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MEMORANDUM

May 28, 1940.

TO: Secretary Morgenthau

FROM: Mr. Sullivan

CONFERENCE: Present: Senator Harrison, Congressman Doughton, Congressman Cooper, Under Secretary Bell, Commissioner Helvering, Mr. Stam and Mr. Sullivan.

Conference opened with Senator Harrison giving the report of the poll of his Committee as follows:

Senators George, Herring, Gerry, will follow the Administration; Senators Barkley and Brown prefer to defer action until next session, although Barkley will follow the Administration; Senator King strong for taxes only; Senator Johnson wants to defer all action until next session, but would favor a sales tax; Senator Byrd will approve increase in the debt limit by \$500 million to be used for Defense only; Senators Vandenberg and Capper in favor of immediate taxes; Senator Walsh absent.

There then ensued between Congressman Cooper and Under Secretary Bell a discussion of the Budget situation. Then Senator Harrison stated that he was for an increase in the debt limit of \$3 million plus a tax bill that would raise about \$600 million a year to retire the new bonds. Mr. Bell objected to restricting this issue to short-term securities or to Defense, to which Senator Harrison replied that the Senate would insist that any increase in the debt limit be related to National Defense.

Congressman Doughton reported that he had talked to Congressman Treadway, who last week spoke in favor of continuance of session and enactment of taxes. It was Congressman Doughton's opinion that the Republicans will object to any particular method of raising the money which we select and that any retroactive tax legislation would meet with formidable objection from both Republican and Democratic members of the House.

The Secretary reported that he had talked with the President since our conference yesterday and that the President suggested that we should not increase Customs on goods from those countries with whom we had trade agreements, but that we have a 10% increase on everything else.

Senator Harrison then suggested an increase in the debt limit of only \$500 million with a super tax of 10% on individual and corporate income taxes. He said that we could then meet again in December to draw up a real tax bill in the light of the then requirements for National

Defense. Congressman Doughton objected and said the debt limit should be raised \$3 billion now. To this Senator Harrison replied that last night he went to Senator Byrd's office to find out just how far he would be willing to go and Senator Byrd told him he would be willing to raise the debt limit \$1 billion if it were accompanied by new taxes. Senator Harrison seemed to think that if the debt limit was raised \$500 million we would then have until March 30 to pass a new tax bill.

Congressman Cooper said that he thought this had all of the disadvantages of more drastic action and none of the advantages and it would be worse than nothing in view of the fact that the Secretary has to do some refinancing in December and that his hands would be tied because he will have such a narrow margin. In fact some refinancing will have to be done next week. The Secretary spoke of the situation last September when he "waited them out". He has carried two or three times a normal balance in the Treasury. At the rate of interest being paid this calls for about \$250 thousand a year, but it is easily worth it as insurance. Congressman Doughton expressed some doubt as to whether or not Wall Street would try to hold up the Treasury in the present situation. No one else present entertained any such doubts.

Congressman Doughton then asked what was the least amount the Secretary needed. The Secretary replied:

1. \$5 to \$6 million additional taxes;
2. Recapture of \$700 million from various governmental agencies;
3. Increase in the debt limit \$1 billion.

At this point Commissioner Helvering spoke of the check for \$500 received for National Defense purposes from a doctor in Iowa who had been fighting an additional assessment of \$12.38. Congressman Doughton remarked that he was a fine man but that he did not have a vote in Congress. The Secretary then asked Congressman Doughton if he would canvass his own Committee and Doughton replied he would canvass the Democratic members. Congressman Cooper reported that he had checked 2 Republican and 7 Democratic members yesterday and found them to be divided with the majority opposed to a tax bill at the present session:

McKeough of Illinois and two others will follow anything the Administration requires; Moloney of Louisiana against a tax bill now; Duncan of Missouri against a tax bill now but will go along; Robertson of Virginia against increase of debt limit but will go along with tax bill as far as Senator Byrd; Congressman Cooper reported that Congressman Sam Rayburn says Congress cannot adjourn on June 15th if there is a tax bill and that he is against a tax bill; Boehne of Indiana in favor of raising the debt limit and enacting new taxes; McCormack, Disney and Buok were not interviewed but presumably will follow the Administration.

The Secretary observed that in his opinion an increase in the debt limit was as important for home defense as money was for military defense and repeated his request for Doughton to extend his canvass in his Committee.

Senator Harrison suggested that a manufacturers sales tax of 2% on everything except food, clothing and medicine would yield \$800 million, which together with a 10% super tax on income taxes yielding \$210 million would produce a little more than \$1 billion. Congressman Doughton inquired what the President insisted upon and the Secretary replied that the President insists or suggests nothing, — that he had asked the Secretary to get the views and advice of the Congressional leaders. The Secretary then suggested that the debt limit be raised \$2 billion and that he be given \$600 as additional revenue in the fiscal year 1941. Senator Harrison suggested that these new taxes should retire bonds issued. He then suggested that we raise the debt limit \$3 billion and enact new taxes providing \$700 million a year to retire these serial bonds. The Secretary immediately suggested that he call the President and get clearance on this, but Senator Harrison said he would prefer to wait and talk out the details. At this time, Mr. Stam, Chief of Staff of the Joint Committee on Internal Revenue Taxation, was brought into the room and there ensued discussion of the various details. Senator Harrison had the following figures which he proposed:

	(Millions)
10% super tax on personal and corporate income taxes	\$210
Increase in liquor taxes from \$2.25 to \$3 per gallon	85
Increase from \$5 to \$6 per barrel on Beer	58
Increase gasoline from 1¢ to 2¢ per gallon	199
10% super tax on all other Internal Revenue taxes except Social Security taxes	<u>160</u>
Total	\$712

The Secretary called the President in regard to the above and got his approval. In regard to the further suggestion of a 10% tax on Customs, he suggested that the Secretary clear this matter with Secretary Hull. In response to the Secretary's inquiry the President suggested that the Secretary give the Press a statement to the effect that at this session we were going to take care of the necessary Defense expenditures by a percentage tax which would pay as we go.

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The Secretary called Secretary Hull who objected to an increase in Customs and the proposal was immediately dropped.

The rest of the conference was devoted to drafting a statement to issue to the Press.

JLS

# Statement for the Press

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May 28, 1940

Chairman Doughton, Mr. Cooper, Chairman of the Tax Sub-committee of the Ways and Means Committee, Senator Harrison, Chairman of the Senate Finance Committee, have been in conference since 9 o'clock this morning with Secretary Morgenthau and with Mr. Bell, Mr. Sullivan and Mr. Helvering of the Treasury and with the Joint Congressional Committee expert, Mr. Stam, and they have agreed to ask Congress at this session to consider legislation to provide funds for the payment of the National Defense program. Chairman Doughton and Senator Harrison stated that they will convene their Committees immediately to formulate a plan.

They will propose an increase in the National Debt authorization by \$3,000,000,000 to provide for the issuance of National Defense obligations to be sold with maturities not to exceed five years and they will also propose the levy of additional taxes, the details of which are to be worked out by the Committee. These proposed taxes will yield between \$600,000,000 and \$700,000,000 annually over the five year period which will be sufficient to liquidate the National Defense securities.

The Secretary of the Treasury communicated to the President the conclusions reached by the conferees and the President expressed his approval of the program.

# STRICTLY CONFIDENTIAL

## TREASURY DEPARTMENT

### INTER-OFFICE COMMUNICATION

6

DATE May 28, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

At 7 o'clock last night, May 27, Mr. Pinsent, Financial Counselor of the British Embassy, delivered to me a memorandum setting forth the proposition of the British Government with respect to having the accounts of the Bank of England with the Federal Reserve Bank converted into "His Britannic Majesty's Government Account." Since this matter had some days ago been the subject of communications between the Federal Reserve Bank of New York and the Bank of England, I telephoned the text of this memorandum to Mr. Knoke this morning. The Treasury will continue in contact with the Federal Reserve Bank until some agreement is reached in the premises.



May 28, 1940  
8:30 a.m.

Lessing  
Rosenwald: Hello.

H.M.Jr: Hello, Lessing.

R: Yes, sir.

H.M.Jr: How are you?

R: Fine.

H.M.Jr: Lessing, when I spoke yesterday to your people in Chicago, they said they couldn't spare Brooks, he was in the job too recently and they suggested the Executive Vice President, Mr. Don Nelson. What do you think of that?

R: Why I think he'd be wonderful.

H.M.Jr: Is he wonderful?

R: Sure.

H.M.Jr: Well, that's what I want to ask you.

R: You know him, don't you?

H.M.Jr: I'm not sure that I do, Lessing.

R: He's a very tall, very heavy set man, he's a man of my age.

H.M.Jr: I see. A young fellow, huh.

R: And -- yeah. You know, like we are.

H.M.Jr: Yeah.

R: Yes, he'd be a very good man for you. He's done a great deal of work in Washington. He knows everybody there.

H.M.Jr: Well, for some reason, I never met him, but would you rate him better than Brooks?

R: Well, I -- he's certainly had much more experience. He's been in the merchandise

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field for a long, long time.

H.M.Jr:

Fine.

R :

Say, Henry?

H.M.Jr:

Yes.

R:

News is terrible disturbing this morning.

H.M.Jr:

Yes, it is. Yes, it is. But I just wanted to check with you on a personal basis.

R:

Oh, well, say, I can't tell you too much about Don Nelson. He and I have been friends for, oh, nearly thirty years.

H.M.Jr:

Thank you so much.

R:

All right.

H.M.Jr:

Thank you. Good-bye.

May 28, 1940  
8:44 a.m.

H.M.Jr: Hello.

Operator: General Marshall.

H.M.Jr: Hello.

General Marshall: Good morning, Mr. Secretary.

H.M.Jr: How are you, General?

M: Fine, thank you.

H.M.Jr: General, General Brett and Major Lyons are here with me now.

M: Yes, sir.

H.M.Jr: And he's just shown me this memorandum .....

M: Yes.

H.M.Jr: ..... \$300 million additional money for airplanes. I'd like to take the liberty of making this suggestion.

M: Yes, sir.

H.M.Jr: If you tell me that you need for an aviation program \$300 million as a part of the whole national defense program, I'll go along with you, but I don't want to go along just because some factories are on a -- half empty -- in order to fill up some factories.

M: In other words, on the principal basis that Brett wanted to get this thing started -- you don't agree on that.

H.M.Jr: No. But if you say to me, Morgenthau, we need this as a part of the plan to get the United States Army, on an all around program, ready to defend ourselves or take on whatever comers are necessary, we need \$300 million more for aviation, I'll go along. But not just on a basis to fill up some half-empty factories.

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M: All right, sir, I'll -- but tell me -- let me ask this question. What about your business of engines, is that -- is this throwing a complication at the moment into that?

H.M.Jr: No, it's an assistance.

M: It's an assistance.

H.M.Jr: It's -- it's .....

M: It's the terms under which the money is proposed for that you don't -- you take exception to.

H.M.Jr: Yes, the reasons for it.

M: I see.

H.M.Jr: The reasons for it, because I know how it will hit the President just the way it hits me.

M: Well, in the first place .....

H.M.Jr: He won't like it.

M: ..... in the first place, this -- part of this thing goes back to our original discussion as to how to increase production to give things to the Allies. We can't say that, of course.

H.M.Jr: Yeah.

M: That, apparently, was the only suggestion they had to offer as a way of doing it other than taking away the few we had coming to us. Well, of course, I can't state that in a paper.

H.M.Jr: No.

M: What about that phase of it?

H.M.Jr: You and I have had several talks. You kept talking to me to -- a rounded out army.

M: Yes.

H.M.Jr: Now if you can justify in your own mind that as -- the problem as you see it that you need \$300 million

for aviation as a part of an all-around program, O. K. But you'd have to sell me and, I think, the President on that basis and not on the basis because we have some factories empty.

M: Well, can I go back to that same question I asked you just ahead of that? The start of the special plane thing came up when the Allies wanted a great many planes and I thought we couldn't give them out of those that we had coming to us. Then the proposition was, how could we get planes for them more quickly. Now, I don't know the technical side.

H.M.Jr: Yeah.

M: But the proposal was made if we could give the orders carrying them over for a longer period there, they could immediately get into a broader basis of production which would give those planes -- we not taking them at any increased rate -- but they would get the increased rate of planes. Is that -- is there any interest on -- in that phase of the thing at all?

H.M.Jr: Ah -- some.

M: Just some.

H.M.Jr: But it's just as far as I'm concerned, before I could sell it to the President, you'd have to sell me the need as part of your all-around program.

M: I see. I see.

H.M.Jr: Uh .....

M: In other words, I can't mention that thing at all. I didn't have it in here anyway.

H.M.Jr: I don't think I would, General. I'm thinking of the Hill.

M: Yes. Well, I -- this -- what I wanted to get over was my embarrassment -- I haven't got it in there you see, and yet part of the -- part

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of the plot in the generation came out of the desire to do that particular thing.

H.M.Jr: Well, let me ask you this question. Will it be difficult to build a case that you need \$300 million more for -- for air?

M: No, it isn't very difficult at all because we've got to have a great many planes over and above what we have now to get into this thing in a larger way.

H.M.Jr: Well, because I got this memorandum from Mr. Woodring to the President as to the need and, incidentally, he left off the planes of the regular appropriation, and I'm going to have the boys give me that. Hello.

M: Yes, I'm listening.

H.M.Jr: He left out half of it -- I don't know why he did that. Who prepared the memorandum?

M: Which date was that?

H.M.Jr: Well, it's dated May 25th, to the President of the United States, and it just gives the airplanes and engines in this more recent program but in the original program, the rate of the 1941 program -- he's left that out entirely. He's left that out of this memorandum to the President entirely.

M: In the 1941. Now, you're distinguishing between the original 1941 budget thing and the program of the President's message?

H.M.Jr: Just let me ask Mr. -- General Brett, he's right here.

(Aside to General Brett, "What did Mr. Woodring leave out?" General Brett says, "He left out the entire 1941 appropriation, regular.")

He left out the entire 1941 regular appropriation, the planes in that program.

M: Well, I'll have to check up on what the papers are, I'm confused. That's a memorandum of May 25th  
 .....

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H.M.Jr: To the President of the United States carrying out that memorandum that he sent to Mr. Woodring and to you.

M: I see. Yes .....

H.M.Jr: ..... on May 24th.

M: Yes, sir.

H.M.Jr: Then Woodring sends over a memorandum to the President and leaves off the planes which, according to General Brett, were in the regular 1941 appropriation, leaves those off entirely.

M: All right, sir. I'll check up on what this is.

H.M.Jr: Now don't get me -- don't misunderstand me. You know the conversation we had on

M: Yes. Yes.

H.M.Jr: And I'm all for this if you can justify it on the basis that you and I have been talking about.

M: Yes, sir. All right.

H.M.Jr: Which oughtn't to be very hard.

M: No, it isn't at all hard.

H.M.Jr: What?

M: I don't think it'll be at all hard to do that.

H.M.Jr: O. K.

M: All right, sir. .

H.M.Jr: Thank you.

May 28, 1940  
2:25 p.m.

H.M.Jr: Hello, Sumner. I have your letter before me of May 27th, with enclosed from Bullitt, S 894 where he asks for a lot of different kinds of planes.

Sumner  
Welles: Yes.

H.M.Jr: Well, you asked for what you can say, but there's just nothing we can do. They've asked me every day themselves.

W: Yes.

H.M.Jr: And that memorandum which I gave to General Marshall to which I've had no answer yet -- ah -- but there's nothing .....

W: Well, this letter to you was sent before my talk with you on the phone last night.....

H.M.Jr: Well, then that .....

W: So I understand the situation.

H.M.Jr: Well, then I won't attempt to answer it in writing.

W: No, indeed.

H.M.Jr: All right.

W: Thank you, Henry. Good-bye.

H.M.Jr: Good-bye.

May 28, 1940  
4:06 p.m.

H.M.Jr: Hello.

Operator: Purvis. Go ahead.

Arthur  
Purvis: Hello.

H.M.Jr: Hello. Arthur Purvis.....

P: Good afternoon, Henry.

H.M.Jr: How are you?

P: Very well, thank you.

H.M.Jr: Look, the Studebaker Company .....

P: What's that?

H.M.Jr: ..... the Studebaker Company, Paul G. Hoffman,  
President, has been hanging around here for  
two or three days.

P: Yes.

H.M.Jr: He says that the French want to place an order  
with him for the Gnome Rhone motor.

P: Oh, the Gnome Rhone motor.

H.M.Jr: ..... the French Air Mission.

P: For the

H.M.Jr: Yes, 1500 engines with two options for 1500  
each.

P: 600 engines.

H.M.Jr: 1500 -- one thousand, five hundred.

P: One thousand, five hundred engines, yes.

H.M.Jr: And with two options for another 1500 each.

P: Oh, yes.

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H.M.Jr: Now I wish that you'd have somebody in your Mission get word to the Studebaker that until you work it out -- the Allied Mission with the United States Government -- we are just holding everything until we have a picture of the whole engine program.

P: Yes, yes, I'll get that. Now they claim to be negotiating with the French here. I'll get that straight away.

H.M.Jr: With the French Air Mission.

P: Yes.

H.M.Jr: The Gnome Rhone Company of Paris, France, are working with the French Air Mission for to buy 1500 engines of 2300 h.p..

P: 2300?

H.M.Jr: Yes.

P: Those are big ones.

H.M.Jr: Yeah.

P: Oh, well. Certainly I'll check that. Of course, that's got to be done by the picture as a whole. I'll bring you a note of the -- of the situation on that tomorrow morning.

H.M.Jr: Well, what -- I just -- wait -- I just -- 1,650 h.p. engines and subsequently the 2300.

P: Oh, yes.

H.M.Jr: And I thought I'd phone you tonight and if you could get -- have somebody in your Mission get word to the Studebaker -- ah .....

P: ..... that that is held pending the -- ah -- pending getting the whole picture.

H.M.Jr: ..... the whole picture.

P: Yes.

H.M.Jr: Because any program for big engines or small engines, now, has got to be worked out in conjunction with our own program. See?

P: Yes. I quite agree. As a matter of fact this again is -- it's somewhat of a surprise. It must be in some preliminary stage but even then I have not had it. I'll get hold of Jacquin straight away. Jacquin will be down in Washington anyway, so he will be available if you want to ask him any questions.

H.M.Jr: Well, this man, Paul G. Hoffman, is staying at the Hay-Adams Hotel.

P: Very good.

H.M.Jr: And he's just driving us nuts, if you know what that is.

P: I do. (Laughs) Yes.

H.M.Jr: All right, Arthur.

P: All right, I'll do that straight away.

H.M.Jr: Take them off until we get the whole thing, and then tomorrow we'll talk also about -- if you want to talk engines first, whichever -- anyway, did you get my message that we'd start at 9:00?

P: Yes, I got that message. I'll be there at 9:00.

H.M.Jr: We'll start at 9:00 and then, what do you want to do first, engines?

P: Well, what I'd like to do with you -- what I'd like to do first is to acquaint you with this changed policy -- these cables have come in indicating an entirely changed policy with regard to purchases here.

H.M.Jr: All right.

P: That seems to me to have a general application that should come first.

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H.M.Jr: All right.

P: Then I did very much want to have a word with you also in regard to the possibilities on that re-exportation clause and the tungsten matter.

H.M.Jr: Tungsten?

P: You remember, we have an open item on tungsten as to whether the purchase could be made.

H.M.Jr: Yes, yes.

P: And also there was a question about getting a re-exportation embargo clause on the books so that something could be done to prevent leakages which apparently are turning up in certain materials.....

H.M.Jr: Right.

P: ..... as part of the defense measures.

H.M.Jr: Right. Thank you. Thank you.

P: Now those would be just the broad subjects I'd rather like to talk with you and then if we could go on to such things -- of course, the question that we talked last week, any unfinished section of that, and then if there were the engine matter, if we could do it all today.

