the current upsurge in that type of construction. Reference to Chart 4 will disclose that both homes started under F.H.A. inspection and the number of residential projects as reported monthly by F. W. Dodge have moved up to new high levels.

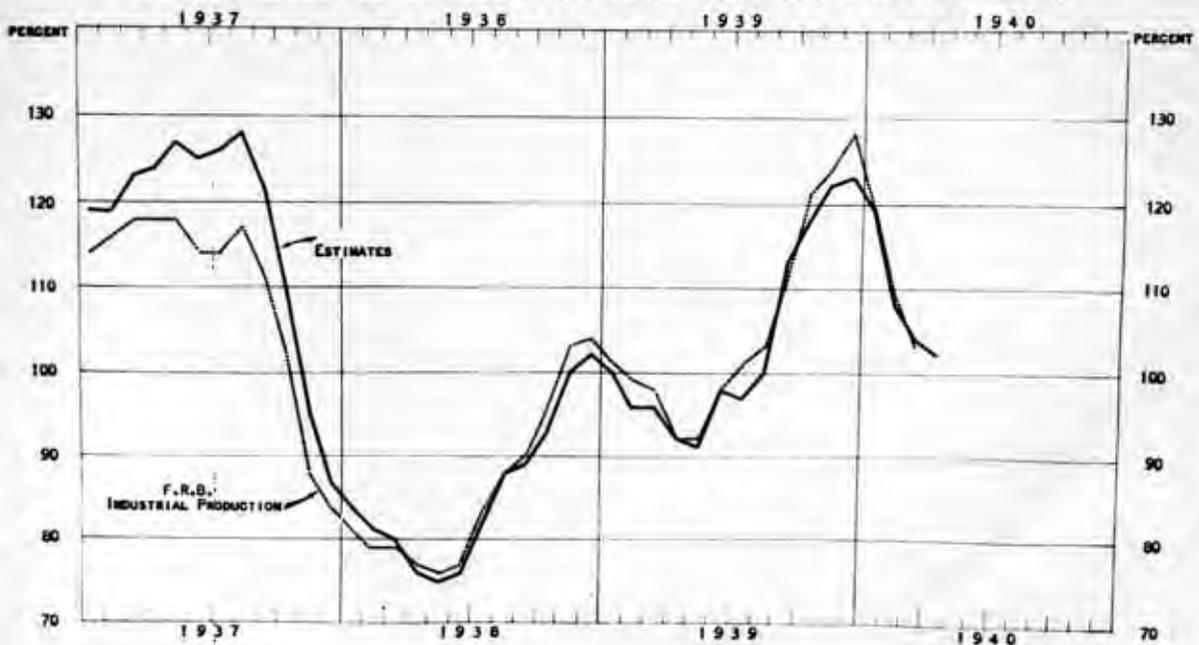
At the same time, contract awards for residential construction projects on a valuation basis, as reported by F. W. Dodge, slightly exceeded the highest levels of 1939 (see Chart 5), which in turn were the best thus far attained in the entire recovery period. Likewise, mortgages selected for appraisal by the F.H.A. rose to a new high in April, and the trend at the beginning of May (lower section of chart) was well sustained, in contrast to a declining trend in 1939.