H.M.Jr: That's all right. Thank you.

P: Will that be all right.

H.M.Jr: Quite.

P: Thank you very much.

H.M.Jr: Good night.

P: Good night.

May 28, 1940  
4:10 p.m.

H.M. Jr: Hello.

Operator: Mr. White in Mr. Bell's office. Go ahead.

H.M. Jr: Harry.

Harry White: Yes, sir.

H.M. Jr: Purvis just called me and the first thing he's going to do tomorrow morning at 9:00 is talk about tungsten.

W: Right.

H.M. Jr: And so can you have a memorandum and be here yourself a little bit before 9:00 with the memo? .....

W: Right.

H.M. Jr: ..... on tungsten, and then he's also going to ask me about whether we've done anything about a re-export clause to control these things, both tin and tungsten .....

W: Yeah.

H.M. Jr: ..... and you might ask Foley and find out from the Attorney General, and I'm going to pin this on you and I'd like you here a little bit before 9:00.

W: On tungsten and on the re-export of strategic commodities.

H.M. Jr: Right.

W: Ah -- before -- I think that Danny -- we're doing something here and Mr. Bell will want to get in touch with you before you get home to sign something. Have you got a minute to talk to Danny now?

H.M. Jr: Ah -- if he'll wait a couple of minutes, and if he'll hold my hand and push it, I'll sign it.

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W: Will you be in there?

H.M.Jr: I'm in the office and give me three minutes and I'll .....

W: Well, it won't be ready in three minutes. Are you going to be there a little longer than three minutes?

H.M.Jr: I hope not! Yes, I will.

W: You will.

H.M.Jr: How long will you fellows want.

W: (Aside) How many more minutes do we need?  
Well, an hour. Will we be able to go up to your house and get your signature, because we will have to arrange, possibly, for the President's signature today.

H.M.Jr : All right, I can be seen after seven o'clock.

W: At your home.

H.M.Jr: Between seven and seven-fifteen, at my home.

W: I'll pass that on to Mr. Bell. (Aside)  
And you'll be able to get in touch with -- with the President to get his signature for that day, or date it today. Ah -- ah -- Well, that's what the leaders do. (Laughs)  
All right, I'll tell him you'll arrange it.

H.M.Jr: (Laughs) O. K.

## RE AIR EXPANSION PROGRAM

May 28, 1940.  
3:00 p.m.

Present: Mr. Foley  
Mr. Young  
General Brett  
Major Lyons  
Mr. Haas  
Mrs. Klotz  
Mr. Mead  
Captain Kraus

H.M.Jr: I hope I didn't inconvenience you, but from nine until twelve fifteen this morning we did a tax bill. We raised \$3,000,000.00 for national defense. Where is my engineer?

Brett: I think he is on his way up here.

H.M.Jr: It is a great life. I had to let everything go from nine until twelve fifteen with Pat Harrison and Bob Doughton, but we got an agreement. We are going to sell \$3,000,000.00 worth of national defense bonds and pay for them in five years.

Brett: We can use all that right off the bat.

H.M.Jr: I have got your memorandum here.

(Mr. Mead and Captain Kraus entered the conference)

H.M.Jr: How do you do?

Mead: I am sorry to tell you the typewriter hasn't quite caught up with us, but we will have it in just a minute.

H.M.Jr: I want to be educated, and Ed, would you bring these gentlemen plus me plus Mrs. Klotz up to date as to where the lawyers are on this licensing business? Just give us a little lecture.

Foley: Well, we have completed the drafts of the agreements for United and for Wright Aeronautical. The agreements have been mimeographed, and they have been approved insofar as Wright Aeronautical is concerned by the company, Wright Aeronautical, by the

Army, the Navy, Justice and ourselves. Insofar as United Corporation is concerned, we don't have the approval of the corporation. We have the approval of the others. Now, there are certain essentials that have to be decided upon. We have left the blanks in the agreement. We have got to know the model, we have got to know the quantity, we have got to know the licensee, we have got to know the royalty payments, and we have got to have a confirmation of the whole underlying policy, but we have got documents now that we can work from. The lawyers for Wright Aeronautical have been quite cooperative. They have been down here with their engineer, a man by the name of Finley, and they have given us a good deal of help. We haven't had the same help from United. We have had to go ahead with what we knew from all they wrote to us and write it ourselves without their approval.

- Mead: Why do you have to have the licensee? Isn't that between the Government and the company?
- Foley: Well, it is subject to the joint approval of both, the Government and the company.
- Mead: Because we don't know what company to put in there for awhile.
- Foley: That is right. Those are the details that will have to be determined.
- Mead: Well, then, they will sign it or agree to it with a blank in there.
- Foley: They will approve it as to form; and then if you decide to use it, we will have to insert all these details. The blanks are there.
- Mead: Captain Kraus -- Captain Kraus hasn't had a chance to see those yet, has he?
- Foley: He was in on the meetings last night.
- Kraus: They are OK.

- H.M.Jr: And the lawyers for the Army and Navy and Justice, as I understand, have all sat in on this?
- Foley: That is right. They were over here from half past three until seven o'clock last night.
- H.M.Jr: That sounds funny. Ed, take a couple of minutes, because I won't have any other chance, and describe to me just what this license does, will you? I don't know whether General Brett knows about this or not, but just -- I mean, now one thing you said -- what was the agreement?
- Foley: Well, subject to the approval of the Government and by the holder of the patent, another corporation would be licensed to produce the engine as patented and as now being produced by Wright Aeronautical or by United. The quantity and the type and the materials of the payments, how much per engine you would pay as a royalty and how those payments would be made, are matters that have to be determined. In one instance the provision, insofar as duration is concerned, would be for three years. That is insofar as Wright Aeronautical is concerned. Insofar as United is concerned, they want it for the period of the emergency, so it would be for three years and the period of the emergency. I don't know whether they will object to that when they get down here.
- H.M.Jr: Well, golly, Ed, when they get down here I don't want to get into an argument on the license. I want to talk business, so couldn't -- you see, here is the thing. Couldn't this all be cleared by them before they see me on Thursday, because this thing -- we will waste all our time talking -- what time was Curtiss coming in?
- Mead: Eleven o'clock on Thursday.
- Foley: Curtiss?

H.M.Jr: Which is the one who wanted to come in earlier?

Foley: I thought Vaughan was coming in at three.

Mead: No, Wilson.

Foley: Well, Vaughan thinks he is coming in at three and he would like very much to come in earlier.

Mead: I talked to him this morning.

Foley: I had lunch with him and Paul Shields and I left him at 2:15 and he said he was coming in at three o'clock; and he said if it could be arranged so that he could come in earlier, he would be very appreciative.

Mead: I will fix that, and I wish we could settle just what terms you had in mind. This years business bothers me because I don't quite understand it. You wanted it three years but what?

Foley: As I understand it, the Wright Aeronautical want three years.

Mead: That is, they would just license it for three years?

Foley: That is right.

Kraus: It is subject to extension beyond that time.

Foley: It is subject to extension beyond that time, but we would be in the same position at the end of the three year period that we are in at the present time.

Mead: Then what about United?

Foley: United wants it for the period of the emergency, but that might not be long enough; and the way we have drafted it here, it is a lease for three years and then for so much longer as the emergency -- as the duration of the emergency.

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Mead: Why the mystic three? Is that your guess or somebody's guess as to how long the war will last?

Foley: Well --

Mead: That is, if the three suits you, we can drive the cart in that direction, it seems to me.

Foley: Well, Dr. Mead, it isn't a question of suiting me; it is you telling me what you want. If three years isn't satisfactory, you tell me and -- I started out by taking five years with the Wright -- Curtiss-Wright people, and they said three and we tentatively agreed upon three.

Mead: Well, might we settle that outside and save your time and get something that Kraus and Foley and I can agree to?

H.M.Jr: Well, what I would like --

Mead: That is the only question, is the period.

H.M.Jr: What I would like very much if you could, I am putting Curtiss-Wright down, incidentally, for nine o'clock.

Mead: Going to shove it up to nine o'clock?

H.M.Jr: Yes.

Mead: All right.

H.M.Jr: And I can have Pratt & Whitney at two-thirty.

Mead: All right. That is Thursday?

H.M.Jr: Yes, Thursday. Now, if this thing could be so -- the way I would like it, if it is possible, that all of this thing would be settled before they come down, because I just want to talk to them in terms of engines. I don't want to talk in terms of contracts. I would like, if it is physically possible, to be finished so when they come in I can say, "All right, which do you gentlemen want?" "All right, we want the four hundred," or the six hundred horse power engine, see, and

then we can talk right then and there who to give it to. I would like to do two things on Thursday. I would like to get the thing started and if possible finish it or at least within a reasonable time, which engine we are going to take from them and to whom we are going to give it. That is No. 1.

No. 2 is, talk to each of them about building another plant somewhere west of the Alleghenies. Those are the two things I want to talk about, and which engine we want them to build. Those are the two things I would like to talk to you about.

Foley: Somebody has got to talk price, Mr. Secretary.

Kraus: There is a basic difference in the whole conception of the two licenses. The one is practically an agreement to license any engine at prices to be agreed upon and for a certain stipulated payment.

H.M.Jr: That is which company?

Kraus: That is Wright. Pratt & Whitney Company's point of view is almost diametrically opposite that, Mr. Secretary. They offer you a free license for one specific engine, and for the period of the emergency. That is really basically -- they offer the most limited license. They offer it without compensation.

H.M.Jr: Well, my father brought me up on the theory you never get something for nothing.

Kraus: That is what is happening. You get quite a good license from the one for a price, and you get a very limited license from the other gratis. It is probably worth about that much.

H.M.Jr: Well, in this room here, you gentlemen had better make up your minds what you want and then we tell them, see, in a nice way, but tell them.

Mead: You will give us a few minutes to do that, won't you?

H.M.Jr: Well, you had better get them down here tomorrow or something.

Mead: Well, I meant we can make up our own minds as to the basis and then we can get them on the telephone and get that settled or else get them down here.

H.M.Jr: I have no idea -- let's just say for argument's sake, I don't know whether Curtiss-Wright wants the four or six hundred horse power. It doesn't make any difference, whatever the latest one is. I don't know how much they should be paid for the license. Now, instead of paying them per engine, I had an idea that we could say to the gentlemen, "How much did it cost you to develop this engine?", and then give them a lump sum. Do you think that is good?

Mead: That is the way it can be done.

H.M.Jr: I mean a lump sum. "How much did it cost you to develop this engine?"

Brett: One of the big points they are going to bring in, what do they lose in future business by turning over the license.

H.M.Jr: What do they lose if Germany takes America?

Brett: That is it.

H.M.Jr: Which one of these companies is the most reasonable, Curtiss-Wright or Pratt & Whitney?

Foley: Curtiss-Wright.

H.M.Jr: Let's make a deal with Curtiss-Wright in the morning and get a good deal, and then have Pratt & Whitney in the afternoon.

Mead: That is the way the schedule is working.

H.M.Jr: Good.

Mead: I think in fairness we ought to think of their getting something per unit, because it depends on the number of engines built.

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H.M.Jr: All right. George Mead, I want to be fair and I, talking for the Government, whatever is fair -- I don't know whether it is \$10.00 an engine or whether it should be \$100.00 an engine. I have never been in this business, but if you fellows can put your heads together, I would rather err a little bit on the side of being too generous rather than too sharp, so we will have their cooperation and they will say, "Well, that is fair," see. I would rather be a little bit on the generous side than to be too sharp.

Mead: I think the Army and Navy have already paid the development costs once or twice over, so that if we pay them just per unit we will probably come out all right.

H.M.Jr: So if you people can do that anytime tomorrow in the forenoon that you want to ask me, I'm available.

Mead: All right.

H.M.Jr: Now, Ed, can I drop this legal thing from here? Can you carry it on?

Foley: Yes.

H.M.Jr: Thanks.

(Mr. Foley left the conference)

H.M.Jr: Now, let me just clean up Haas a minute.

Haas: Here they are (showing tabulations to Secretary).

H.M.Jr: Now, where is Jacobs?

Haas: They are listed alphabetically.

H.M.Jr: What did they deliver?

Haas: Jacobs delivered four.

H.M.Jr: Now wait a minute. Now, have you gentlemen decided on which engines the Army and Navy want for trainer planes?

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Brett: We have the --

Mead: I can give you all you have got on that list, General, if you want to check me. Do you want to know which companies?

H.M.Jr: Well, anyway you can get it. I want to get some idea.

Mead: Well, it is the Wright 975 for the training only.

H.M.Jr: Start with the lowest one.

Mead: Lowest powered is the Wright 765, but N. A. F. builds them all.

Brett: Lycoming, Continental, and Menasco.

H.M.Jr: How much?

Brett: And Menasco. Those are the three small engines, the two hundred horse power class.

H.M.Jr: What is the other?

Brett: Continental.

Kraus: Mr. Secretary, there is a Wright 760 cubic inch engine which is built both by Wright and by the Naval Aircraft Factory.

H.M.Jr: Now, the Lycoming, how much horse power?

Mead: Two hundred. The Continental is two hundred. Menasco I am not sure about.

Brett: Menasco is about 125 to 175 horse power.

H.M.Jr: It is quite an engine, isn't it?

Lyons: It is used in the Ryan.

H.M.Jr: And the Wright?

Kraus: The Wright is approximately the same power.

Brett: We are not using that engine at all, sir. Is the Navy using it?

Kraus: Seven hundred sixty cubic inch size.

H.M.Jr: Are you going to buy them?

Kraus: A small number only. We will have to, to meet our program. Before anybody else can get in or they can get out, they can make our engines.

H.M.Jr: Now, how many are you going to get?

Kraus: Only about 160 engines from them. It wouldn't even clean up their inventory.

H.M.Jr: It wouldn't?

Kraus: I don't think so.

H.M.Jr: You mean they have got the stuff in stock?

Kraus: They undoubtedly have substantially that much material in stock right now.

H.M.Jr: Well, now, George --

Brett: And then we have to have the Ranger engines, too, sir. The Ranger engines go into the Fairchild.

Lyons: That is 175 horse power.

Brett: That is the small primary training engine.

Mead: That is the Ranger 6.

Lyons: Yes, the 175 horse power at sea level.

H.M.Jr: Well, does that mean that the Army is going to have in this class, one, two, three, four different types of training planes?

Brett: No, we buy planes from Fairchild, we buy planes from Ryan; we buy planes from Stearman, all primary trainers. In order to get the productive capacity that we have to have, we split those orders three ways. Ryan is capable of producing so many, Stearman is capable of producing so many, and Fairchild; and in order to also handle the engine production, we have split the engines

according to those airplanes, so that we could get the engine production for those airplanes. Now, these are all just the very small primary trainers.

H.M.Jr: Is the Army going to standardize any of these things to build any of these companies up?

Brett: It is going to create a six to eight month's delay on deliveries. They would have to re-tool and re-jig and re-fixture and everything to build Fairchilds, Ryan, or it is the other way for the other two companies. These companies have all been building primary trainers for years, and they already have orders which they are producing on and therefore in order to meet that 2,200 plane program for training planes, our recommendation is that we just increase the order with Ryan, with Fairchild and Stearman; and, of course, they use three different engines, which was all started a year ago in order to build up engine production.

H.M.Jr: Which one does Lycoming use?

Brett: The Lycoming engine goes into the German airplane.

H.M.Jr: And the Menasco?

Brett: That goes into the Ryan. The Ranger goes into the Fairchild.

H.M.Jr: And the Continental?

Brett: The Continental goes into the Stearman. The Stearman handles two engines, Continental and Lycoming. In other words, his aircraft production is greater than the engine production; and he can take up the engine production on those two companies.

H.M.Jr: Well, this doesn't mean that any one of these engine companies are going to increase their plant on this order.

Brett: Well, partly so, yes. In other words, we have just placed orders for five hundred additional --

a total of five hundred additional Stearman, Ryans, and Fairchilds.

H.M.Jr: When did you do that?

Brett: Well, the orders are now being worked up in compliance with that direction from Mr. Johnson which told me to have the contracts ready for him the day the President signed the message.

H.M.Jr: Well, I think you will find that before they will do that they will come over here. We will see.

Brett: In other words, when we had that 2,200 plane implement that came in on the last President's message, we just simply went to the contractors who had been producing that type of airplane such as North American, Vultee, Stearman, Fairchild, and Ryan, and immediately started to negotiate with them for further deliveries in order to get as prompt delivery as possible, because they are all in production.

H.M.Jr: Well, this isn't going to build up the capacity of anybody so we can go to 50,000 planes. We will just place this thing the same way we always have. This isn't going to get us anywhere.

Brett: Well, it is placed in that order, Mr. Secretary, simply because they are planning to open up these training schools, you see, the first of October, the first of September, the first of November, and the first of February in order to get planes at that time in order to open those schools for training pilots. In order to get planes at that time, we just extended the orders which were then in effect. To standardize those planes today would probably mean a six to eight month's delay.

H.M.Jr: Where are you going to get the money from to pay these fellows to go to the standardized product?

Brett: These planes aren't standardized today. We take that money out of this 2,200 plane

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authorization that is now before Congress.

- H.M.Jr: Nobody is standardized, but if we are going to get into real production we have got to begin to standardize now.
- Brett: If you did that, it would delay the program. To attempt to standardize now and say that you will produce all Stearmans --
- H.M.Jr: Have you got the pilots waiting? You are only turning out 220 pilots every -- how many weeks?
- Lyons: Six weeks.
- Brett: They are planning to have those pilots available, as far as I know. That is out of my bailiwick. They hope to open another school by the first of September. They are recruiting pilots, I understand, right now. They are getting the organization all set.
- H.M.Jr: I don't see what we are doing -- just the way we -- I don't see but what we are doing just the way we were doing it right along.
- Brett: On that training phase, you are doing it just as we have always done it.
- H.M.Jr: The Canadians come along and want two thousand of these Jacobs engines. How much does Jacobs produce in three weeks, I don't know.
- Haas: They delivered four.
- H.M.Jr: How many did Lycoming deliver?
- Haas: Lycoming delivered sixty-three.
- H.M.Jr: And Menasco?
- Haas: Menasco -- that is a little one. They delivered eleven and they only have fourteen on order.
- H.M.Jr: Menasco?
- Haas: Yes.

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Brett: That is because the Ryan hasn't been producing some airplanes the last month, I think.

H.M.Jr: Continental?

Haas: Continental delivered one hundred fifty-three in the first three weeks in May, and they have on order sixteen hundred and eight.

H.M.Jr: Sixteen hundred and eight?

Haas: Yes, sir, that is right.

H.M.Jr: George Mead, have you been doing any figuring on these small engines to build up their capacity?

Mead: No, all we have done so far was this job we did this morning to find out the total number of engines and the training program, and we intend to go from there logically to see where those go and which ones can be consolidated. You see, until we had our fifty thousand figure, we couldn't work anywhere; and you will notice there is one difference from what the President spoke of. We have knocked -- forty thousand tactical airplanes. We have got thirty two thousand five hundred, and that is because of the relationship and the services between tactical and training and I think probably their judgment in that case would be better than anyone's, so instead of having ten thousand trainers we have seventeen thousand and five. Now, we come out at the fifty thousand airplane total and it seems to me we ought to be in agreement on that top table before we go very far, and then we can go very rapidly to break down the training program and consolidate, if possible, and decide how many engines for each company. I have taken the overall engine situation and it is in pencil yet, but -- you may not want to come to this this minute, but you can tell what we have when you do want it. These are fiscal years, and these are what they think is the capacity of those plants. Twenty-four thousand eight hundred engines in 1941, fiscal year. We get thirty-two thousand five hundred in 1942. Sixty-seven thousand in 1943 would give us a total in

three years of a hundred and twenty-seven thousand engines, but the program would take about two years and a half. They have got ninety-seven thousand or some such number on hand.

H.M.Jr: Is it your thought, or haven't you crossed it, to let this twenty-four hundred trainer thing just go through the old way.

Nead: I will tell you the honest truth, I haven't had time to think about it.

Brett: It is about the only way you can do it, Mr. Secretary, if they anticipate meeting their training program.

H.M.Jr: Well, some of these things, General, may have to be slowed down if we feel we can get to the objective quicker in the long run.

Brett: But from a military standpoint, you won't get to the objective because it takes about two and a half years to train a pilot. What we are worried about is right today -- what the Air Corps is worried about is that any large expansion program among engines and airplanes that we may get the equipment actually before we get the pilots in large quantities.

H.M.Jr: You might get the what?

Brett: Equipment before we get the pilots.

H.M.Jr: Well, from my standpoint that wouldn't be a worry.

Nead: Can't we slow down in our training situation for that very reason and get some consolidation?

Brett: Of course, I was working under Mr. Johnson's orders on the method in which that was done.

H.M.Jr: Right.

Brett: I have my improved schedule on the procurement of those twenty-two hundred airplanes, which was set up --

- H.M.Jr: Under the orders of the President of the United States, he isn't going to be able to sign any contract unless the President approves. You saw that, didn't you?
- Brett: No, sir, I haven't seen anything on that subject, sir.
- H.M.Jr: The order went to Mr. Woodring and to Chief of Staff, no contracts to be signed for engines and planes or development of such unless it had the approval of the President and coordinated by me.
- Brett: Well, that is the first intimation I had had of that.
- H.M.Jr: Well, I thought you knew that.
- Brett: No, sir. Right in this office you asked Mr. Johnson what he was doing about getting his paper work ready for this, and he said, "Well, I will have the contracts all ready to sign."
- H.M.Jr: Well, let's just go back for a minute. Let's take this -- stick to this thing a minute. How do you feel, Kraus, about the Canadian Government placing an order for two thousand engines with Jacobs? They will be in here tomorrow morning.
- Kraus: To begin with, Mr. Secretary, I don't think they can get the engines from Jacobs.
- H.M.Jr: Well, supposing they want to make a deal to build up the plant and so forth and so on.
- Kraus: My objection to that would be that is a matter of balancing the national interest in the Allied training program against our own and absorption of skilled mechanics and trained workmen on our own program. If it should appear that supporting the Allied training program were worthwhile to us, I wouldn't have any objection to their contracting with Jacobs because so far as either the Army or Navy program are concerned, it makes no difference in the Navy program directly. You (Brett) have very few

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Jacobs engines.

Brett: We hardly use them at all.

Kraus: But it does have an effect upon the absorption of men and materials.

Brett: It is going to use up a lot of machine tools which we will need in any expansion program you plan on.

Mead: That is what I don't like about it.

Brett: I recommended to Mead this morning that until an engine program is worked up by Mead to a point where we would know what the United States Government needs, that I wouldn't recommend any further release on any engine in production if they are manufacturing at the rate of four a week or four a month --

H.M.Jr: How much?

Haas: In the last three weeks Jacobs delivered four.

Brett: It means that they have got to go into a terrific expansion which naturally uses up machine tools and mechanics.

H.M.Jr: Here is the Jacobs picture. They got a U. S. Army order for a hundred and twenty-eight, South America, twelve, U. S. Commercial, forty-two, a total of one hundred eighty-two, and from the 24th to the 31st of May they produced thirteen engines. Is that right?

Haas: That is their estimate.

H.M.Jr: You mean they propose to do for June, twenty-nine, July, thirty-five?

Brett: If they talk about manufacturing three thousand engines, that means that -- two thousand engines, that means they are going into -- they have got to get machinists and machinery.

H.M.Jr: I want to say as of this afternoon I am a little disappointed, but it may be straightened out at the White House tonight or tomorrow, but I feel just the way you feel. I would like to get this whole engine picture on a table. Now, I want General Marshall to see it. I want the

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President of the United States to see it.

Brett: Mr. Secretary, now don't misunderstand. We have the whole engine picture pretty well worked out. We have the whole engine picture pretty well worked out except, of course, that engine picture is built on something that has no approval from the War Department. It is something that we just sat down, because you said to have 50,000 airplanes --

H.M.Jr: Not I, the President.

Brett: And as a result of that we sat down this morning and worked out a program which hasn't the approval of the War Department and the War Department doesn't even know anything about it right now.

H.M.Jr: That is all right.

Mead: We have got the 50,000 airplanes on a piece of paper and showing how we get them, which is more than we had this morning.

Brett: It is not based on any program which has been submitted, and it was just pulled right out of the clear air. My neck is in an awful noose.

H.M.Jr: Well, I will say this much: No one has ever gotten in any trouble working for me since I have been in Washington, and I have been here seven years. It did some fellows some good. You didn't get in any trouble a year ago, did you, Kraus?

Kraus: No, sir, I haven't gotten into any this year.

H.M.Jr: Did it do you any harm?

Kraus: Not a bit. I enjoyed it, as a matter of fact.

H.M.Jr: And we skated on some thin ice. Well, let's just put this to one side and come back to it. Do you gentlemen yet know which engine you are going to ask Wright to give the

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license on?

Mead: No, because that is a study of the training program if these figures are correct, that is, if you feel that our assumptions here in distribution between Army and Navy and between types are all right. I have no way of knowing. All that we did was to do the best that we knew how. The General gave us his side and Kraus gave us his side, and we compromised to get 50,000 airplanes.

H.M.Jr: Let's let that cook for a minute. Let's go to the next thing. Do you gentlemen know -- well, before we leave the train of the picture, Kraus, are you and the Army together -- I mean, are you going to use the same engines for anything?

Kraus: We used two of the same engines and the third engine that we used in training, that is for primary training, we manufactured essentially ourselves within the Navy Department. We will buy a few of them at the start of the program. Then we will be all through.

H.M.Jr: That is the primary. Now what is the next step?

Kraus: The next step we have is the Wasp engine, the R1340, in training. That is 400 and 500 horse power. But we use in a tactical plane one engine that is identical with what the Army uses in one of their intermediate trainers. That is the Pratt & Whitney 985 engine.

Lyons: To clarify that picture, you use a sea level Wasp or a 1340. We use a super-charged Wasp, which is the same basic engine in an advanced training airplane, also in a two engine training airplane, tentative, and as well as certain tactical types, such as observation, so the 1340 engine which is manufactured by Pratt & Whitney is the key engine to both the Army and Navy.

H.M.Jr: What is that?

Lyons: 1340.

H.M.Jr: How much horse have they got?

Lyons: Six hundred for the Army and the Navy, I think, uses sea level engines.

H.M.Jr: Is that the same?

Lyons: The category is six hundred, sir.

Kraus: The same thing, except part of the rear end of the crankcase. The character of the engines are identical.

H.M.Jr: Now, who makes that?

Mead: Pratt & Whitney.

H.M.Jr: And have you gentlemen got any idea how many of those you need?

Brett: Six hundred h.p.

Mead: Yes.

Brett: How many do you need, Kraus? I need twelve thousand.

H.M.Jr: On the fifty thousand program?

Brett: On the fifty thousand program.

Mead: You see, the total for training engines is about 40,000 engines. It is 39,650 for the two services.

H.M.Jr: You need 12,000 on the 50,000 of these?

Brett: Yes, sir, on the 50,000 plane program I need 12,000 of the 600 horse power engines. The total cost would be --

Mead: Twelve thousand five hundred of those engines.

H.M.Jr: Well, there is something. There is 24,500 in that engine. No, 12,500.

Mead: He wants 12,000. No, I only want 500.

H.M.Jr: I see. Well, that means a thousand a month, doesn't it?

Mead: Well, but you don't want to get those all in a year, do you? You won't have anybody to use them.

H.M.Jr: Well, would it be -- try to produce, say, 4,000 of these on one ship, so that you could go to three ships and produce 12,000.

Mead: That could be done, probably.

H.M.Jr: Is that the way to figure it?

Mead: It is all right. I was just thinking of contracting them down in a year's time. I see what you are up to. It's all right.

H.M.Jr: Is there any other one that your people agree on besides the 600 h.p. Wasp?

Kraus: The 985-P and W we use.

Brett: Don't we have them all set up for the entire 50,000 plane program?

Mead: Oh, yes, but we haven't necessarily any other engines that you both want.

Kraus: We have a considerable number of them.

Mead: The 985 is the other engine that there would be any quantity of.

Kraus: In the training plane?

Mead: Yes.

Brett: You manufacture all your primary training engines, don't you?

Kraus: No, we can't on this program. We have to go to trade for about two-thirds of them. We take exactly the same engine you take from Lycoming and from Continental.

Brett: How many of those do you need?

Kraus: Nine hundred and sixty of each.

Brett: We need ten thousand of that combined engine.

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- H.M.Jr: Well, if those are the kind of figures, I am not going to go any further. If those are the kind of figures, if I can have them Thursday --
- Kraus: Consolidated figures by types.
- H.M.Jr: Yes.
- Mead: I feel sorry not to give you everything you want at the minute, but as a matter of fact these figures just came over the telephone.
- H.M.Jr: I understand. I am just having a little bit of a dress rehearsal thirty-six hours ahead, and if I don't have them I could talk to these people -- I don't want -- we are all human and we are all crowding each other. Just let me ask you one other thing which I could have possibly by Thursday, so if I had nothing else I could talk with these gentlemen. Take Pratt & Whitney, for instance. Which is their biggest engine that you gentlemen agree on?
- Mead: Twenty-eight hundred is the horse power, if you mean that.
- H.M.Jr: Is that the biggest engine?
- Mead: That is the biggest engine of Pratt & Whitney.
- Lyons: Just one second, that is the type of power --
- Mead: The power is 2,000.
- H.M.Jr: Now, what I am going to ask -- the way I am thinking of this, I am going to talk to Pratt & Whitney -- the President is crowding me on this -- setting up another factory in middle West to manufacture this engine, and then I am going to ask how many of those 2,000 horse you want, you see. Then I am going to say -- I am going to ask Wright which is their biggest engine.
- Mead: 8350 is the biggest one.
- H.M.Jr: How much is that?

Mead: About 2,200, I think.

Lyons: I think there are two engines there that we have to consider on account of our types of the 2,600.

Brett: The 2,600 and the 2,800.

Mead: Yes, but he asked for the biggest one, so here it is; and the next biggest one is about 1,700 horse power.

H.M.Jr: Don't you want the biggest one?

Lyons: No, sir, our main production will be on the 2,600, as we visualize the types.

Brett: That is a Wright Corporation engine.

Mead: And that will be about 1,700 horse power.

H.M.Jr: But when you go into these four engines, bombers, and all that, which one do you want, looking ahead for a year?

Brett: We could go into something on the order of the Curtiss, the Wright Corporation, 2,600 engine, or the Pratt & Whitney 2,800 engine, both of them ranging around 2,000 horse power.

H.M.Jr: All right. Then the thought that I have in mind is this, you see, and this is where I thought I might do a little finagling. What I hope to be able to do, thinking out loud about it, is this: When the British come in, which they are doing tomorrow -- they have given up the idea about the Bristol. When they come in tomorrow, I will say, "All right, gentlemen, we are thinking of building -- having Pratt & Whitney and Wright build a plant and each one build one engine, the biggest. Now, if you want to put up half the money, how many engines do you want?", you see, so that is what I am thinking about. Now, we will go -- how many engines do they want? "We want so many engines. Are you willing to put up half the money or have we got to put up two-thirds or whatever it is?"

Brett: You see, this program of mine alone, the one

that we have worked up this morning, calls for 25,600 engines of the category of the Pratt & Whitney 2,800 and the Wright Corporation 2,600 engine. Those are the two designations.

- H.M.Jr: Well, didn't somebody say -- I don't know where I got it from -- that the plant had produced within a certain limit to what the horse power in one plant --
- Lyons: That was probably Ward. He has the scale of 400 engine units which he has expanded in the scale of 400 thousand horse power engines.
- Brett: 400 thousand horse power per unit of plant per month.
- H.M.Jr: I see where the Pratt & Whitney, with all their publicity this morning, will now be able to produce 1,200,000 horse power.
- Brett: Well, I was talking to Wright.--
- Lyons: That is 400 thousand horse power.
- Brett: The Wright man said he expected to be producing 1,200,000 horse power here very quickly.
- H.M.Jr: This is what I am thinking about, is to talk to these people on Thursday and say, "Now look, in this big horse power, this is just one engine, a plant somewhere west of the Alleghenies. Each of you gentlemen -- " that is on a three shift basis or whatever is the practical unit, and I take it that with the English in mind, we will be able to say between us we could take the full capacity for another plant. But I want to be sure of the facts, as sure as I can, and if I did nothing else on Thursday but to get each of them started on that, that would be a day's work, plus getting the thing straightened out.
- Mead: The thing that interested me this morning was that we haven't exceeded the capacity of these plants with those two in mind, particularly, and we don't need to bring anybody else into the picture, you would think from this study, and this is pretty early to say anything.

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Kraus: It leaves out the Allied needs.

Mead: It doesn't, in a way, because if the program takes three years, we have got 127,000 engines. In other words, we have got perhaps 30,000 engines available for the Allies, just as we stand, without taking in anybody other than the two plants you propose, one for each of the big companies, and taking in -- that is included.

H.M.Jr.: You mean that if we did that we would have enough on the big engines?

Mead: Yes.

H.M.Jr.: Now, incidentally, I talked to Edsel Ford this morning. He will be down here Friday at ten o'clock.

Mead: That is a question I was going to ask you.

H.M.Jr.: But he has not started anything in his plant. The place where he started to tool up was in France, not in Detroit.

Mead: Well, he and Olley, who represents Rolls-Royce, don't agree.

H.M.Jr.: Well, I am just --

Mead: Olley had the work done so he ought to know where it was done. He said it was available to us for use in Detroit.

H.M.Jr.: Mr. Ford claims it was in the French plant.

Kraus: Tools may have been made in this country and gone to the French Ford plant.

H.M.Jr.: What I told them was to get this Chief Engineer in touch with you if they wanted any information, and he seemed to know -- I am surprised how much he knew about this engine picture and then he mentioned some French engine which he understood was very good.

Mead: Hispano Suiza? Renault?

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H.M.Jr: No, those aren't it.

Mead: Hispano Suiza and Gnome Rhone are the two outstanding ones.

H.M.Jr: Gnome Rhone, I guess it was. He started production plans on one of these. He knows all about this thing, and he will be down Friday.

Mead: He is not very interested in this thing, is he?

H.M.Jr: He is interested.

Mead: I am having the Rolls man here in case we want him.

H.M.Jr: Well, I don't know whether I have got anywhere or whether I have just taken fifteen minutes of your time, but at least you can see the lines I am thinking about. I think maybe by Thursday you will have something for me.

Mead: Oh yes. I still think you have got something there that is pretty valuable right on your desk.

H.M.Jr: I do.

Mead: Even though the General over here is afraid we have stepped out, but we couldn't do anything else. We can't sit around and wait.

Brett: There is nobody in the world in the War Department who knows anything about this yet.

H.M.Jr: I have seen the President, and they have sent me to fix this program and they want me to help sell it, the big one, the one you called me up about this morning. When I see him, I am going to show him this unless you ask me not to. That gives you time to show it to your superiors, doesn't it?

Brett: I have got to go back now, and I have got to go to Mr. Johnson and tell Mr. Johnson

exactly what I have done, and then I have got to go to General Marshall and tell him exactly what I have done, and all I can say is that I had to build a 50,000 plane program.

H.M.Jr: And that the President insisted that we do it.

Brett: And I took the best possible figures I could and built a 50,000 plane program to show the possible requirements in engines and airplanes.

H.M.Jr: And that you were doing this at my request and I -- the President pressed me yesterday for an answer, see.

Brett: Then I will probably get kicked out of the office.

H.M.Jr: Get kicked out of where?

Brett: Oh, I don't know. I am just one of these pick and shovel men, Mr. Secretary, you know. I have got ideas, but I am just a pick and shovel man.

H.M.Jr: Well, I repeat once more, I don't know of anybody in Washington that has ever been hurt by working with me, and a lot of them got promoted.

Brett: Well, the sad part of it is that I am tremendously enthusiastic, that is where -- the thing that --

Kraus: I don't think we have to apologize for this piece of paper, Mr. Secretary. I think it is the best piece of paper of its kind that has been attained so far.

Brett: Yes, sir.

H.M.Jr: I don't see why you should worry. One second more. Here is just a couple of little things. Request for the French information on Navy seaplanes -- read this out loud, Phil. I have got a copy.

Young: "Lieutenant Commander Hamelet at the request of the French Under-Secretary of Air has requested, through the Liaison Committee, specifications for Curtiss XSO-3C seaplane and for the Martin XPBM reconnaissance seaplane.

"As Commander Hamelet is returning to France the end of this week, Mr. Ballantyne asked me if the Commander could talk with someone in the Navy Department about these planes, because undoubtedly the technical specifications would not be released. The French would evidently like to place some orders for these planes if they are satisfactory."

And I checked with Captain Kraus about it last night, and he suggested that someone from Admiral Powers' office should talk to this fellow.

Kraus: I can show him what we have in a few minutes.

H.M.Jr: Can Philip Young make an appointment through you?

Kraus: Yes, sir, I can take that letter or just call up over there and I think we can handle it by telephone.

H.M.Jr: Tear off that piece and give it to him and give me back another one. That is No. 1.

What is the next one, Phil?

Young: On engines.

H.M.Jr: Anything on engines, or aircraft?

Young: The Allison situation. That is just with respect to the telephone call.

H.M.Jr: What is that, the five engines?

Young: Yes.

H.M.Jr: That is all right.

Young: The Pratt & Whitney contracts which were signed by both the British and French on

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May 22, giving the amount, British contract is for six hundred R28 engines with a total value of twenty million two hundred seventeen thousand dollars, of which six million four was capital assistance, delivery, January, 1941, completed in November, 1941. French contract covered two hundred thirty R1830 engines. The total value was four million nine, of which one million five was capital assistance. Delivery to start January, 1941. Completed in July, 1941.

H.M.Jr: You people have that, don't you?

Kraus: Yes.

Young: They also ordered twenty-eight hundred sixty Hamilton propellers. No capital assistance to Hamilton.

H.M.Jr: What else?

Young: That is all on planes.

H.M.Jr: Okay. I am very much obliged, gentlemen.

Mead: Mr. Secretary, before we go, it strikes me that this paper is a pretty dangerous piece of paper to have get out of our hands.

H.M.Jr: Well, I have got one copy.

Mead: Because for a stock market to get hold of that or any other people --

H.M.Jr: I tell you what I will do. The next time Jerome Frank calls me up from the SEC and says, "Will you go along and let's close the stock exchange," I will jerk out a release on this.

Mead: I have taken a lot of care in our office. The only copies are one for Brett and one for Kraus, and one for me and one for you.

Lyons: We will have to reproduce one copy --

Mead: You will be hung once for every copy.

H.M.Jr:

What else? Well, I can't tell you how much I appreciate all your help. I am going to hang with you, if you are going to hang. I haven't hung yet, and I have been here seven years.

# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

May 28 1947

TO Secretary Morgenthau  
FROM Mr. Foley

In accordance with your instructions, a conference was held at the Treasury Department yesterday afternoon from 3.30 to 7 o'clock for the purpose of considering drafts of agreements which might be submitted to Wright Aeronautical Corporation and United Aircraft Corporation to aid in carrying out the President's national defense program. Those who attended were Captain Krause, Lieutenant-Commander Jones (representing Admiral Woodson, Judge Advocate General of the Navy), Captain Snodgrass and Mr. Koontz (representing General Gullion, Judge Advocate General of the Army), Messrs. Kaplan, Mothershead and Campbell of the Department of Justice and Messrs. Kades and O'Connell of this office.

The draft agreements were approved as to form and content by all present with a few minor amendments. In view of the limitations of time, however, it was understood that no one would be foreclosed from suggesting improvements which might occur to him in the next few days.