WEEKLY ESTIMATES OF F.R.B. INDEX OF INDUSTRIAL PRODUCTION BASED  
ON N.Y. TIMES INDEX

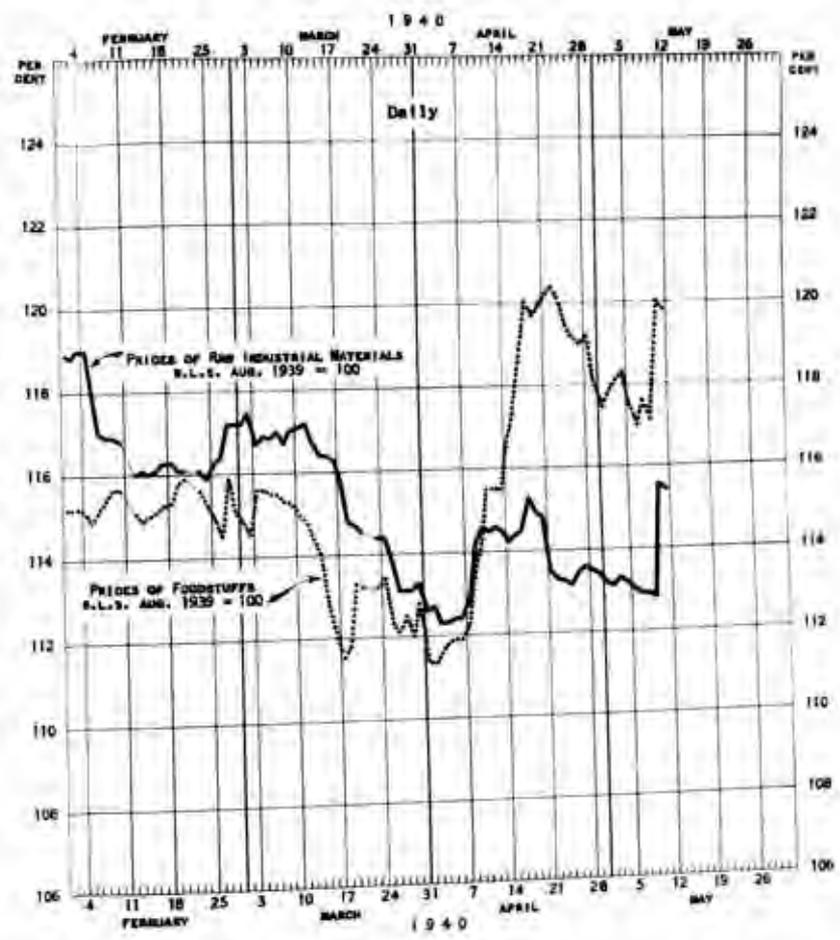
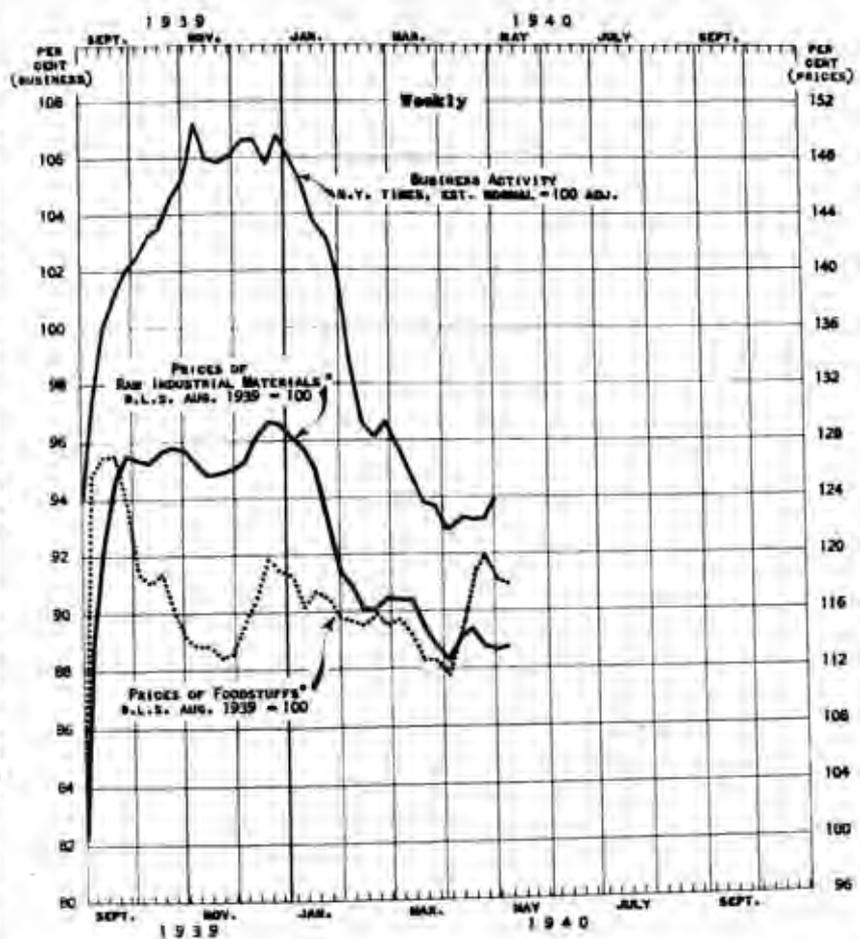
1923 = 25 = 100, Adj.