The purpose of these agreements is to provide a method for increasing productive facilities for aircraft engines desired by the Government. This purpose is accomplished in one case by an agreement between the Wright Aeronautical Corporation and a corporation capable of producing aircraft engines, and in the other case by an agreement between United Aircraft Corporation and a similar corporation.

It is contemplated that Wright Aeronautical and United Aircraft will each write a letter to you declaring its intention of entering into an agreement with such a corporation to be selected jointly in one case by Wright and the Government and in the other case by United and the Government.

As soon thereafter as (a) the licensees are selected, (b) the licensed engines designated, (c) the terms of payment fixed and (d) the policy underlying the agreements approved, the program will be ready to go ahead.

Secretary Morgenthau,

2.

Under the agreements the Wright Aeronautical Corporation and the United Aircraft Corporation will grant the respective corporations to be so selected non-exclusive licenses to manufacture and sell engines to the Government. To effectuate these licenses Wright Aeronautical Corporation or United Aircraft Corporation will make available to the licensed corporations (a) their patents and patent applications, (b) the information, technical knowledge and experience necessary to manufacture the engines, and (c) methods and processes used in their manufacture, and will also provide the licensees with access to the manufacture of materials and machinery which they buy and to the jigs, tools and dies needed.

The Wright Agreement provides for three types of payments. The first type is to be made when the licensee receives the design drawings, specifications and information and the manufacturing drawings and production data. The second type is to be made semi-annually and will consist of a royalty for each engine with a minimum royalty regardless of the number of engines. The third type is to reimburse Wright Aeronautical Corporation for royalties which Wright is required to pay. These will be listed on a Schedule to be attached to the draft agreement and which is being prepared at the present time. The sums to be paid and the conditions covering the time and manner of payment have been left in blank. The United Agreement is substantially the same, except that instead of royalties, it provides for reimbursement of salaries paid to employees engaged in assisting the licensee and postage, telegrams, and similar miscellaneous office expenses.

The Wright Agreement provides for the termination of the agreement in three (3) years, unless extended by mutual agreement. The United Agreement provides for termination at the end of the existing emergency, with a minimum period of three years, but this minimum has not been agreed to by United.

Such a minimum fixed license period was thought advisable by all present at the conference referred to above. Likewise, all present thought that the qualification in the draft letter of United Aircraft that the Government would place contracts with the licensee "only to the extent that the manufacturing capacity of United shall be unable to supply the licensed engines in the quantities required by the Government from time to time" was unacceptable.

In this connection it may be pointed out that the draft of Wright Agreement has been tentatively approved by Messrs. Hotchkiss and Finlay of Wright, but the draft of United Agreement has not been approved by United officials.

Secretary Morgenthau,

3.

Both agreements require that the licensees be furnished design drawings and specifications for manufacturing, assembling, testing and servicing the engines to be covered by the licenses, and detailed drawings and production data regarding the manufacture of component parts. Other provisions require that the licensees be supplied with drawings, specifications and other data relating to improvements in the methods of manufacture and changes in the design of the engine.

Under the agreements technical aid and engineering personnel to assist the licensees in the manufacture, assembly, testing and servicing of the engines will be furnished, and aid will be given in developing sources of supply for the licensees.

The licensees are authorized under both agreements to have representatives visit the plants of Wright Aeronautical and United Aircraft, as the case may be.

The agreements also authorize the sellers of materials applicable to the licensed engine to use the patterns, dies, jigs and fixtures owned or controlled by Wright Aeronautical and United Aircraft, respectively, whenever the fabrication of these materials is desired by the licensees.

*E. H. F. L.*

AGREEMENT made and entered into as of the \_\_\_ day of \_\_\_\_\_, 19\_\_\_, by and between WRIGHT AERONAUTICAL CORPORATION, a corporation organized and existing under the laws of the State of New York, with offices at Paterson, New Jersey, United States of America, (hereinafter referred to as "Wright"), party of the first part, and \_\_\_\_\_, a corporation organized and existing under the laws of the \_\_\_\_\_, (hereinafter referred to as the "Licensee"), party of the second part:

In consideration of the mutual covenants and agreements of the parties hereto, each does agree with the other as follows:

I. DEFINITIONS: For the purpose of this agreement, the Wright \_\_\_\_\_ engine is defined as the current single row radial-air-cooled geared and/or direct drive Model \_\_\_\_\_ engine such as is now being sold by Wright to the United States of America, designed in the English inch measurement system, and in accordance with specifications satisfactory to the Government of the United States.

Wherever the term "Engine" is used in this agreement, it shall be interpreted to mean the bare engine fully equipped, including magnetos, carburetors and spark plugs or the like, but exclusive of all optional accessories which are not necessary for the ordinary and usual operation of the engine.

Engine "Type" shall be understood and defined as referring to the general configuration of the engine without specific reference to size or ordinary details, as for example, "Vee" type, single row radial type, double row radial type, in-line type, air cooled type, water cooled type, etc.

The word "Model" shall be understood and defined as referring to an engine of a particular type with a given number of cylinders and a given piston displacement.

II. NON-EXCLUSIVE LICENSE: Wright hereby grants to Licensee for the term of this agreement a non-exclusive right and license to manufacture, assemble, use and sell Wright \_\_\_\_\_ engines and spare parts

therefor to the Government of the United States or any of its departments, including all features applicable to said engine covered by United States letters patent or applications for patents now pending or hereafter applied for \_\_\_\_\_ which are owned or controlled by Wright. 95

III. DESIGN DRAWINGS AND SPECIFICATIONS: Wright will furnish to the authorized representative or representatives of Licensee at the plant of Wright at Paterson, New Jersey, United States of America, within two months from the date of execution of this agreement, drawings, specifications and information regarding assembling, testing and servicing of the Wright \_\_\_\_\_ engine as indicated below:

- (1) Assembly drawings of the licensed engine and parts therefor.
- (2) Drawings and/or acceptance specifications for all component parts of the licensed engine purchased by Wright from third parties in finished form, and acceptance specifications and description of all finished accessories, normally purchased by Wright from third parties for application to the licensed engine.
- (3) Inspection instructions for finished parts.
- (4) Assembly instructions, assembly inspection specifications and engine test specifications.
- (5) Fuel and oil specifications.
- (6) Engine operating instructions, overhaul and service manuals, tolerance charts, drawings and specifications for special tools, accessories, etc. used in maintenance and overhaul activities.
- (7) Installation drawings and data showing general requirements for arrangement of cowlings, fuel and oil supply systems, air intakes and heaters, ventilation of accessory compartments, engine mounts.
- (8) Drawings or specifications of all special tools, jigs, fixtures, etc. designed by Wright and used in the current assembly and test of the licensed engine.

All drawings, specifications and data referred to above shall be copies of current drawings, specifications and instructions and other data

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when designed or prepared by Wright and employed by Wright in current assembly and overhaul activities. Four copies of the data shall be supplied. Two copies shall be delivered in Van Dyke or carbon back typewritten form, whichever is appropriate to the particular information supplied, in English text and dimensions as used by Wright, and two copies shall be delivered in blueprint form.

Wright further agrees to furnish to the authorized representative or representatives of Licensee at the plant of Wright at Paterson, New Jersey, United States of America, at a compensation to be agreed upon and within one month from the date of receipt by Wright from Licensee of an order therefor, additional sets of the drawings and specifications and other data referred to in this Article.

Two copies of the drawings, specifications and other data, similar to that above referred to, of improvements, modifications and changes in Wright \_\_\_\_\_ engines, shall, during the period hereof, be supplied by Wright without additional compensation, it being understood that changes in design and specification shall be delivered within one month after three months' periods of accumulation.

IV. DETAILED MANUFACTURING DRAWINGS AND PRODUCTION DATA: Wright will furnish to the authorized representative or representatives of Licensee at the plant of Wright at Paterson, New Jersey, United States of America, within three months from the date of execution of this agreement, detailed drawings, specifications and information regarding the manufacture of component parts, as manufactured by Wright, for the \_\_\_\_\_ engine, and suitable information for the purchase of parts not so manufactured. Said manufacturing drawings and information shall be as follows:

- (1) Detailed drawings of engine parts including tolerance specifications for finished parts.
- (2) Material specifications including heat treating specifications.

(3) Bills of material, production drawings, process sheets, material test specifications.

(4) Drawings and specifications of all special tools, jigs, fixtures, etc. normally designed by Wright and used in the manufacture, assembly and test of parts in process.

(5) Inspection specifications used in manufacturing, including drawings of inspection, tools, jigs and fixtures normally designed by Wright.

All drawings, specifications and data referred to above shall be copies of current Wright drawings, specifications and instructions and other data normally designed or prepared by Wright and employed by Wright in current manufacturing activities. Four copies of the data shall be supplied. Two copies shall be delivered in Van Dyke or carbon back typewritten form, whichever is appropriate to the particular information supplied, in English text and dimensions as used by Wright, and two copies shall be delivered in blueprint form.

Wright further agrees to furnish to the authorized representative or representatives of Licensee at the plant of Wright at Paterson, New Jersey, United States of America, at a compensation to be agreed upon, within one month from the date of the receipt by Wright from Licensee of an order therefor, additional sets of the drawings, specifications and other data referred to in this Article.

Two copies of the drawings, specifications and other data, similar to that above referred to, of improvements in the methods of manufacture of Wright \_\_\_\_\_ engines, shall, during the period hereof, be supplied by Wright without additional compensation, it being understood that changes in design and specification shall be delivered within one month after three months' periods of accumulation.

V. SERVICES OF ENGINEERS IN LICENSEE'S FACTORY: During the term hereof Wright undertakes and agrees to render all reasonable manufacturing and technical assistance and servicing information and data in connection with the manufacture, assembly, testing and servicing of the \_\_\_\_\_ engine, and to that end, and at the request of Licensee, Wright agrees to furnish Licensee with the services of a reasonable number, not to exceed \_\_\_\_\_ ( ), of competent and experienced engineers to assist Licensee in the manufacture, assembly, testing and servicing of Wright \_\_\_\_\_ engines and/or parts therefor.

Licensee agrees to pay to Wright in a manner to be agreed upon the cost of the services of any such engineer or engineers, together with all reasonable traveling and living expenses from the time he or they leave Paterson, New Jersey, United States of America, until their return thereto, plus \_\_\_ per cent ( %) thereof. It is further agreed that all liability for injuries to or death of any or all of such engineers, and for damages of any kind and chargeable against Wright, which may arise from any cause occurring in the course of the employment of such engineers while they are with or employed by Licensee, shall be paid by Licensee.

VI. PAYMENTS: Licensee agrees to make payments to Wright at Paterson, New Jersey, United States of America, as follows:

A. Partial Payments:

(a) The sum of \_\_\_\_\_ upon delivery to the authorized representative or representatives of Licensee at the Plant of Wright at Paterson, New Jersey, of the design drawings, specifications and information provided for in Article III hereof.

(b) The sum of \_\_\_\_\_ upon delivery to the authorized representative or representatives of Licensee at the

plant of Wright at Paterson, New Jersey, of the manufacturing drawings and production data provided for in Article IV hereof.

B. Royalties:

(a) Semi-annually during the first year of this agreement, whichever of the following amount is the greater:

- (1) the sum of \_\_\_\_\_ or
- (2) the sum of \_\_\_\_\_ for each direct drive \_\_\_\_\_ engine manufactured, assembled or sold by Licensee, and the sum of \_\_\_\_\_ for each geared \_\_\_\_\_ engine manufactured, assembled or sold by Licensee.

(b) Semi-annually during the remaining years of this agreement, whichever of the following sums is the greater:

- (1) the sum of \_\_\_\_\_ or
- (2) the sum of \_\_\_\_\_ for each direct drive \_\_\_\_\_ engine, manufactured, assembled or sold by Licensee, and the sum of \_\_\_\_\_ for each geared \_\_\_\_\_ engine manufactured, assembled or sold by Licensee.

C. Other Payments:

Licensee agrees to reimburse Wright for royalties which Wright is required to pay in the amounts and in the manner shown on Schedule A hereto attached.

D. Conditions of Payment:

VII. REPRESENTATIVES OF LICENSEE AT WRIGHT PLANT: During the term hereof Licensee may send not more than \_\_\_\_\_ ( ) technicians or representatives to the plant of Wright at Paterson, New Jersey, United States of America, to observe and study the methods employed by Wright in the manufacture, assembly and servicing of the \_\_\_\_\_ engine upon the following conditions: (1) Licensee shall pay all salaries and wages of such technicians or representatives and shall bear all traveling, living and other expense which may be incurred in this connection; (2) Wright shall not be required to admit such technicians or representatives to portions of their factory where work of a secret or confidential nature is in process or where prohibited from doing so by virtue of requirements made by the Government of the United States in connection with contracts for the building and developing of aircraft engines and/or accessories therefor; (3) whenever such technicians or representatives are stationed for instruction purposes, they will be under a responsible and capable leader who will secure conformance to the rules and regulations of Wright; (4) Wright will not be liable for injuries to or death of any or all such representatives while at the plant of Wright, or for injury, damage or loss to their property; and (5) Licensee will indemnify and hold Wright harmless from any such liability.

VIII. RESTRICTION ON PATENTS: It is understood between the parties hereto that no patent will be obtained or applied for by Licensee or by another with its inducement or consent, on Wright engines, or any drawings or parts thereof either as existing at present or as they may hereafter be improved or developed by Wright without the express written consent of Wright.

IX. ASSIGNMENT OR TRANSFER: Licensee shall not assign, transfer or sell, or permit the use of the rights hereby granted, without the written

consent of Wright and shall not disclose or suffer to be disclosed to another, (except to the Government of the United States), any information or any designs, drawings or other data which it receives or is entitled to receive hereunder, and will, at its own expense, use every effort and take the necessary proceedings to protect Wright against such disclosure.

X. MAINTENANCE OF RECORDS: Licensee shall at all times during the continuance of this agreement, keep accurate and separate accounts containing full entries and particulars of sales of all engines and parts provided for hereunder, and of all engines and parts fabricated and/or assembled. Wright shall have access during reasonable business hours, not to exceed two investigations per annum, to the books and records of Licensee that pertain to the subject matter of this agreement, in order to determine what sums, if any, are due it hereunder.

XI. PREVENTION OF PERFORMANCE BY WRIGHT: Wright shall not be deemed to have breached this agreement by reason of its failure to perform any of its obligations hereunder, provided such failure shall be due to strikes, fire, acts of God or a public enemy, riots, incendiaries, interference by civil or military authorities, compliance with orders of the President of the United States or other governmental agencies, delays in transit or delivery on part of transportation companies or any act or failure to act of Licensee or other cause of the same or different nature beyond control or without fault of Wright.

XII. CANCELLATION OF AGREEMENT: Wright may revoke or terminate this agreement if Licensee shall fail to make payment of any sum required under this agreement and shall not remedy and make good such failure or failures within thirty (30) days from the date of the mailing to it by Wright of a written notice of such failure.

In the event of any such revocation or termination of this agreement, Wright shall be entitled to receive any and all moneys due it up to the date of such revocation or termination, and such revocation or termination shall also be without prejudice to any claim which any party hereto may have against any other for damages in respect to any prior breaches of this agreement.

In the event that this agreement shall be so revoked or so terminated, Licensee further agrees forthwith to deliver to Wright any and all working drawings, blueprints, specifications or other papers or data, and all copies thereof in its possession or under its control, applicable for use in connection with the manufacture of the licensed engines, and which the Licensee is not obligated to deliver to the Government of the United States or any of its departments.

**XIII. CONSTRUCTION OF AGREEMENT:** This agreement shall be construed and the respective rights of the parties hereto upon its expiration or cancellation pursuant to its terms, shall be determined under and pursuant to the laws of the State of New York, United States of America.

**XIV. INFORMATION TO BE SUPPLIED BY LICENSEE:** In the event that Licensee shall perfect any improvement, modification or invention which may be used in connection with the manufacture of the licensed engine and/or parts therefor, it agrees forthwith to communicate the same to Wright, to grant to Wright, its successors and assigns, the right to use and apply the same in the manufacture of the licensed engine and/or parts therefor, whenever the same are or may thereafter be manufactured by Wright, its successors or assigns, and the right to include the same in any engine offered for sale by Wright or its successors or assigns, without charge or account thereof, and to execute any and all necessary instruments to effectuate this purpose, the cost of such instruments, if any, to be borne by Wright, but there shall be no additional cost to

Wright on account of the use of any such improvement, modification or invention, and any of the same may be used by Licensee in connection with products manufactured by it without payment of any kind.

XV. NOTICES: Notices required under this agreement shall be sent by registered mail to the respective parties at the following addresses:

Wright Aeronautical Corporation  
Paterson  
New Jersey  
U. S. A.

(Licensee)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

XVI. LIMITATIONS: Licensee shall not have power to bind Wright by any guarantee or representation that it may give or in any other respect whatsoever, or to incur any debts or liabilities in the name or on behalf of Wright, and the parties hereto shall not be deemed partners or joint adventurers.

XVII. EXPIRATION OF AGREEMENT: Unless sooner terminated pursuant to the provisions of Article XII hereof or extended by mutual agreement, this agreement shall cease and terminate three years from the date first above written and upon the expiration thereof all obligations of Wright and Licensee hereunder shall cease and terminate. The provisions of this Article shall not relieve either party of any obligations existing pursuant to the terms of this agreement at the expiration date thereof.

XVIII. GRANT TO VENDORS: Wright hereby agrees to grant to vendors of all raw, semi-fabricated, and/or fabricated materials used or applicable to the herein licensed engines the right to use for a compensation to be mutually agreed upon, all patterns, dies, jigs, and/or fixtures owned or controlled by Wright which are necessary for the purpose of such fabrication at the plant of the vendor at which such patterns, dies, jigs, and/or fixtures are generally located, whenever such fabrications of

64

materials may be desired by the Licensee, provided the Licensee gives Wright reasonable (30 days where practicable) notice prior to the commencement of the fabrication of such material, and provided such use by the Licensee does not conflict with Wright's requirements for materials fabricated by such patterns, dies, jigs, and/or fixtures. It is understood and agreed that Wright has the undisputed right to change at any time and from time to time any or all of the above-mentioned patterns, dies, jigs, and/or fixtures to provide for normal changes in design and/or manufacturing processes instigated by Wright.

XIX. ARBITRATION: Any dispute arising hereunder shall be submitted to arbitration at the election of either of the parties hereto, upon written notice given to the other party hereto asking for such arbitration and designating an arbitrator selected by it. Within two (2) weeks from the giving of such notice, the other party hereto shall select an arbitrator and notify the first party of such election. The two arbitrators so selected shall select a third arbitrator within one month from the giving of the first above mentioned written notice. In case either of the parties fails to appoint an arbitrator within the time as set forth above, the other party shall have the right to appoint the second arbitrator, and in case the two arbitrators first appointed are unable within the time set forth, to agree upon the third arbitrator, the third arbitrator shall be chosen by the Arbitration Association of America or its officers or board or committee authorized to act for it in such matters. The arbitration shall be conducted in New York City under the rules of the Arbitration Association of America. The decision of the arbitrators shall be final and binding on the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be signed in their respective corporate names by their respective officers thereunto duly authorized, and their corporate seals to be

hereunto affixed, and to be attested by their respective Secretaries or other officers thereunto duly authorized, as of the day and year first above written.

WRIGHT AERONAUTICAL CORPORATION

ATTEST:

By \_\_\_\_\_

\_\_\_\_\_

LICENSEE

ATTEST:

By \_\_\_\_\_

\_\_\_\_\_

Draft of May 28, 1940

AGREEMENT this \_\_\_ day of \_\_\_\_\_, 1940, between UNITED AIRCRAFT CORPORATION, a corporation organized and existing under the laws of the state of Delaware, having its principal place of business in the town of East Hartford, State of Connecticut, (hereinafter referred to as "United"), party of the first part and \_\_\_\_\_, a corporation organized and existing under the laws of the state of \_\_\_\_\_, (hereinafter referred to as "Licensee"), party of the second part.

In consideration of the payments to be made by Licensee to United in the amounts and manner hereinafter provided, and of the mutual promises herein set forth, the parties hereto hereby agree as follows:

Article I. Definitions

The following definitions shall apply to the terms employed in this agreement wherever such terms are so employed, respectively, unless a different meaning be clearly indicated by the context:

(a) The term "licensed engines" shall mean only single-row, air-cooled, nine cylinder fixed radial, poppet-valve engines of 985 cubic inch displacement, equipped with carburetors for the use of gasoline and with magnetos as an ignition system, as now manufactured by the Pratt & Whitney Aircraft Division of United for the United States and in accordance with specifications satisfactory to the United States under the designation of "Wasp, Junior Series B", and sub-series of such series, without reduction gearing and with such ratings and amounts of single-stage, gear-driven supercharging as are now available for such engines.

(b) The term "licensed parts" shall mean any spare or replacement part for licensed engines.

(c) The term "affiliated company" shall mean (1) any corporation of which a majority of the outstanding share capital shall, from time to time, be owned or controlled, directly or indirectly, by United or by a

corporation of which a majority of the outstanding share capital shall, from time to time, be owned or controlled, directly or indirectly by United, and shall also mean (2) any corporation of which a majority of the outstanding share capital shall, from time to time, be owned or controlled, directly or indirectly, by another corporation which contemporaneously shall own or control a majority of the outstanding share capital of United, and shall also mean (3) any corporation which, from time to time, shall own or control, directly or indirectly, a majority of the outstanding share capital of United.

(d) The words "United States" shall include the Government of the United States or any of its departments, agencies or instrumentalities.

#### Article II. Rights Granted

Section 1. United hereby grants to Licensee, upon the terms and conditions and subject to the limitations and right of termination herein set forth, a non-exclusive right or license to manufacture, assemble, use and sell to the United States licensed engines and licensed parts for the term or period beginning as of the date of this Agreement and continuing for three years and thereafter until Licensee shall have made final delivery to the United States of all licensed engines and licensed parts required to be delivered under all contracts entered into between the United States and the Licensee therefor in carrying out the national defense program in relation to the procurement of aircraft as contemplated by the message of the President of the United States to the Congress on May 16, 1940, (House Document No. 751, 76th Congress, 3d Session) or any extension of such program having continuity therewith.

Section 2. The right or license granted by Section 1 hereof includes the right at all times during the term or period of this Agreement to use (but only in connection with the exercise of said right or license) any and all inventions relating to the licensed engines or any part or portion thereof or to any licensed parts which may from time to time be covered by United States letters patent, or applications therefor, owned or controlled by United or any affiliated company.

Article III. Drawings, Specifications, Manufacturing  
Equipment, Etc.

Section 1. Within \_\_\_\_\_ ( ) days from the day and year first above written, United shall deliver to Licensee, f.o.b. East Hartford, Connecticut, two (2) complete sets of Van Dyke prints (capable of reproduction), or, if Van Dyke prints are not available, two (2) complete sets of blueprints of all detailed-part drawings, bills of material, specifications and measurements covering the licensed engines and licensed parts; two (2) complete sets of operation sheets for the manufacture of the licensed engines and licensed parts; and two (2) complete sets of blueprint drawings of changes in the licensed engines or licensed parts, additional specifications and the like; Provided, that nothing herein shall be construed to obligate United to furnish any details of construction, specifications or manufacturing process of any parts purchased by United for use in licensed engines and not manufactured by United or an affiliated company or under license granted by United or an affiliated company.

Section 2. Whenever requested by Licensee, United shall deliver to it, within \_\_\_\_\_ ( ) days after such request is made, two (2) complete sets of drawings and specifications of any and all special manufacturing equipment (including patterns, dies, machines, tools, jigs, fixtures, gages and the like) for which drawings or specifications are owned or controlled by United on the day and year first above written.

Article IV. Improvements

Section 1. Whenever during the term or period of this Agreement, United shall make any improvement or change in the design, or construction of licensed engines, United shall give prompt written notice thereof to Licensee, and, within \_\_\_\_\_ ( ) days thereafter, shall furnish to Licensee f.o.b. East Hartford, Connecticut, full particulars of

such improvement, together with drawings and specifications completely disclosing the same. 69

Section 2. Nothing in this article shall be construed to require United to disclose to Licensee any improvement or change in design or construction which when applied to licensed engines creates an engine of a model substantially different from licensed engines.

Section 3. The right or license granted by this Agreement shall for all purposes be deemed to extend to and to cover, without any other act by either of the parties hereto, all improvements in the design or construction of licensed engines which, when applied to licensed engines, do not create a model of engine substantially different from licensed engines.

Article V. Special Agreements of United

Section 1. So far as it reasonably can, United agrees to make available to Licensee at the plant of Licensee such of its engineers, production experts, and technical personnel as may be necessary and which Licensee may request from time to time to assist Licensee in the manufacture of licensed engines, including the production, assembly, testing and servicing thereof upon the condition that the Licensee will pay the salaries and expenses of such engineers, experts, and other technical personnel, including their travelling expenses in each direction between the plant of United at East Hartford, Connecticut, and the plant or plants of Licensee.

Section 2. United agrees to permit Licensee to cause \_\_\_\_\_ ( ) engineers and \_\_\_\_\_ ( ) production experts to visit the plant of United at East Hartford, Connecticut, for the purpose of observing or studying the methods of manufacture and assembly of licensed engines at all times during the term or period of this Agreement: Provided, That (1) such engineers and experts shall not receive any compensation or salary

from United, (2) none of the expenses of such engineers and experts shall be upon United and (3) Licensee will save United harmless from any claim or claims on account of the death of or any injury or accident to any such engineer or expert while present at the plant of United.

Section 3. United warrants that all drawings, Van Dyke and blueprints, bills of material, specifications and engineering data furnished by it pursuant to the provisions of this Agreement shall accord with its current practice in the United States of America and shall accurately reflect its best judgment in the premises, but no other warranty of any nature shall extend thereto or be implied therefrom.

Section 4. So far as it reasonably can, United agrees to assist Licensee in developing its sources of materials entering into the manufacture of licensed engines and in the procurement of such standard manufacturing equipment as may be required by Licensee for use in the manufacture of licensed engines.

Section 5. United agrees to grant to vendors of all raw, semi-fabricated and fabricated materials used in or applicable to the manufacture of licensed engines the right to use all patterns, dies, jigs and fixtures owned or controlled by United or any affiliated company, at the plant of the vendor where the same are usually located, and which are needed to fabricate such materials whenever Licensee desires to have such materials fabricated: Provided, such use by Licensee does not conflict with the use by United of such patterns, dies, jigs and fixtures.

#### Article VI. Payments

Section 1. Licensee agrees to make payments to United at East Hartford, Connecticut, United States of America, as follows:

- (1) The sum of \_\_\_\_\_ upon delivery to the authorized representative or representatives of Licensee at the plant of

United at East Hartford, Connecticut, of the design drawings, bills of material, specifications, measurements and other information which United agreed to deliver in Article III hereof.

- (2) The sum of \_\_\_\_\_ upon delivery to the authorized representative or representatives of Licensee at the plant of United at East Hartford, Connecticut, of the drawings and specifications which United has agreed to deliver in Article IV hereof.
- (3) A sum equal to the salaries paid by United to any and all of its officers and employees for the period or periods in which they may respectively be occupied in assisting the Licensee, its agents and employees, in the manufacture of licensed engines hereunder, as provided in section 1 of Article V of this Agreement, whether such time is spent at United's plant, or in Licensee's plant, or elsewhere.
- (4) A sum equal to the amounts expended by United for postage, telegrams, telephone calls, express and similar miscellaneous office expenses.
- (5) A sum equal to royalties which United is required to pay in amounts and in the manner shown on Schedule A hereto attached.

Section 2. The reimbursement of United for expenditures included under paragraphs (3), (4) and (5) of Section 1 shall be made in the following manner:

Article VII. Special Agreements of the Licensee

Section 1. Licensee recognizes the validity of any and all United States patents and patent rights now or at any time hereafter owned or controlled by United covering licensed engines or licensed parts, and Licensee shall not at any time during the continuance of this Agreement dispute, or cause to be disputed, the validity of said patents.

Section 2. Licensee shall comply with all of United's reasonable requirements as to marking engines manufactured, used, sold or otherwise disposed of under the right granted by this Agreement, and among other things shall attach to each licensed engine so manufactured by it such appropriate legend to the effect that such engine was manufactured under license from United as may be necessary in order to protect the validity of the patents involved. Licensee shall not, however, employ any of United's trademarks or any colorable imitation thereof on any engines or parts thereof without the prior written consent of United.

Section 3. Licensee shall not make, manufacture, license, sell, lease or otherwise dispose of, during the term of this Agreement or at any time after its termination, any type, model or design of aeronautical engine or part thereof embodying any one or more of the basic principles of design or manufacture employed in and peculiar to the design or manufacture of licensed engines or licensed parts, other than such engines or parts thereof as may be manufactured either under this Agreement or pursuant to other rights, if any, expressly granted in writing to Licensee by United.

Section 4. Whenever Licensee shall make any changes in the design or construction of licensed engines or licensed parts, Licensee shall, as soon as practicable thereafter, furnish to United, without cost to it, full particulars of such changes, together with drawings and specifications completely disclosing the same. When such disclosure shall

- 8 -

have been made all rights in and to such changes shall, subject to the rights granted by this Agreement, but without any other act of either of the parties hereto, pass to and vest in United to the same extent for all intents and purposes as if such changes had been made by United. Nevertheless, if deemed necessary by United to protect its interests therein, Licensee shall, upon United's request, make prompt and due applications for United States patents covering any such changes and shall diligently prosecute such applications to a conclusion, and upon the granting of any such patents shall (unless they be granted directly to United or its nominee) duly assign the same to United or its nominee without requiring the payment of any fee or royalty with respect thereto; Provided, that the cost of obtaining such patents shall be for account of United.

Section 5. Licensee shall not at any time disclose to any person any design data, technical information or other information of any character relating to the design or manufacture of licensed engines or parts thereof, whether such information be received from United or any of its officers, agents or employees or shall be information derived from experience gained by Licensee in manufacturing licensed engines or parts thereof; and Licensee shall not at any time disclose any such information to any person other than officers or departments of the Government acting in discharge of their legal duties.

Section 6. Licensee shall furnish United one set of all drawings made by Licensee relative to the licensed engines and parts thereof as and when such drawings are completed.

VIII. Miscellaneous Provisions

Section 1. If at any time the licensee shall be in default in making any payment hereunder at the time and in the manner herein provided therefor, and any such default shall continue for a period of sixty (60) days after notice thereof shall have been given by United to Licensee in the manner herein provided, then United shall have the right, at its option if it has complied with its obligations under this Agreement, to terminate the same by giving notice of such termination to Licensee. Upon the giving of such notice, this Agreement and all rights of Licensee hereunder shall immediately terminate, except as hereinafter provided.

Section 2. Upon the termination of this Agreement, either at the expiration of the term or period of the license hereby granted, or upon notice as provided in section 1 of this Article VIII, all rights to manufacture licensed engines, or licensed parts, shall immediately cease, except that Licensee may thereafter ship, sell, or otherwise dispose of to the United States any licensed engines or licensed parts manufactured or in course of manufacture by it at the date of termination. No such termination shall relieve United or Licensee of their respective obligations existing on the date of such termination. Upon any termination of this Agreement, Licensee shall forthwith return to United any and all drawings, blueprints, bills of materials, specifications, operation sheets, and engineering data then in its possession with respect to licensed engines and licensed parts: Provided, That Licensee shall have the right to retain two sets of drawings, one set for the United States and one set for overhaul and maintenance purposes.

Section 3. In case any dispute, disagreement, or misunderstanding shall arise between the parties hereto in connection with this Agreement, such dispute, disagreement, or misunderstanding shall be referred to

arbitration in the State of Connecticut, in the following manner:

Each party hereto shall promptly appoint one arbitrator, and the two arbitrators so appointed shall promptly appoint a third arbitrator; and the parties hereto agree to accept, abide by, and carry out any decision arrived at by a majority of the three arbitrators so appointed. The cost of any such arbitration shall be borne by the respective parties hereto in such proportions as a majority of the arbitrators may determine.

Section 4. Any notice or communication herein provided to be given by United to Licensee shall for all purposes be deemed to be duly given and received, if sent by registered mail, postage prepaid, addressed to Licensee at its principal place of business in \_\_\_\_\_.

Any notice or communication herein provided to be given by Licensee to United shall for all purposes be deemed to be duly given and received, if sent by registered mail, postage prepaid, addressed to United at its principal place of business in East Hartford, Connecticut.

Section 5. This Agreement shall be interpreted in accordance with the plain English meaning of its terms, and the construction thereof shall be governed by the laws of the State of Connecticut.

Section 6. All promises and covenants herein contained by or in behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of such parties; Provided, That the rights of Licensee hereunder shall not be assignable without the prior written consent of United, except to the United States.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed, in duplicate, by their duly authorized officers or representatives, as of the day and year first above written.

UNITED AIRCRAFT CORPORATION

By \_\_\_\_\_

LICENSEE

By \_\_\_\_\_

ATTEST:

\_\_\_\_\_

ATTEST:

May 28, 1940

Dear Admiral Stark:

It gives me great pleasure to enclose herewith copies of statements showing airplane orders and deliveries to the British and French Governments from May 16 to May 22, 1940, and charts showing scheduled deliveries through December, 1941.

This material was compiled by the Treasury Department on the basis of figures submitted by the Anglo-French Purchasing Board.

Sincerely,

(Signed) H. Morgenthau, Jr.

Admiral Harold R. Stark,  
Chief of Naval Operations,  
Navy Department,  
Washington, D. C.

FI:bj

*Ry.*

May 28, 1940

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Navy Department,  
Washington, D. C.

FY:bj

May 26, 1940

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FYibj

May 26, 1940

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This material was compiled by the Treasury Department on the basis of figures submitted by the Anglo-French Purchasing Board.

Sincerely,

(Signed) W. Woodruff Jr.

General George C. Marshall  
Chief of Staff,  
War Department,  
Washington, D. C.

FT:bj

724.

May 26, 1940

Dear General Marshall:

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Sincerely,

(Signed) W. Worzenhan, Jr.

General George C. Marshall  
Chief of Staff,  
War Department,  
Washington, D. C.

FT:bj

May 26, 1940

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This material was compiled by the Treasury Department on the basis of figures submitted by the Anglo-French Purchasing Board.

Sincerely,

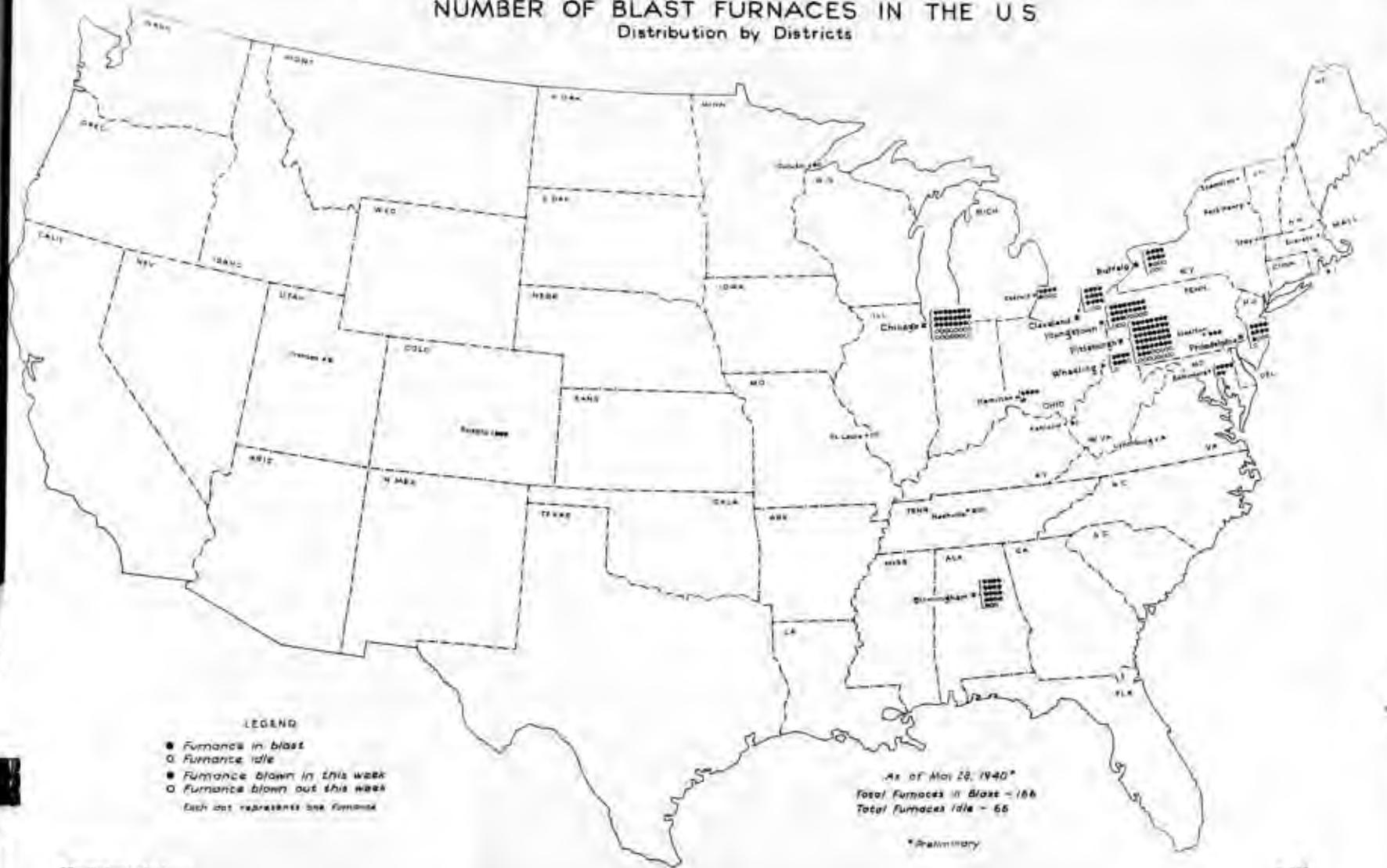
(Signed) H. Morgenthau, Jr.

General George C. Marshall  
Chief of Staff,  
War Department,  
Washington, D. C.

FF:bj

# NUMBER OF BLAST FURNACES IN THE U.S.

## Distribution by Districts



MAY 28 1940

My dear Captain Collins:

In accepting your resignation as Director of Procurement at the close of business May 31, 1940, let me express my appreciation of the loyal service which you have rendered during the years in which you have been connected with the Treasury Department.

I wish you success in any new field which you may enter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Captain H. E. Collins,  
Director of Procurement,  
Treasury Department.

HMG/aff

ORIGINAL FORWARDED TO ADDRESSEE  
FROM OFFICE OF THE SECRETARY

*Initialed carbon to Ballinger  
& original on Collins' resignation  
also to Ballinger  
6-6-40  
HS-*

May 21, 1940

My dear Mr. Secretary:

It is respectfully requested that my resignation as Director of Procurement, Treasury Department, be accepted effective as of the close of business May 31, 1940.

In submitting this resignation I wish to express my appreciation of the privilege of having been associated with you, which associations have not only been most enjoyable, but likewise, most inspiring and beneficial. I shall always look back on them with the greatest of pleasure.