MONTHLY ESTIMATES OF INDUSTRIAL PRODUCTION, BASED ON N.Y. TIMES



BUSINESS ACTIVITY AND PRICES OF RAW INDUSTRIAL MATERIALS AND FOODSTUFFS

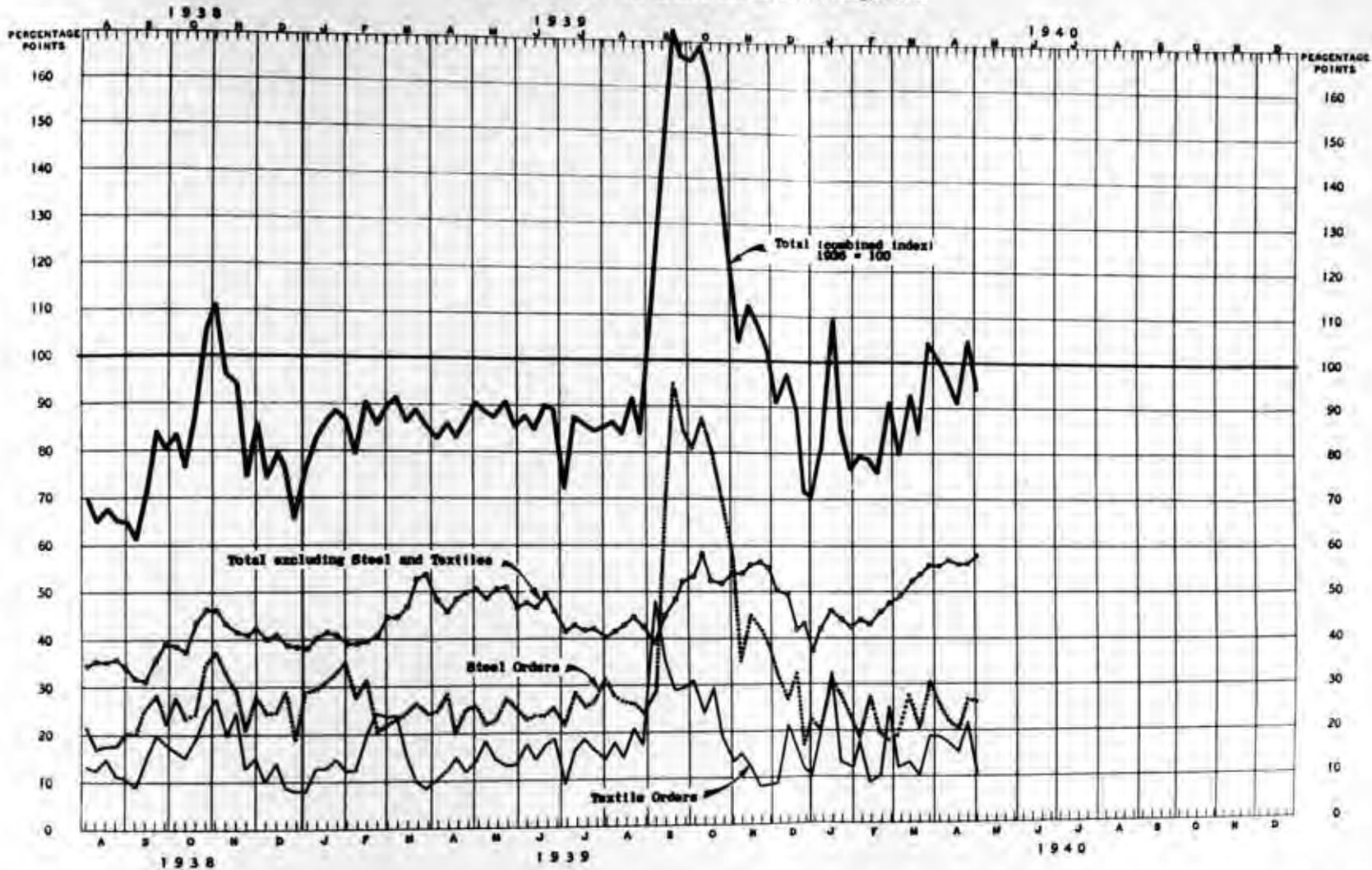


\* FIVE DAY AVERAGE FOR PRICES

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

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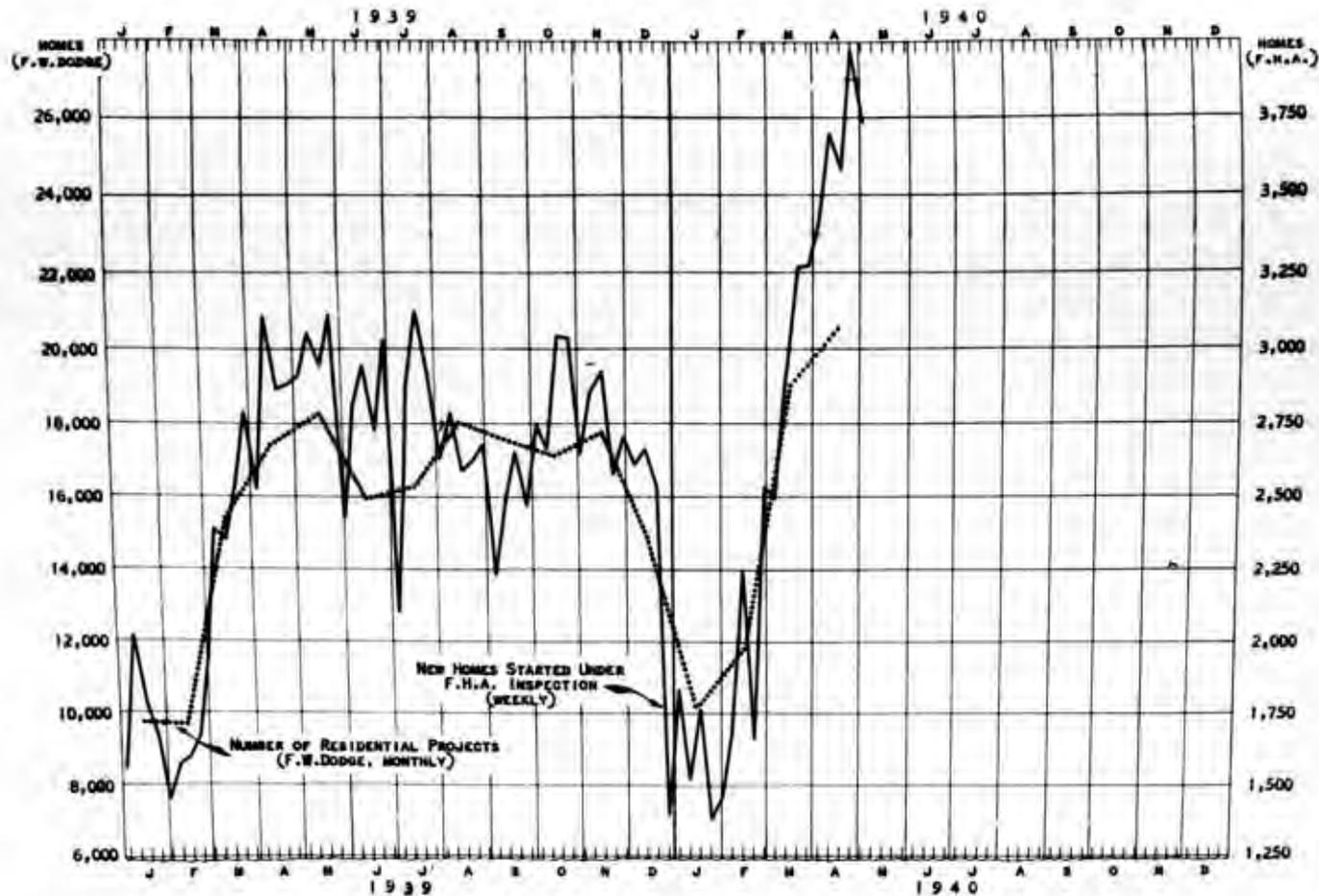
### INDICES OF NEW ORDERS Combined Index of New Orders and Selected Components