Very respectfully yours,

*H. E. Collins*

Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury

HEC:ga

CONFIDENTIAL

May 28, 1940

To: The Secretary

From: Mr. Young

REPORTING PROCEDURE

My attempts to coordinate reports of the Anglo-French Purchasing Board are progressing satisfactorily. Lindow has prepared a tentative form in cooperation with the Purchasing Board on the one hand and with the State, War, and Navy Departments on the other. I have asked representatives of these Departments to meet in my office this morning, not only to settle definitely the information which they desire, but also the form in which it should be prepared and the frequency of reports. All of these Departments have been not only cooperative but even enthusiastic about this program.

LIAISON COMMITTEE

In working on the reporting procedure some question as to the usefulness of the Liaison Committee is bound to arise. Under the old system, reports were made directly from the Purchasing Board to this committee, which, in turn, routed the material to, or asked for information from the War and Navy Departments. In addition, the War Department and the Army and Navy Munitions Board received reports from the State Department, which, in turn, secured the information from the embassies and ultimately the Purchasing the Board.

Under the new system, the Office of the Secretary of the Treasury receives reports direct from the Purchasing Board, and matters of importance are generally discussed between the offices of the Secretaries of the Departments concerned rather than through offices down the line which have no direct interest in the situation.

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Thus, the functions of the Liaison Committee have been short-circuited. Either the Treasury should be the contact point with the Purchasing Board and then distribute information or forward inquiries to the other Departments interested, namely, State, War, and Navy; or the Liaison Committee should be the contact point with the Purchasing Board and distribute information or forward inquiries to these interested Departments, including the Treasury.

In any event, if the Liaison Committee is preserved in its present form, the membership should include a representative of the State Department, and in addition those representatives of the War and Navy Departments should be those persons most interested in the Allied purchasing situation rather than the Quartermaster General and the Paymaster General.

*PL*

CONFIDENTIAL

May 28, 1940

To: The Secretary  
From: Mr. Young

  
Requests by French for Information  
on Navy Seaplanes

Lt. Comdr. Hamelet at the request of the French Under Secretary of Air has requested, through the Liaison Committee, specifications for Curtiss XSO-3C seaplane and for the Martin XPEM Reconnaissance seaplane.

As Commander Hamelet is returning to France the end of this week, Mr. Ballantyne asked me if the Commander could talk with someone in the Navy Department about these planes because undoubtedly the technical specifications would not be released. The French would evidently like to place some orders for these planes if they are satisfactory. I am arranging an appointment for Commander Hamelet with a representative of Admiral Towers.

ALLOY SHIPMENTS

Mr. Ballantyne asked me if the Treasury could give him any information with respect to shipments of molybdenum, nickel, and wolfram on Italian ships. I advised him to take the matter up with the State Department.

DUPONT

The Purchasing Board contract for the new duPont powder plant will be signed very shortly as the Board is not waiting to secure an answer from us on the matter of the powder machinery now held by the Army, or on the matter of a further release of 125 tons monthly of nitro-cellulose which Hercules is now delivering to the Army.

✓  
ALLISON

Mr. Ballantyne called me, and Colonel Jacquin attempted to reach me from New York, with respect to the delivery of the other four Allison engines. I asked him to be patient.

A B C LISTS

To my knowledge, no reply has yet been made to Mr. Purvis on the A B C lists of requests furnished you May 21st, and which you turned over to General Marshall.

✓  
PRATT & WHITNEY

The contract signed by the British with Pratt & Whitney May 22nd covered 500 R-2800 engines, and the total value amounted to \$20,217,000, of which \$6,406,000 was capital assistance. Delivery on the engines will start January, 1941, and be completed November, 1941.

The French contract of the same date covered 230 R-1830 engines, and the total value amounted to \$4,926,000, of which \$1,593,000 represented capital assistance. Delivery of the engines is to start January, 1941, and be completed July, 1941.

✓  
HAMILTON

A contract has been let to Hamilton covering 2860 Hamilton propellers at a total value of \$10,450,000 with delivery from January to October, 1941. No capital assistance was included.

*704*

*H. H. H. H.*

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WAR DEPARTMENT  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON, D. C.  
May 28, 1940

MEMORANDUM FOR THE HONORABLE HENRY MORGENTHAU, Jr:

Subject: Conference on Machine Tools.

1. In accordance with your request at the meeting yesterday morning with the representatives of the Machine Tool Industry, I am outlining below the further discussion had with the group in the afternoon. The same members of the machine tool industry as were present in your office, as well as of Army, Navy and Commerce Department, attended the afternoon meeting.

2. Much discussion was had regarding the methods by which the machine tool industry could best proceed to meet the requirements shown on the memorandum of the Army and Navy Munitions Board, copies of which you furnished the industry members. The consensus was that the requirements indicated could be met by the industry in a reasonable time without any marked expansion of plant needed, provided the orders are placed promptly, the priorities are indicated and the whole program properly coordinated, with respect not only to Army and Navy, but civilian and foreign requirements.

3. To get this industry at work promptly and effectively, the group probably will recommend to you at the meeting on Monday that a "Machine Tool Committee" be established immediately. This committee should consist of a neutral industrialist as chairman and six or seven members—two to be selected by the machine tool industry, two from Navy, two from Army, and one from Treasury, if desired. On Monday, the membership of such a committee will be recommended to you and a group of names suggested, any one of whom, in the opinion of our temporary committee, would be suitable for chairman.

4. The functions of this committee would be to consider requirements for machine tools from all sources, the available and potential capacity to produce, priorities needed to meet national policies, as well as the equitable and efficient distribution of the load. Because of the close relationship of the machine tool industry

to many others, it appears essential that the chairman of the committee should be a neutral, with authority to make decisions and possessing the confidence of all parties interested in machine tools so that his decisions will be respected and carried out cooperatively. In fact, the method of complete cooperation between government and industry in this case appears the only method, since we are informed that legislative priority to government orders cannot now be obtained as the War and Navy Departments had hoped.



E. K. RUTHERFORD,  
Colonel, Ordnance Dept.,  
Director, Planning Branch.

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INSERT TELEPHONE CONVERSATION WITH  
GENERAL MARSHALL BETWEEN PAGES 6 and 7

RE AIR EXPANSION PROGRAM

May 28, 1940  
8:30 a.m.

Present: Mr. Mead  
Major Lyons  
General Brett  
Captain Kraus  
Mrs. Klotz

H.M.Jr: Major Lyons, I want to continue on this thing on a confidential basis as I have. I got this memorandum from the President last night, see, signed by Mr. Woodring, giving your program. I will read it. I have got from now until nine o'clock, and this is what I want to get from you gentlemen. The three of you read this thing over together.

Well, is that your program?

Lyons: That is the training program only plus two hundred heavy bombers that are provided for in the supplementary estimates for 1941.

H.M.Jr: Yes, but in this bill, when this bill goes through, is that all the monies you get for aircraft?

Lyons: In regular 1941, there are additional 166 airplanes, comprising six heavy bombers, 66 --

H.M.Jr: Why isn't that in there? Two hundred bombers?

Lyons: This is the regular estimates for 1941, 66 medium bombers, 37 interceptor pursuits, 14 amphibians, 6 cargos, --

H.M.Jr: Why isn't that in there?

Lyons: I can't answer that, sir, because that is the first time I have seen this.

H.M.Jr: Well, make it No. 1, will you? I want to prepare a memorandum for the President to write to Mr. Woodring and say why hasn't he included the following, which he understands are in the regular program. But get that from Major Lyons, see. What is it roughly again?

Lyons: Six heavy bombers, 66 medium bombers, 37 interceptor pursuits, 14 amphibians, 6 cargo, 37 advanced trainers.

(General Brett entered the conference)

H.M.Jr: I just got a memorandum from the President from Mr. Woodring -- Woodring to the President to me, and he has left off in this memorandum half of the stuff as to what your program is. The President asked him to submit everything, and what did he leave off?

Lyons: The 1941 regular, 66 heavy bombers --

Brett: There are 66 heavy bombers in that 1941, and there were 200 in the President's emergency. That is the total of 266. Then there were 200 training planes in the President's emergency, and then in addition --

H.M.Jr: Have you seen the program?

Brett: No, sir, I have not.

H.M.Jr: Take a look at it, because I want to get --

Brett: We made an estimate, sir, that under the present program as established today with this latest emergency program of the President's, that there were a total requirement of 8,000 engines right today.

H.M.Jr: Yes, but that comes to the President and it is incomplete.

(Mrs. Klotz entered the conference)

Brett: Now, this is just the addition to the present program, sir.

H.M.Jr: What I would like, George, in my hands by five minutes of ten, is what is missing on that, see.

Brett: In other words, you want us to take in the entire 1941 program.

H.M.Jr: Sure, that is what the President's memorandum said.

Brett: All right, sir, we can give you that without any trouble.

H.M.Jr: By five minutes of ten I want what is missing. In other words, the President and I want the whole program and they have just given us a piece.

Brett: We can give you that.

H.M.Jr: I don't know who did it.

Brett: I can give you that in no time.

H.M.Jr: But I mean, the President of the United States was just given one piece of it and when I read this thing I said, "My God, he can't go before the Congress and give this as the whole air program after talking about 50,000 planes, then come up with a measly program like this." It is just a laughing stock.

Brett: Mr. Secretary, you are only going to get an additional 166 planes in addition to that program there.

H.M.Jr: Whatever it is, I want the President to have the whole program. I am not blaming you. I am going to tell what I am saying to Mr. Woodring.

Brett: May I ask one question, sir?

H.M.Jr: You can ask two.

Brett: I just left Mr. General Marshall, sir, and about a week ago in compliance with that request of yours concerning -- a request for the release of certain airplanes to the foreign Purchasing Commission, I prepared a memorandum to General Marshall at that time in which I suggested that in order to place orders -- in order to put the aircraft industry on its feet and take up all unused space, that there be a blank check be written for \$300,000,000.00 for procurement of 3,000 airplanes. Those 3,000 airplanes lie within a given program which had been submitted.

H.M.Jr: To whom?

Brett:

Which the Air Corps had submitted to the War Department. Now, this memorandum to General Marshall makes this statement, sir. In addition to asking for 3,000 airplanes, \$300,000,000.00, I made the statement that the Government immediately initiate action to accelerate engine deliveries. General Marshall is now presenting to the Secretary of War a supplemental estimate for the fiscal year 1941 in which he states these 3,000 additional airplanes, \$300,000,000.00, these additional airplanes are now needed for the purpose of accelerating production and placing the airplane industry on a well rounded production basis as well as to provide airplanes for possible use in operations. The submission of this item implies that the Government will immediately initiate action which will accelerate engine deliveries sufficient for the purpose. Now, General Marshall asked me, sir, if I would get a statement from you as to whether that statement in any way interferes with what you are trying to do.

H.W.Jr:

Say it again.

Brett:

The request is for 3,000 additional airplanes, \$300,000,000.00. These airplanes are now needed for the purpose of accelerating production and placing the airplane industry on a well rounded basis, as well as to provide airplanes for possible use in operations. The submission of this item implies that the Government will immediately initiate action which will accelerate engine deliveries sufficient for the purpose. Consultation with airplane manufacturers within the past four days -- airplane manufacturers, that is, only, air frames -- within the past four days points toward the desirability of accelerating the Procurement program to this extent. It will utilize to the maximum the potential capacity of air frame manufacturer in army types. Such orders should result in increased delivery rates within four to six months from date of the order, and will provide the necessary initial steps toward an increase in the quantity strength of the GH2. The reason why I suggested this step to General Marshall is in view of the fact that today we have no program.

H.M.Jr: Now may I say something?

Brett: Over and beyond that which has already been proposed.

H.M.Jr: Will you let me advise you?

Brett: Yes, sir.

H.M.Jr: That is all right from you to Marshall, but for God's sake don't give that to the President. It is OK with me. The finished thing is all right, but don't put it on the basis -- because somebody has unused capacity that therefore we have got to get \$300,000,000.00 to fill up a factory. Put it on the basis of the needs of the country. The \$300,000,000.00 is all right, I will go along with you and say God bless you, but put it on the basis, this is what we need to have a program, but don't put it on the basis -- it is all right from you to General Marshall, but from General Marshall to the President, put it on the basis of the needs of the country, financial needs.

Brett: In other words, you will go along with this request provided the reason for the request is on a different basis than the one proposed?

H.M.Jr: Exactly. That is fair enough, isn't it?

Brett: That is very fair. May I be excused to telephone that message to General Marshall?

H.M.Jr: Yes -- one minute, will you, just one second, and give me a couple of minutes? Put it on the basis that General Marshall will say to me, Morgenthau, that he needs -- is General Marshall at his office?

Brett: Yes, sir.

H.M.Jr: Why don't I call him up?

Brett: Yes, sir, that would be by far the best, sir. Then he gets it directly from you.

H.M.Jr: Let me call him up.

Brett: He was waiting for this message, because he had to go somewhere.

H.M.Jr: I will give him the message.

Brett: There is his statement, sir.

H.M.Jr: His statement, or yours?

Brett: His statement is right there, sir, and his memorandum to the Secretary of War. That is the item we are talking about. It carries on to the next page.

(Telephone conversation with General Marshall follows)

H.M.Jr: I am for the program, but I want a better reason than this thing that they keep throwing at me that Boeing is only at a third of their capacity. That doesn't appeal to me, but if you say the country needs it, OK, then we will go to town for you.

Brett: As I said, Mr. Secretary, I put that in because I couldn't get a program and yet I know that we are going to have to have those airplanes.

H.M.Jr: Can't you justify it on a national defense basis?

Brett: I can justify it. I have got a program right here that is way out and beyond what I have asked for.

H.M.Jr: Well, you won't have any trouble with me. I will back you up. All you have got to do is tell General Marshall the program has what this country needs -- well, you heard what I said, and then he can tell it to me and I will help sell it to the President, pronto, but I can't do it on that basis, and if you don't mind, I am a little bit frantic today because I feel that way, but this thing is so important and then when I got this memorandum of the few training planes and 200 bombers, I said, "My God, are we going to let the President of the United States down and go before the country with a program like that?"

Brett: The 1941 doesn't increase it at all, sir.

H.M.Jr: Yes, but the two together make something and then you come along with \$300,000,000.00 more. Now, one thing I think you ought to put in that program when you ask for \$300,000,000.00, some of that money -- I mean they ought to have leeway in there -- and I think this is very important if you are going to ask for a \$300,000,000.00 lump sum -- leeway for plant expansion and tooling. I think it is terribly important. Will you make a note of that? There isn't going to be enough money in the \$100,000,000.00. If you ask for \$300,000,000.00, leave it that at the direction of the President, certain proportions of this could be used for plant expansion and tooling. They will say we are going in competition with business and all the rest of that stuff, but it can't be helped.

Mead: That would be plane expansion, not engine facilities.

H.M.Jr: What is the all inclusive word? Aircraft and engines. Both. Now look, gentlemen, you are going to have that back for me at five minutes of ten.

Mead: Yes, sir.

H.M.Jr: Now, last night Purvis called me up and wanted to place an order for two thousand Jacobs engines, 330 horse, on Canada. I want to know where that fits into your picture, see. Do you know that? Is this news?

Brett: We can let you know right off.

H.M.Jr: I say is this news?

Brett: Yes, sir, that is news. We understood the Canadians were after some Kinner engines.

H.M.Jr: It is Jacobs.

Brett: The Canadians were after the smaller Jacobs engines.

H.M.Jr:

The Minister of National Defense was with Purvis yesterday. He called me last night at 8:30 and they want to buy two thousand 350 horse power Jacobs engines because -- incidentally, he said the Bristol deal is off, too. They don't want the Bristol. Now, could you gentlemen -- I am free again at 11:00 -- come back and talk with me again so that we can begin to talk in connection with this trainer thing, what does the Army and Navy want, which engine do they want for the trainer planes? Not now, but at eleven o'clock, so we can push this licensing thing and begin to go to town on that thing.

Mead:

We will have that.

H.M.Jr:

Now in this thing, General Brett, that you hope to get, the \$300,000,000.00, will any of that be for more trainers or not?

Brett:

No, sir, that will be -- the major part of it -- for tactical purposes only.

H.M.Jr:

I can do the trainer thing at eleven o'clock, and also talk in terms of how many big engines we want. To give you what I am thinking about, I want to talk to Pratt & Whitney and Wright when they come down here about each of them, either licensing or building another factory in the middle West to build big engines. That is the way my mind is running. What is the biggest engine they make now which is successful?

Mead:

Pratt & Whitney, 2,000 and 2,800. The Curtiss, about 1,800.

H.M.Jr:

And I want to say to you at eleven o'clock, now the biggest engine that Pratt & Whitney make and the biggest engine that Curtiss makes, each of them could build another factory as the President mentioned at lunch yesterday, somewhere in the West, just to turn out these big engines and how many would you want.

Brett:

Well, right today we have a very small -- we have on our present program right up to date, exclusive about 3,000 airplanes, about 1,500 -- 2,378 of the thousand horse power plants. There is a total of about 3,000 engines. Now, 1,500 in the 1,500 horse power class. That is the reason why I am anxious to get that

\$300,000,000.00, because then I could say how many more engines of the larger classes we needed.

H.M.Jr: Now look, can you come back at eleven and let's talk engines.

Brett: Yes, sir.

H.M.Jr: Let's talk on the two bases, what you have got now, Army and Navy together, present program, and what are the engines you would need if you got the \$300,000,000.00 more, and you (Kraus) have got an authorization to build 10,000 long distance planes, haven't you?

Kraus: Yes.

H.M.Jr: Don't you think we could do that between eleven and twelve?

Kraus: I have the best guess on it from some days ago, and I think we will have a more accurate guess.

H.M.Jr: You people will be very much interested in this. The President of the United States says -- I asked him this -- and this is right in the room here, please -- what did he mean by 50,000 planes, see.

Mead: I asked you.

H.M.Jr: Well, he started to think out loud, and what he said was, "When I say 50,000 planes, I say 10,000 planes for training purposes, and 40,000 planes for fighting purposes." Now, that is the terms he is thinking of, see.

Brett: In other words, 80% for combat and --

H.M.Jr: He is thinking in terms of 40,000 planes and the capacity -- now, let's see, how did he put this thing? I think he said for the Army he wouldn't want more than 10,000 -- this is what I think it was -- more than 10,000 first line fighting planes. I think that is what he said. He said you would want the capacity to replace that every year.

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Brett: General Marshall is right there on any program you want to fill.

H.M.Jr: You work with me from eleven to twelve, and I will give you something if you will come back so that we can sell this to the President, but if you don't mind, I couldn't sell it on that basis, because I know my President. I know myself.

Mead: Does this include the Navy?

H.M.Jr: Sure.

Mead: And it includes existing airplanes as of -- this is not all brand new ships?

H.M.Jr: Yes, sir.

Mead: Brand new?

H.M.Jr: Brand new ships. I will see you all at eleven and let's go to town between eleven and twelve.

Gave Pres. copy  
of Gage Meads  
Breakdown  
50,000 flaws  
want another copy.  
Pres. seemed to like  
it.