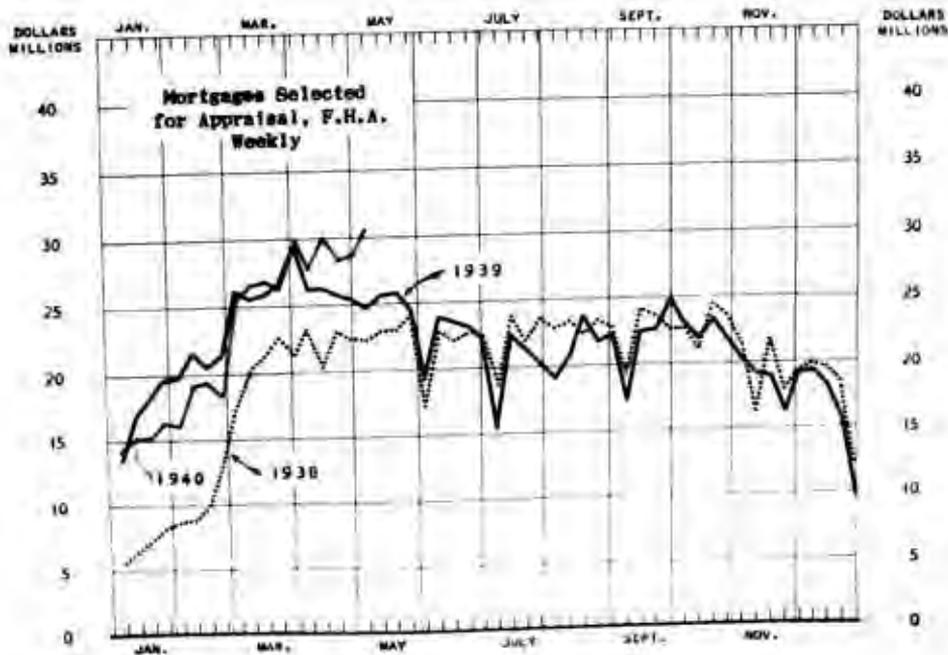
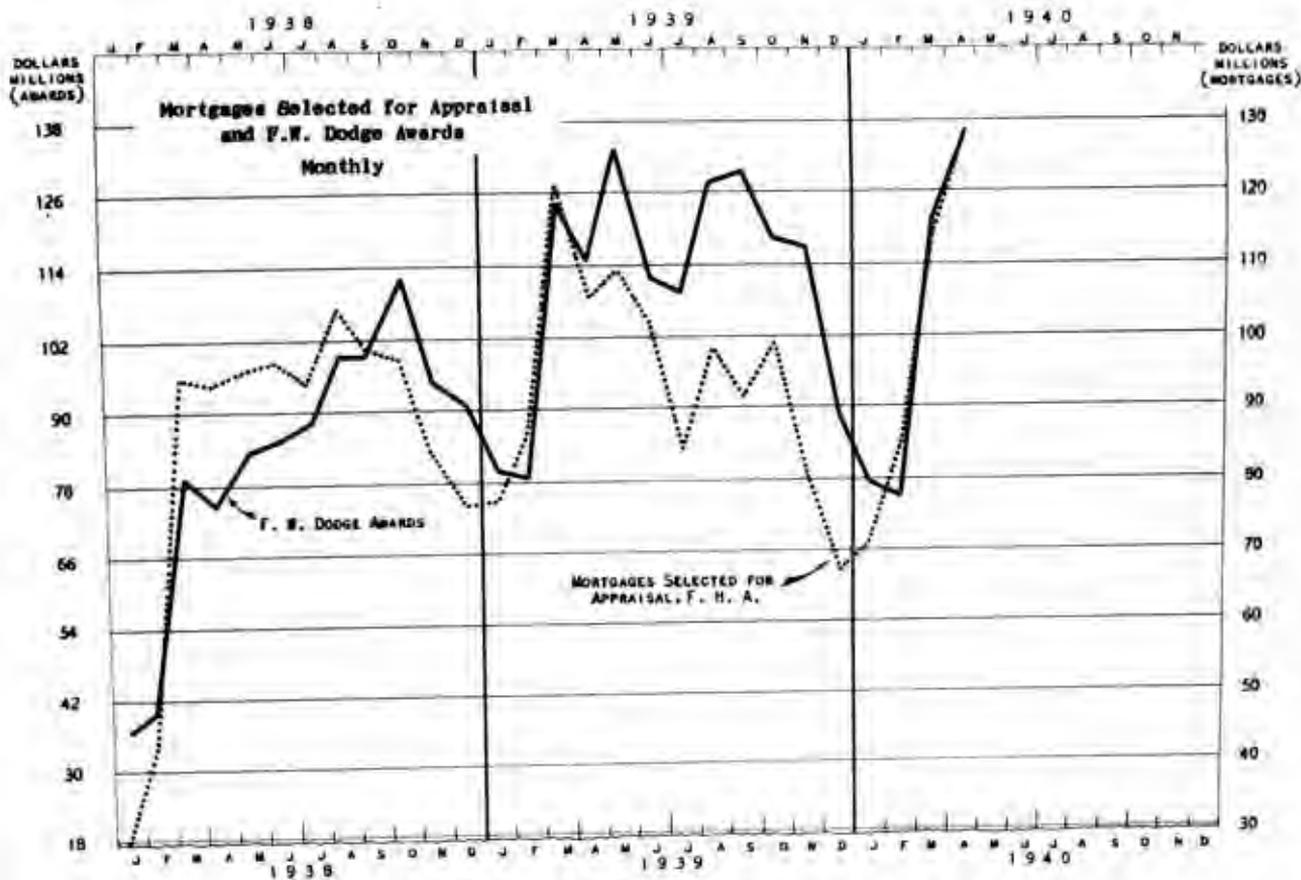
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RESIDENTIAL AWARDS AND F.H.A. HOMES STARTED



# RESIDENTIAL CONTRACT AWARDS AND F.H.A. MORTGAGES



TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 11, 1940

TO Mr. Schwarz

FROM Mr. Cochran

I have pleasure in quoting herewith extracts from the only cablegrams received from our officers abroad which have commented upon the Secretary's speech on gold:

Cable #581 from Paris, dated May 4, 1940

"Reports of your speech were carried prominently in all of this morning's papers. Special emphasis was given to your comments regarding our participation in post war economic reconstruction. LE MATIN for example headlined its story 'our gold reserve will serve to repair the damages caused by the war says the Secretary of the Treasury of the United States.' An exact quotation of your comments on post war reconstruction follows this headline as it does in the other papers. There has not yet been time for your speech to be commented upon editorially by the French press."

Cable #1121 from London, dated May 6, 1940

"The financial newspapers today comment on the Secretary of the Treasury's speech on gold noting that the statement assures no change in the official American buying price of gold. Einzig of the FINANCIAL NEWS also notes the Secretary's belief that the only threat to the future value of gold would be the emergence of one or two dictatorships ruling most of the world and characterizes his belief that this will not happen as 'implying a compliment to the Allies but harmful for the cause of democracy since it leads to the conclusion that the Allies are capable of preventing Nazi world conquest without American support, financial or otherwise.'"