5-28-40

5/28/40

Estimates for  
50,000 PLANE PROGRAM

DISTRIBUTION

	<u>Navy</u>	<u>Army</u>	<u>Totals</u>
Trainers	3,500	14,000	17,500
Tactical	<u>10,000</u>	<u>22,500</u>	<u>32,500</u>
	13,500	36,500	50,000

AIRPLANES

<u>Navy (without engines)</u>	<u>Number</u>	<u>Total</u>
Trainers	3,500	\$ 49,000,000
Tactical	<u>10,000</u>	<u>675,000,000</u>
	13,500	\$ 724,000,000
<u>Army (without engines)</u>	<u>Number</u>	<u>Total</u>
Trainers	14,000	\$ 231,500,000
Tactical	<u>22,500</u>	<u>1,417,800,000</u>
	36,500	\$1,649,300,000
Total	50,000	\$2,373,300,000

ENGINES

<u>Power Range</u>	<u>Navy</u>	<u>Army</u>	<u>Total</u>	<u>Total</u>
1,500 - 2,000 h.p.	11,600	25,600	37,200	\$ 651,000,000
1,000 - 1,500 h.p.	4,900	17,100	22,000	264,000,000
200 - 600 h.p.	<u>10,650</u>	<u>29,000</u>	<u>39,650</u>	<u>178,425,000</u>
Total	27,150	71,700	98,850	\$1,093,425,000

Cost Summary

Navy Planes	\$ 724,000,000
Navy engines	<u>309,725,000</u>
Total Navy requirements	\$1,033,725,000
Army planes	\$1,649,300,000
Army engines	<u>783,700,000</u>
Total Army requirements	\$2,433,000,000
Grand Total	\$3,466,725,000

May 28, 1940

**Estimates for  
50,000 PLANE PROGRAM**

**DISTRIBUTION**

	<b>NAVY</b>	<b>ARMY</b>	<b>Total</b>
Trainers	3,500	14,010	17,500
Factical	<u>10,000</u>	<u>22,500</u>	<u>32,500</u>
	13,500	36,500	50,000
	37%	63%	

**AIRPLANE**

<b>NAVY (without engines)</b>	<b>Number</b>	<b>Total</b>
Trainers	3,500	\$ 49,000,000
Factical	<u>10,000</u>	<u>675,000,000</u>
	13,500	\$ 724,000,000
<b>ARMY (without engines)</b>	<b>Number</b>	<b>Total</b>
Trainers	14,000	\$ 231,500,000
Factical	<u>22,500</u>	<u>1,317,000,000</u>
	36,500	\$1,049,300,000
<b>Total</b>	50,000	\$2,373,300,000

**ENGINE**

<b>Power Range</b>	<b>NAVY</b>	<b>ARMY</b>	<b>Total</b>	<b>Total</b>
1,500 - 2,000 h.p.	11,600	25,600	37,200	\$ 651,000,000
1,000 - 1,500 h.p.	4,900	17,100	22,000	264,000,000
200 - 600 h.p.	<u>10,600</u>	<u>29,000</u>	<u>39,600</u>	<u>175,425,000</u>
<b>Total</b>	27,100	71,700	98,800	\$1,093,425,000

1750  
945  
12000  
6000

Cost Summary

Navy planes	\$ 724,000,000	
Navy engines	<u>209,725,000</u>	
Total Navy requirements	\$1,933,725,000	4.7%
Army planes	\$1,649,300,000	
Army engines	<u>181,700,000</u>	
Total Army requirements	\$2,831,000,000	6.2%
Grand Total	\$3,466,725,000	

May 21, 1949

WAR DEPARTMENT  
OFFICE OF THE CHIEF OF STAFF  
WASHINGTON, D. C.

Draft #1. #2  
(see draft #2 dated 5/29)  
"memo to Pres for Sec of War"

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May 28, 1940.

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

General Watson directed that the attached copy of memorandum for the Secretary of War, dated May 28, 1940, Subject: Supplemental Estimate, F.Y. 1941, be sent to you. I understand that you and General Marshall are to see the President at 11:30 a.m. tomorrow on this subject.

By direction of the Chief of Staff:



ORLANDO WARD,  
Lt.Col., General Staff,  
Secretary, General Staff.

Incl.

Draft #1

6-4/31190-12

May 28, 1940.

S-4  
YM  
RCM  
OCM  
ELM

MEMORANDUM FOR THE SECRETARY OF WAR:

Subject: Supplemental Estimate, F.Y. 1941.

1. The War Department recommends that the following supplemental estimates for Fiscal Year 1941 be approved. These items are submitted at this time as a result of an analysis of information which has come by way of press reports and official reports of our Military Attaches in Europe. Also, preliminary reports from our maneuvers, completed last week, have indicated the desirability of a change in the organization of certain units of the Protective Mobilization Plan, which necessitates an immediate start toward acquisition of the required critical items of material.

2. Critical Items (less airplanes):

a.	1690 tanks at \$45,000 .....	\$77,740,000
b.	200 scout cars at \$9,500 .....	1,900,000
c.	527 -- 75 mm How. mounted on self-propelled carrier, at \$10,000 .....	5,270,000
d.	216 personnel carriers, armored, half-track vehicles, 16-man type at \$13,000 .....	2,808,000
e.	528 personnel carriers, armored, half-track vehicles, 8-man type at \$4,500 .....	2,376,000
	Total .....	\$90,094,000

Developments in Europe and during our maneuvers indicate the necessity for initiating production of this material, particularly as to the armor plate required.

f. Ordnance:

Bombs and ammunition for airplane bombers so as to increase the amount of bombs and ammunition available, inasmuch as recent operations abroad have shown that the amount of bombing to be performed by bombers is greater than has been previously calculated .....

26,900,000

(Storage for these bombs is included in Paragraph 4 below.)

- A. Critical Items for 8 semi-mobile AA Regiments at \$3,800,000 each for protection of installation in Zone of the Interior (Not included in Protective Mobilization Plan). . . . . \$30,400,000

as follows

(1) Ordnance . . . . .	\$22,320,000
(2) Engineer . . . . .	6,000,000
(3) Signal . . . . .	2,080,000
Total . . . . .	\$30,400,000

- AA Ammunition (Ordnance) for the above 8 semi-mobile AA regiments . . . . . \$23,040,000

as follows:

800,000 shell, H.E., for 90 mm AA Gun.  
492,000 shell, H.E., for 37 mm AA Gun.

The necessity for such units is apparent, but the principal purpose of submitting these items at this time is to increase production rates.

B. Ordnance:

72 -- 105 mm How. at \$30,000 . . . . . \$ 2,160,000  
(120 already provided for. 72 additional, or total of 192, will permit replacement of 155 mm Hows. in 9 triangular divisions at 16 each and provide 48 for two 105 mm How. Regts. in GHQ Arty.)

216,000 shell, H.E., for 105 mm How. at \$30 . . . . \$ 6,480,000

- i. Critical Items of Medical equipment to complete two Mobile Operating Sections and two Hospitalization Sections, Surgical Hospital (less prime movers); 1 Field Laboratory; and to reduce the shortage in surgical instruments required for the Protective Mobilization Plan . . . . . \$ 600,000

3. 1000 Additional Airplanes . . . . . \$ 300,000,000

It is imperative that we apply the lessons learned from current air warfare to our own air forces with the least practicable delay. This means at least this number of additional airplanes, up-to-date in all respects, especially armament.

Provision for this number of combat planes will permit us to initiate, as rapidly as industry can accept our orders, the first stage of the increase of the GEC Air Force to a strength proportionate to the increase in ground troops provided for in the Protective Mobilization Plan.

4. Construction

For bomb storage at Ordnance Depots, Posts and Air Bases, Cont. United States, for additional bombs. (See Par. 2 f above) ..... \$ 2,900,000

5. Research and Development

The rapid accumulation of information regarding the continuing improvement of all types of equipment and the figures from the 1942 budget estimates, indicate the advisability of speeding up the Research and Development program as follows:

Air Corps .....	\$16,500,000	
Chemical Warfare Service .....	440,000	
Coast Artillery Corps .....	139,000	
Corps of Engineers .....	550,000	
Medical Department .....	37,000	
Ordnance Department .....	3,464,000	
Quartermaster Corps .....	130,000	
Signal Corps .....	1,740,000	
Secretary of War's Reserve .....	700,000	
		<u>\$3,700,000</u>

6. The grand total of the Supplemental Estimates, F.Y. 1941, requested above, is ..... \$506,274,000

(Sgd) G. C. MARSHALL

Chief of Staff.

has:PD

2<sup>nd</sup> draft

May 29, 1940.

MEMORANDUM FOR THE PRESIDENT:

Subject: Supplemental Estimate, F.Y. 1941.

1. The War Department recommends that the following supplemental estimates for Fiscal Year 1941 be approved. These items are submitted at this time as a result of an analysis of information which has come by way of press reports and official reports of our Military Attaches in Europe. Also, preliminary reports from our maneuvers, completed last week, have indicated the desirability of a change in the organization of certain units of the Protective Mobilization Plan, which necessitates an immediate start toward acquisition of the required critical items of materiel.

2. Critical Items (less airplanes);

a.	1690 tanks at \$46,000 . . . . .	\$ 77,740,000
b.	200 scout cars at \$9,500. . . . .	1,900,000
c.	527 - 75mm. Howitzers mounted on self-propelled carrier, at \$10,000 . . . . .	5,270,000
d.	216 personnel carriers, armored, half-track vehicles, 16-man type at \$13,000. . . . .	2,808,000
e.	528 personnel carriers, armored, half-track vehicles, 8-man type at \$4,500. . . . .	<u>2,376,000</u>
	Total. . . . .	\$ 90,094,000

Developments in Europe and during our maneuvers indicate the necessity for initiating production of this materiel, particularly as to the armor plate required.

f. Ordnance:

Bombs and ammunition for airplanes bombers so as to increase the amount of bombs and ammunition available, inasmuch as recent operations abroad have shown that the amount of bombing to be performed by bombers is greater than has been previously calculated . . . . . \$ 26,900,000

(Coverage for these items is included in Paragraph 4 below.)

**B** Critical Items for 8 semi-mobile AA Regiments at \$3,800,000 each for protection of installation in Zone of the Interior (Not included in Protective Mobilization Plan). . . . . \$ 30,400,000  
as follows:

(1) Ordnance .....	\$22,300,000
(2) Engineer .....	6,000,000
(3) Signal .....	2,000,000
Total .....	\$30,400,000

AA Ammunition (Ordnance) for the above 8 semi-mobile AA regiments .. . . . \$ 23,040,000  
as follows:  
800,000 shells, M.2., for 90 mm. AA Gun.  
492,000 shells, M.2., for 37 mm. AA Gun.

The necessity for such units is apparent, but the primary purpose of submitting these items at this time is to increase production rates.

**B** Ordnance

72 - 105 mm. How. at \$30,000 .. . . . . \$ 2,160,000  
(120 already provided for. 72 additional, for total of 192, will permit replacement of 135 mm. Hows. in 9 triangular divisions at 16 each and provide 48 for two 105 mm. How. Regts. in OKA Arty.).

216,000 shells, M.2., for 105 mm. How. at \$30. . . \$ 6,480,000

**F** Critical Items of Medical equipment to complete two Mobile Operating Sections and two Hospitalization Sections, Surgical Hospital (Less prime movers) 1 Field Laboratory; and to reduce the shortage in surgical instruments required for the Protective Mobilization Plan .. . . . . \$ 600,000

**J** 2830 Additional Aircraft .. . . . . \$300,000,000  
It is imperative that we apply the lessons learned from current air warfare to our own air force with the least possible delay. This means at least this number of additional airplanes, up-to-date in all respects, especially armaments.

Provision for this number of combat planes will permit us to initiate, as rapidly as industry can accept our orders, the first stage of the increase of the GHQ Air Force to a strength proportionate to the increase in ground troops provided for in the Protective Mobilization Plan.

4. Construction

For bomb storage at Ordnance Depots, Posts and Air Bases, Cont. United States, for additional bombs. (See Par. 2 above) ..... \$2,900,000

5. Research and Development

The rapid accumulation of information regarding the continuing improvement of all types of equipment and the figures from the 1942 budget estimates, indicate the advisability of speeding up the Research and Development program as follows:

Air Corps .....	\$16,500,000	
Chemical Warfare Service .....	440,000	
Coast Artillery Corps .....	139,000	
Corps of Engineers .....	550,000	
Medical Department .....	37,000	
Ordnance Department .....	3,464,000	
Quartermaster Corps .....	130,000	
Signal Corps .....	1,740,000	
Secretary of War's Reserve .....	<u>700,000</u>	
		<u>23,700,000</u>

6. Production Facilities .....

This material program must be supported by an expansion program of production facilities to fill gaps and inadequacies that will be found in industry as they develop. \$200,000,000

7. The grand total of the Supplemental Estimates, F.Y. 1941, requested above, is ..... \$706,274,000

Secretary of War.

TREASURY DEPARTMENT

114

INTER-OFFICE COMMUNICATION

DATE May 28, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

**CONFIDENTIAL**

After an early decline on news of European developments, sterling experienced a recovery due to the appearance of unusually heavy commercial demand. The pound opened at 3.14-1/4, five cents lower than last night's close. In the first hour of trading, it moved off further, touching a low of 3.11-3/4. The improvement which subsequently took place carried the rate to a high of 3.18 at the close.

A commercial concern was reported to have bought £120,000 for the purpose of paying off a sterling loan. This purchase is included in the commercial buying orders shown below.

Sales of spot sterling by the six reporting banks totaled £306,000, from the following sources:

By commercial concerns.....	£ 89,000
By foreign banks (South America, Europe and Far East).....	£217,000
Total.....	£306,000

Purchases of spot sterling amounted to £677,000, as indicated below:

By commercial concerns.....	£597,000
By foreign banks (Far East).....	£ 80,000
Total.....	£677,000

The following reporting banks sold cotton bills totaling £21,000 to the British Control on the basis of the official rate of 4.02-1/2:

£20,000 by the Irving Trust Company
1,000 by the Bankers Trust Company
<u>£21,000 Total</u>

Developments in the other currencies were as follows:

The French franc moved off to a low of .0176-3/4 in early trading. It subsequently improved to close at .0179-1/2. Although its movement was similar to that of sterling, the franc depreciated somewhat in terms of the pound. From 176.40 francs per pound at the opening, the cross-rate widened to close at 177.15.

The Swiss franc was steady and closed at .2242.

The closing discount for the Canadian dollar was 21-1/2%, as against yesterday's final quotation of 20-1/2%.

The lira and the reichsmark were quoted all day at .0505 and .4000 respectively, unchanged from yesterday's rates.

The yuan quotations received from Shanghai were unchanged at 5-1/2¢ against the dollar and 4-1/8¢ in terms of the British pound.

The Cuban peso experienced its fourth successive day of improvement and reached 8-7/8% discount today, as compared with 10-5/16% discount on May 23. The Mexican peso was unchanged at .1672.

We purchased \$25,000,000 in gold from the earmarked account of the Bank of England.

The Federal Reserve Bank reported that the following shipments of gold were being consigned to it:

- \$12,426,000 from England, shipped by the Bank of England, to be earmarked for its account.
- 2,244,000 from England, shipped by the Bank of England for account of the Swiss National Bank, disposition unknown.
- 1,936,000 from Switzerland, shipped by the Swiss National Bank, Bern, to be earmarked for account of the B.I.S.
- 1,790,000 from Canada, shipped by the Bank of Canada, Ottawa, for its account, for sale to the U. S. Assay Office.
- 1,031,000 from England, shipped by the Bank of England, to be earmarked for account of the Bank of Portugal.

\$19,427,000 Total

The Federal Reserve Bank also reported that the Guaranty Trust Company, London, shipped \$23,000 in gold from England to its head office at New York, for sale to the U. S. Assay Office.

The dollar equivalent of the Bombay gold price, which yesterday reached a current high of \$38.99 after a week-long improvement, today fell back to \$37.98, a loss of \$1.01.

The Bombay spot silver quotation worked out to the equivalent of 45.77¢, off 1/8¢.

In London, the prices fixed for spot and forward silver both moved off 5/16d to 22d and 21-1/2d respectively. The U. S. equivalents, calculated at the open market rate for sterling, were 31.58¢ and 30.62¢. On the basis of the official sterling-dollar rate, the spot price was equivalent to 40.00¢.

Handy and Harman today raised its settlement price for foreign silver to 35-5/8¢, an increase of 1/4¢. The Treasury's purchase price for foreign silver was unchanged at 35¢. It was reported that silver was sold in New York at 35-7/8¢.

There were no purchases of silver made by us today.



**CONFIDENTIAL**

STRICTLY CONFIDENTIAL  
TREASURY DEPARTMENT

116

INTER-OFFICE COMMUNICATION

DATE May 28, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

Mr. Pinsent, Financial Counselor of the British Embassy, was in touch with me several times yesterday, May 27, in regard to his memorandum of May 24, 1940, conveying a message from the Chancellor of the Exchequer to the Secretary of the Treasury. The British Government had cabled and telephoned yesterday seeking an early response, in view of the urgency of the situation. I pressed the State Department for a reply with respect to its attitude on the points raised in the memorandum, and talked with Messrs. Pasvolsky, Livesey and Stone. It was not possible, however, to obtain an opinion from Secretary Hull until this morning, when I received at 9:45 an oral message from Mr. Livesey setting forth the views of the Department of State.

I then drafted a memorandum setting forth this Government's position. After mentioning this to Messrs. Bell and Bernstein, I telephoned Mr. Pinsent at 10:15 a.m. and read to him the attached memorandum, constituting a reply to the message from the Chancellor of the Exchequer. Mr. Pinsent was entirely satisfied with the reply, since he was aware, as were we, that the British Government has already commenced advising our State Department in advance of its negotiations for payment agreements with countries of South America. The final paragraph of the memorandum is in response to an oral inquiry, which was not incorporated in the note of May 24 from the British Embassy.

It will be our duty, once the British takes the contemplated steps, to see what the Federal Reserve System will be willing to do in regard to quoting only the official rate for sterling.



The Secretary of the Treasury thanks the Chancellor of the Exchequer for the message communicated to him through the British Embassy on May 24, 1940.

After consultation with the Secretary of State, Mr. Morgenthau assures the Chancellor of the Exchequer that the necessity for the proposed action, as set forth in paragraphs 1 to 7 of the message, is understood. In respect of British relations with third countries we would desire that our interests be carefully taken into account in making payments arrangements with other countries, especially in South America, and that, wherever possible, we would be consulted in advance.

The United States Government will take up with the appropriate officials of the Federal Reserve System the request of the Chancellor of the Exchequer that the official rate for sterling be quoted and that no quotation of the free rate be published.

The Secretary of the Treasury is naturally interested in seeing that the American market remains open to the sale by the British Government of United States dollar securities.



## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE May 28, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

Mr. Felix Somary, the Swiss Banker and Economist who is attending to purchases in the United States for his Government, called on me at 3 o'clock this afternoon.

Dr. Somary stated that he had operated on account of the Bank of Switzerland in New York last week supporting the Swiss franc. Considerable support was required the two bluest days of the week. He had talked with President Weber of the Swiss National Bank today and the latter had insisted upon Swiss determination to maintain the Swiss franc on the gold basis if this is at all possible. I reminded Dr. Somary that Switzerland and the United States were now the only two members of the Tripartite holding to their original basis, and that we wished our small friend the very best of luck.

Dr. Somary was seriously perturbed over the possibility of shipping connections for Switzerland, both with respect to getting supplies in and gold out of the country. Much coal imported from England for Switzerland as its destination is now hopelessly held up in France and Rouen. The Swiss are now buying 200,000 tons of coal in Pennsylvania but are not sure at what port it can be landed, if political and naval conditions make it possible, this coal will go to Genoa. If not, Bordeaux is the most likely port.

Dr. Somary said that he had spoken today with President Weber by telephone and that the latter would like to get some more Swiss gold out of Switzerland into the United States. The question arose as to whether American ships now scheduled to bring refugees from Europe could carry such gold from a French port. After talking with Mr. Joseph Green in the Department of State I told Dr. Somary that the ships going to ports in the combat zone, such as Galway and Bordeaux could take on only passengers, and not accept any cargo such as gold.

Dr. Somary asked if we would be good enough later, in the event that Italy goes into the war and Lisbon becomes the only port to which we might send American ships, to endeavor to assist in arrangements for permitting Swiss gold to pass in special trains from Switzerland to Lisbon for further shipping on the American vessels. I asked that he keep in touch with me if such a contingency should arise.



## TREASURY DEPARTMENT

119

## INTER-OFFICE COMMUNICATION

DATE May 28, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

Mr. Knoke told me by telephone today that the Credito Italiano had drawn a check on the Chase Bank for \$250,000, requesting payment in bank notes. This duplicates the operation reported yesterday with respect to a check drawn on the Guaranty Trust. The National City Bank reports, in turn, that the Credito Italiano has deposited with it \$250,000 in \$100 bills, with the statement that the original plan had been to ship this currency abroad, but that this had been canceled. Mr. Knoke is checking the numbers of the notes to see whether these were the ones paid out by the Guaranty Trust.