I do not receive any foreign periodicals, except the Economist from London. I shall watch this and bring to your attention any comments that may be found therein. The Library receives a variety of foreign financial papers, which you might want to look over. The State Department ordinarily receives no clippings from abroad on a speech such as that under reference.



May 11, 1940  
9:25 a.m.

Pat  
Harrison: Hello.

H.M.Jr: Hello.

H: Henry.

H.M.Jr: Right.

H: I called you but you had gone yesterday. I was at a conference all day on this aviation stuff.

H.M.Jr: Yeah, I called you too.

H: I know you did and that's why I called back.

H.M.Jr: Yeah. How are you?

H: Why, pretty well. Did you want to see me today?

H.M.Jr: Well, Pat, I'm always glad to see you. Have you got something on your mind?

H: Well, no, but you -- you called me and I thought maybe you wanted to talk to me about something.

H.M.Jr: No, that was an answer that I got from your office that you wanted me.

H: No, -- well, I don't know why they rang. I don't know about that.

H.M.Jr: Well, there must be a misunderstanding.

H: Yeah.

H.M.Jr: It's always a pleasure.....

H: That's all right then, Henry. I was going over to the races and I just thought I'd call you up early so I could get -- if you did want to see me.

H.M.Jr: Well, put a dollar on a horse for me, will you?

H: Well, I don't know what's going to happen.

H.M.Jr: Well, you just put one dollar, will you?

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H: Well, good luck to you, Henry.

H.V.Jr: O. K.

May 11, 1940  
11:41 a.m.

H.M.Jr: Hello, Jesse.

Jesse  
Jones: How about going to the races with me?

H.M.Jr: Oh, -- today?

J: Yeah.

H.M.Jr: A little bit late -- if you'd let me earlier I'd love to.

J: Well, I didn't know I had an extra ticket until ten minutes ago. One fellow fell out on me. Mrs. Jones and I are going to drive over there and we decided to take you.....

H.M.Jr: Well, I've got my daughter coming in from school to have lunch with me today.

J: I see.

H.M.Jr: It was very nice of you to think of me.

J: Well, I thought we could enjoy the evening -- afternoon, and so forth.

H.M.Jr: Well, that's awfully nice, Jesse, but my daughter, Joan, is coming in to have lunch with me.

J: O. K. Sorry.

H.M.Jr: Another time.

J: Goodbye.

H.M.Jr: Goodbye.

May 11, 1940

12:15 p.m.

Present:

Mr. Gaston  
Dr. White  
Mr. Cochran  
Dr. Haas  
Mr. Young  
Mr. Foley  
Mr. Sullivan  
Mr. Schwarz  
Capt. Puleston

HM, Jr: Herbert, anything important?

Mr. Gaston: No. We have not yet heard about the Neutrality Act and I suppose we might conceivably get word this afternoon or tomorrow that it has been signed.

HM, Jr: Of course, if we did not have a representative of the State Department in our midst, even if he is on leave, I would say they don't know Holland is at war.

Mr. Gaston: Everything else is under control.

HM, Jr: Good. Edward?

Mr. Foley: I saw Ed Noble last night. He said he would cooperate with us in every way; would not put out another figure if we did not want him to.

HM, Jr: And you straightened out your difficulty with the finance section all right?

Mr. Sullivan: I have been with Chairman Vinson this morning and we are all straightened out with the Navy on the amended bill that's going in Tuesday.

HM, Jr: If I feel like it and am so inclined, I think I will drop down to see Glass tomorrow but I will go alone, Ed, but I spoke last night to Preston Delano and told him to see some of his friends. You might contact Preston Delano and if Crowley could be here

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Monday to do a little stuff on the Hill on those two items we don't like, I would appreciate it. I mean, I just don't want to let it go by the Board. So would you talk to Preston Delano and Leo Crowley?

Mr. Foley: Yes.

HM, Jr: And see if Leo could not be here Monday and do a little work on the Hill. I will take care of Glass. I will try to see him tomorrow.

Mr. Foley: All right.

HM, Jr: Will you carry that?

Mr. Foley: Yes.

Mr. Cochran: Sterling improved, moved up to 3.28; not much trading. Story in the press that the British might discontinue this official rate, but we have had no intimation of it at all. I can't believe it.

HM, Jr: Like so many of these rumors. Purvis called up: Was it true we were going to put an embargo on paper? We do not have any power to put embargo on anything unless it is a bond. I didn't think there was any paper in a bond. He laughed and felt much better.

Phil?

Mr. Young: Nothing.

HM, Jr: Chick?

Mr. Schwarz: Stories on yesterday's regulations and licenses were quite good.

HM, Jr: I am taking them home with me. They are all right, are they?

Mr. Schwarz: I don't think they will bother you.

HM, Jr: I did not see our picture in the paper today.

Mr. Schwarz: Weekly magazine might.

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Mr. Foley: Who took the picture, Chick?

Mr. Schwarz: Associated Press.

HM, Jr: At least we will get copies of it.

George, when you go up there on Monday, you can tell the people that from now on all figures on purchases will come to you and that we don't expect to use organization for that any more. See?

Mr. Haas: Yes, I will take care of it.

Mr. Young: I might add that Ballantyne is setting up one man for both Missions.

HM, Jr: I thought they would. You are sure it's a man. George gets all excited.

Mr. Haas: I will see Phil afterwards.

HM, Jr: When are you going up, George?

Mr. Haas: Sunday night.

HM, Jr: Harry?

Dr. White: I have your letter, it's a little embarrassing to ask you to sign it. This is to Mr. Welles: "I am pleased to designate Mr. Gaston".....

HM, Jr: Has the conference adjourned?

Dr. White: No, but I honestly don't know whether it should be sent or not.

Mr. Haas: I am a delegate. You appointed me some months back.

HM, Jr: Oh, are you? Is this the one there was all the row about?

Mr. Haas: I didn't know there was any row about it.

Mr. Foley: This is the one the President addressed last night.

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Dr. White: We sent your letter several months ago. You are Vice President.

HM, Jr: Don't you insult me.

Dr. White: You are Vice something or other. I think you are one of the Vice Directors.

HM, Jr: Are you sure that George does not already represent me?

Mr. Haas: I don't think so. There are different sections. One is statistical and that's where I am.

Dr. White: Figures for trade are in. You might be interested in knowing our exports declined ten per cent over last month. Here's a letter if you have a few minutes after.....

HM, Jr: No, no.

Dr. White: Well, Monday.

HM, Jr: Oh, yes. Is that all, Harry?

Now, Puleston, you have a few minutes.

Capt. Puleston: All right, sir. The Germans have gotten only as far as the territory which, according to the plan, was going to be evacuated. They are now approaching the line of the Maas River in Holland and are around the Muese River in the southern part of Belgium. The French got away to a good start within an hour after it was reported and they had forces moving up. Now, the first objective of the French is to reinforce the line of the canal from Antwerp over to Maastracht. Then the line turns sharply to the southwest and there is a big dent in it. And there is a report that the Germans have now reached the outskirts of those advances from Liege. That's one of the strongest points in the land. If the Germans take it, it's too bad. The French and British bombed the German troop concentrations along the Rhine last night. That's the most offensive move they have taken. The French are undoubtedly reinforcing the Belgians on their line of defense and are fighting both in Luxembourg, which we first heard the Germans had occupied and then haven't entirely. Some fighting there. And they are joining up with the Belgians south of Liege.

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HM,Jr: Looks better than it did last night?

Capt. Puleston: Looks a little better. I was accused of being an optimist. It does look better. I tell you, every 24 hours that the Germans don't go further forward is good news because the French are now getting into it.

HM,Jr: O. K.

Capt. Puleston: The final thing will depend on whether the Dutch can hold out for about 12 days up in that Citadel around Amsterdam and Rotterdam, and if they can do that, then the French and British can not only occupy the defense line from Antwerp to Liege but can be in a position to attack the Germans before they get started.

HM,Jr: O.K. All right, I will see you all Monday.

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