## GROUP MEETING

May 28, 1940.  
2:30 p.m.

Present: Mr. McReynolds  
Mr. Haas  
Mr. Young  
Mr. Graves  
Mr. Viner  
Mr. White  
Mr. Charlie Bell  
Mr. Daniel Bell  
Mr. Foley  
Mr. Gaston  
Mr. Sullivan  
Mr. Schwarz  
Mr. Cochran  
Mr. Harris  
Mrs. Klotz

H.M.Jr: Where is Philip Young?

Young: Right here.

H.M.Jr: Phil, here is this thing from the tool fellow. Is Arthur Purvis coming in at nine tomorrow?

Young: I have passed word along. I haven't got a confirmation on it yet.

H.M.Jr: That letter that Mr. Welles wrote me and told me a cable from Bullitt -- I answered on the telephone that no can do, so you forget it.

Young: Right.

H.M.Jr: Mac, have you got something? Do you want to tell about that? Go ahead. What's his name told me -- "Pa" Watson. He said he would try to work it out with you and the Army without trying to bother the President.

McReynolds: That is as far as I could get. I am going back over there and talk to them. I will see what happens.

H.M.Jr: That is right. He said he would try to work it out.

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McReynolds: That is all.

H.M.Jr: You are going to follow through on it?

McReynolds: I am following through on it.

H.M.Jr: Have you (Viner) got a memorandum for me?

Viner: I have already talked to Mr. Bell and cleared it all.

H.M.Jr: I thought via Professor McReynolds you were clearing out the offices downstairs and putting those fellows upstairs.

C. Bell: They are all clear.

H.M.Jr: Who is in the offices this morning?

C. Bell: No one this morning. There is nobody in that space as yet.

McReynolds: He said they were developing quite an organization he thought they would have to use.

H.M.Jr: Does he need an administrative assistant? Who is looking after him?

C. Bell: Johnston is looking after Dr. Mead and I am contacting Johnston.

McReynolds: They have got a clear way to Charlie Bell, and they are getting everything they asked for.

H.M.Jr: Fine. He said the Treasury was good; I don't know why.

I have got to keep moving. Are you all right, Mac?

McReynolds: Yes.

H.M.Jr: Downstairs is all right and you are taking care of the engineers?

C. Bell: Yes, sir.

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H.M.Jr: Bell?

D. Bell: I have a lot of things.

H.M.Jr: Then you had better wait. Let me go around the room.

D. Bell: All right.

H.M.Jr: Incidentally, if they are all going to be downstairs, there is no reason why Mead should be up here and the rest of them down there, but I will leave that up to you.

McReynolds: That is what I told Charlie.

H.M.Jr: Harold?

(Mr. Graves handed to the Secretary Captain Collins' letter of resignation)

H.M.Jr: I want to see him before he leaves. Anything else?

Graves: Nothing else except that I am expecting to go over there and sit down as soon as he has gone until we make other arrangements.

H.M.Jr: Well, who checked up on Donald Nelson for me?

Foley: I did.

H.M.Jr: What did you get?

Foley: Well, I talked to Dunn about him, and Dunn thought that he was pretty good. He had heard nice things about him, and thought it would be a pretty good point, but I tried to get hold of Lubin and I couldn't get Lubin. Lubin would know and Henderson, but I understand Mac was going to talk to Leon. I didn't talk to Leon.

McReynolds: I got good reports. I put Irey on the job so you would get something that way.

Foley: On the other hand, I had lunch with Paul Shields and I asked him if he knew him

and he said, "Yes", and I asked him what he thought of him, and he said he would say he was third or fourth class.

H.M.Jr: Why?

Foley: Well, he said that they were considering hiring him two or three years ago and they didn't. He said that that organization -- he had his fingers crossed about it. He thinks it is a great big organization, and it has got a lot of momentum and it is awfully hard to get a line on the people in it. The people down are pretty good, but he doesn't have much respect for the people at the top.

McReynolds: Well, Wayne Taylor brought him in while he was here. He came from Sears Roebuck. He thought he ought to be hired, and I said we couldn't hire him. He wasn't worth it.

H.M.Jr: Who wasn't worth it?

McReynolds: The Sears Roebuck man.

H.M.Jr: But that wasn't Donald Nelson.

McReynolds: Oh, no, but the head of Sears Roebuck, the old gentleman, personally recommended this guy that I ran into and I decided that he wanted to get rid of him. He was worth nothing. We couldn't use him under any circumstances. I immediately asked Irey to make a check on this boy. From all the people I have asked about him, all of them speak very highly of him, and he is a nice guy, but it is all loose stuff and they don't know.

Foley: Shields says he is a little disappointed now. He wanted to be president of the organization, and they didn't make him president. He says he is a fellow who has always polished his own apples, and he has been pretty politic and he is a nice guy but he doesn't know much. He hasn't got much on the ball.

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- H.M.Jr: I talked to a man who knew him for thirty years, I guess the largest stockholder in Sears Roebuck, and he said we didn't want him. I think this man is the biggest stockholder in there, and he says he has known him for many years.
- Viner: Mr. Secretary, why don't you phone to Lessing Rosenwald in Philadelphia.
- H.M.Jr: That is who I am quoting. I spoke to Lessing this morning, and he says he is a marvel. I suppose he is the biggest stockholder. That is just who I spoke to. It is wonderful. You and I are clicking today.
- McReynolds: Well, you have been out walking together.
- H.M.Jr: Mac sits here when I go out with a spy-glass.
- Viner: I have seen the Secretary in worse company.
- H.M.Jr: Harry?
- White: Pasvolsky held the first meeting pursuant to conversations you had with Secretary Hull some time ago to canvass the situation as to what can be done in the event Germany wins. Merle and I went over there, and there was some preliminary discussion and some preliminary reports, nothing of any consequence being decided upon. You asked me to see you about General Motors report on tungsten. Do you want that?
- H.M.Jr: Hang onto it, Harry, don't put it on my desk. I tell you what I wish you would do. I wish you would get hold of Ed Noble and ask him if the Department of Commerce -- I read their report on tin smelting -- whether they can do something to get a tin smelter this contract. I think they should. I think that is very important.
- White: Now, with respect to that tungsten, the Bureau of Mines does collect information but it is confidential information which

they give only to the Army and Navy, unless you want to -- if you want us to get it, I daresay we can.

H.M.Jr: George is pretty good at it.

Haas: Sure you can get it, Harry.

H.M.Jr: George has just gone through a marvelous experience with the Army and Navy.

White: You would like us to get it?

H.M.Jr: Yes. The only thing I would do, I would check now the strategic materials and sort of ask Hopkins if he is doing this, find out what they are doing, on tungsten. Will you find out what they are doing on tungsten?

White: If you would like me to do something to keep track of it.

H.M.Jr: Well, they have got strategic materials, so to speak, now, and I just wondered if they are going to carry the ball. Talk to them and find out what they are doing. If they are just going to buy it, God bless them. What are they going to do, see? Will you, Harry? Maybe Jones is going to handle it. Find out.

White: I take it that Procurement is going to handle some of it, but I will get whatever they know about it.

H.M.Jr: Well, you are sitting next to the new Acting Director for Procurement as of June 1st. Did you know that?

White: I know it now.

H.M.Jr: Well, the two of you get together and find out. I mean Mr. Graves and Mr. White and Mr. White and Mr. Graves. Don't go all around Washington looking for the Director of Procurement.

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White: I recognize the half-brother.

H.M.Jr: Good luck, Mac.

(McReynolds left the conference)

H.M.Jr: Basil?

Harris: The steamer "Washington" which came in this morning from Italy is going to sail Thursday afternoon for Bordeaux. From Bordeaux she is going to Lisbon and then depending on the situation in the Mediterranean, she will determine whether she will then go on to Naples and take the balance out of Naples, but that ought to clean up the balance of everybody that is left there.

H.M.Jr: You know, you brought up yesterday this question of your personnel in Europe. Now, what have you decided to do about these people in England and France and Germany?

Harris: Well, I haven't done anything on it. I didn't know, to tell you the truth, who it came under. When you said it was a matter for the Ambassador there, then I appreciated I hadn't thought of that.

H.M.Jr: Well, they are our people; they are Treasury people. If they are not doing anything over there, bring them back.

Harris: They are not doing anything. They can't do anything there now, but I am not sure that it would be a wise thing for them to leave before the consular agents do.

H.M.Jr: Will you go over today and see the chief of Western Europe, Mr. -- and talk to him about it?

Harris: Yes.

H.M.Jr: Will you do that today, because I don't want it on my conscience that these people are hurt. Please.

Harris: Yes, sir.

H.M.Jr: Anything else?

Harris: No.

H.M.Jr: Harry, were you through? Did I pass you?

White: Yes.

H.M.Jr: George?

Haas: I have nothing.

Young: The original of the cable on machine tools from Mr. Kennedy was brought over to me this morning by Mr. Lind of the Department of Commerce. The embargo idea after last Sunday night --

H.M.Jr: Where did they get that from?

Young: From Mr. Kennedy to the Secretary of State.

H.M.Jr: Where did the English get the idea?

Young: I have no idea, and I checked up with the Purchasing Board man, Baker, in New York, who from now on is going to handle all machine tool orders for the Allies in this country, and he says there is no rhyme or reason for it at all.

H.M.Jr: It may have been due to this meeting we had here.

Gaston: We sent out a telegram to collectors of customs, that is, Mr. Harris did, asking them to report any machine tools offered for shipment, and at the request of Navy Intelligence we want to be informed on any machine tools that are going out, and they have got new legislation, you know, which would empower the President to stop the export.

H.M.Jr: Through the Navy?

Gaston: Yes.

H.M.Jr: What is the answer on that thing?

Gaston: The answer is yes if -- I wouldn't want you to get gummed up with Harrison and Doughton and the people on the Hill.

Otherwise, I would say yes.

Schwarz: Is that an inquiry?

H.M.Jr: Yes. I am afraid of it.

Schwarz: I think it would be better if people on the Hill started it. They are asking for you.

H.M.Jr: Let's leave it this way. If they take --

Gaston: I don't believe there is enough value for you to fuss with it.

Schwarz: It will take an hour of your time.

H.M.Jr: This (indicating elbow) says "no". Is everybody happy?

Schwarz: Fine. They have responded well.

H.M.Jr: We broke all records this morning. We did a tax bill in three and a half hours. It has never been done before. Sullivan says, "What is there to a tax bill? You sit down at twelve o'clock at night, and there is nothing to it."

Sullivan: I thought there was a little more to be done on that bill. I didn't know the President had signed it already.

H.M.Jr: Boy, believe me, you had better get an electric pad and plug it in up on the Hill and put it right in your clothes.

Sullivan: We will have that ready for you tonight, sir. I think it will be hot enough without any pads. This isn't bad.

H.M.Jr: Yes, but the heat may not be in the right place.

Sullivan: Well, it is still subject to laws of refraction, isn't it?

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H.M.Jr: That is fair. Can you improve on that, Harry?

White: I don't even understand it, I am sorry.

H.M.Jr: All right, Jake?  
Merle?

Cochran: Matthews will be down in the morning. I phoned his home awhile ago and told his wife about the change in the sailing of the "Washington". He is going on it, you see.

H.M.Jr: When is he going?

Cochran: I would make it Thursday noon instead of Saturday noon.

H.M.Jr: You had better speak to Mac when you go out. What I am going to try to do, I am not going to advertise it, what I am going to try to do beginning with tomorrow is to stay home on Wednesday afternoons. I can't keep up the pace. Anybody else, if they can get off on Wednesday afternoon, good luck to them. If I should change my mind, I'll let you know.

D. Bell: How about Thursday?

H.M.Jr: Thursday for you.

Gaston: I think Dan was asking whether Thursday of this week was a holiday.

D. Bell: That is right.

H.M.Jr: It is for everybody except me. I am doing the engines on Thursday, which means Foley. However, how far did we get?

Cochran: I have just finished.

Sullivan: Will I have a chance to see you before I go up to see Senator Harrison and Mr. Doughton later in the afternoon?

H.M.Jr: Are you going up today?

Sullivan: Yes, sir.

H.M.Jr: I don't know. Tell Mac to see. I am pretty well shot.

Sullivan: All right, sir. I can tell you very briefly now. Among the general group of miscellaneous taxes which are to be subjected to 10%, there are a number that are plain nuisances that don't run into any money, and I think we would save ourselves a lot of grief if we would merely eliminate them, and we have enough of a margin, I think, to do it.

H.M.Jr: Here is the President's rule of thumb. If a 10% won't produced over a million dollars, I wouldn't fool with it.

Sullivan: There are a couple that produced three that are going to cause a lot of trouble.

H.M.Jr: Ten years ago Dr. Viner used to claim he was a tax expert. Now he is here, and I have talked to him, so maybe he will remember some of it.

White: Are you giving serious consideration to the Bell Soft Drink Tax?

Sullivan: Yes, I am, but Congress isn't.

D. Bell: They couldn't drink it.

Foley: They couldn't swallow it.

H.M.Jr: All right, John, use your head on that.

Sullivan: All right, sir.

H.M.Jr: You won't have any trouble with me.

Sullivan: All right.

H.M.Jr: Eddie?

Foley: Dunn said that Sidney Hillman was a great friend of Nelson's, and he heard the nice things that he knew about Nelson from Sidney Hillman. He only met him and he

didn't know anything about him, but Sidney Hillman thought very well of him.

On the licensing agreement, we have got it cleared with Army and Navy and the representative of Justice. You asked --

H.M.Jr: At three o'clock we are going into engines, and you and Phil will fit in here. Also George. This means someone is going to be here -- I want to get ready for this meeting on Thursday, see.

Foley: All right. Now, Vaughan said that on Thursday if you could make it earlier than three o'clock it would be more convenient, but if it wasn't possible, he would be here at three o'clock.

H.M.Jr: Well, would you mind saying that when Mead comes in, because he has made the appointment and I will change both of them.

Foley: He said if it could be in the morning, something like that, it would be better.

H.M.Jr: Well, I have got Pratt & Whitney in the morning, you see, but I will fix it. I can't do them in the morning.

Foley: Yes.

H.M.Jr: But if you mention it when we come in --

Foley: On the "Washington" that docked this morning, we have got the Post Office and Customs to look at all the mail and the parcel post for securities that may have come out of Belgium and Holland. You see, she sailed on the 19th and the Germans went into those two countries on the tenth, so they would have had a chance to get the stuff down to Genoa and get it on that boat.

Now, there will have to be a regulation under the freezing order to the effect that importation of those securities is a dealing in the securities within the meaning of the prohibition and we will have that ready. The Post Office is helping. They have got 900 sacks of mail that they are looking at and

the Customs people have the parcel post that they open anyway for duty of all goods. Basil has a telegram going to all the collectors.

- H.M.Jr: All right.  
Herbert?
- D. Bell: Ed got me out of bed this morning at one o'clock.
- Foley: I do to you what they do to me. They got me out of bed.
- D. Bell: He thought we ought to delay this ship at quarantine, but I didn't think we ought to take that drastic action. I only had one eye open.
- Foley: She was then going to dock at seven, and we wouldn't have had a chance to get word out.
- H.M.Jr: Somebody must have wound up this Treasury organization some time or other to make it go. I don't know who did it.
- White: It must have been Hitler.
- H.M.Jr: No, it was Hitler that discovered Brazil.
- Foley: That is all.
- Gaston: I sent a telegram to Judge Walter Doyle this morning about your friend, Madam Chang, alias something else.
- H.M.Jr: This boy was going to handle Mrs. Soong and her two children.
- Gaston: Not only that, but we gave her diplomatic courtesies without examination of her baggage. We held our meeting with Biddle yesterday, and I don't think everybody he had in mind came out in the open, but it appeared to me that they wanted to absorb Customs Patrol into Immigration, which we are disposed to resist as unwise.

- 14 -

In regard to the sailing of the "Washington", Mr. Lawrence of the U. S. Lines has suggested that he would like to have a Coast Guard officer, a petty officer who is skilled in radio, aboard as sort of an observer on the dispatches that go out on this voyage inasmuch as they had some difficulty with a great many telegrams which were offered on the "Washington" last trip which might cause trouble. I don't think it would do any harm and it might do some good to have a man on board as a sort of adviser and consultant to the captain.

H.M.Jr: Whatever you say, Herbert, I accept. Whatever you say goes.

Gaston: That is all I have.

H.M.Jr: All right.

## DEPARTMENT OF STATE

Washington

In reply refer to  
EA 856.5151/81

May 28, 1940

My dear Mr. Secretary:

I enclose a copy of a note (No. 3394) dated May 26, 1940, from the Netherlands Minister at Washington, which quotes the text of a telegram received by the latter from the Netherlands Minister of Foreign Affairs reporting the publication of a Royal Decree relating to certain properties of individuals and companies resident in the Kingdom of the Netherlands.

This communication of the Netherlands Minister is transmitted to you pursuant to the request made therein for such action as you deem appropriate.

Sincerely yours,

(Signed) A. A. Berle, Jr.

Adolf A. Berle, Jr.  
Assistant Secretary

Enclosure:

Note from Netherlands  
Minister, May 26, 1940.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

(Copy)

COPT

ROYAL NETHERLANDS LEGATION

Washington, May 20, 1940.

No. 3394

Sir:

I have the honour to inform Your Excellency that I am in receipt of a telegram from the Netherlands Minister of Foreign Affairs at present in London, worded as follows:

"ROYAL DECREE HAS BEEN PUBLISHED 24TH MAY 1940 TO SAFEGUARD PROPERTY OF NETHERLANDS INDIVIDUALS AND COMPANIES AGAINST DISPOSAL CONTRARY TO THEIR INTEREST OR THOSE OF THE COUNTRY, STATING THAT CLAIMS OF WHATEVER DESCRIPTION OR LEGAL FORM INCLUDING GOLD DEPOSITS, SHARES, SECURITIES, RIGHTS UNDER CREDIT ARRANGEMENTS, ETC. BELONGING TO INDIVIDUALS AND COMPANIES RESIDENT IN THE KINGDOM OF THE NETHERLANDS AND THAT CAN BE PLEDGED, SOLD OR DISPOSED OF IN WHATEVER FORM OUTSIDE THE EUROPEAN PART OF THE KINGDOM, BECOME AS FROM 24TH MAY THE PROPERTY OF THE STATE REPRESENTED BY THE ROYAL NETHERLANDS GOVERNMENT TEMPORARILY RESIDENT IN LONDON, TO BE ADMINISTERED IN THE INTEREST OF THE ORIGINAL OWNER IN SO FAR AS THESE INDIVIDUALS OR COMPANIES WERE ON THE 15TH OF MAY NOT RESIDENT OUTSIDE THE NOW OCCUPIED PART OF THE KINGDOM STOP PROPRIETARY INTERESTS TO BE RESTORED AFTER THE WAR STOP THE DECREE IS APPLICABLE TO THE NETHERLANDS INDIES, SURINAME AND CURACAO STOP COMPLETE TEXT WILL BE FORWARDED BY TELEGRAM TOMORROW STOP PLEASE INFORM GOVERNMENT, CENTRAL BANK, BANKERS ASSOCIATION AND STOCK EXCHANGE COMMITTEE, AND WHOMSOEVER YOU MIGHT THINK DESIRABLE."

I should feel greatly obliged if you would be good enough to have the above communicated to the appropriate United States authorities.

Please accept, Sir, the renewed assurances of my highest consideration.

A. LOUDON

The Honorable  
The Secretary of State,  
Washington, D. C.

RDS

GRAY

Milan

Dated May 28, 1940

Rec'd 2:20 p.m.

Secretary of State,  
Washington.

45, May 28, 5 p.m.

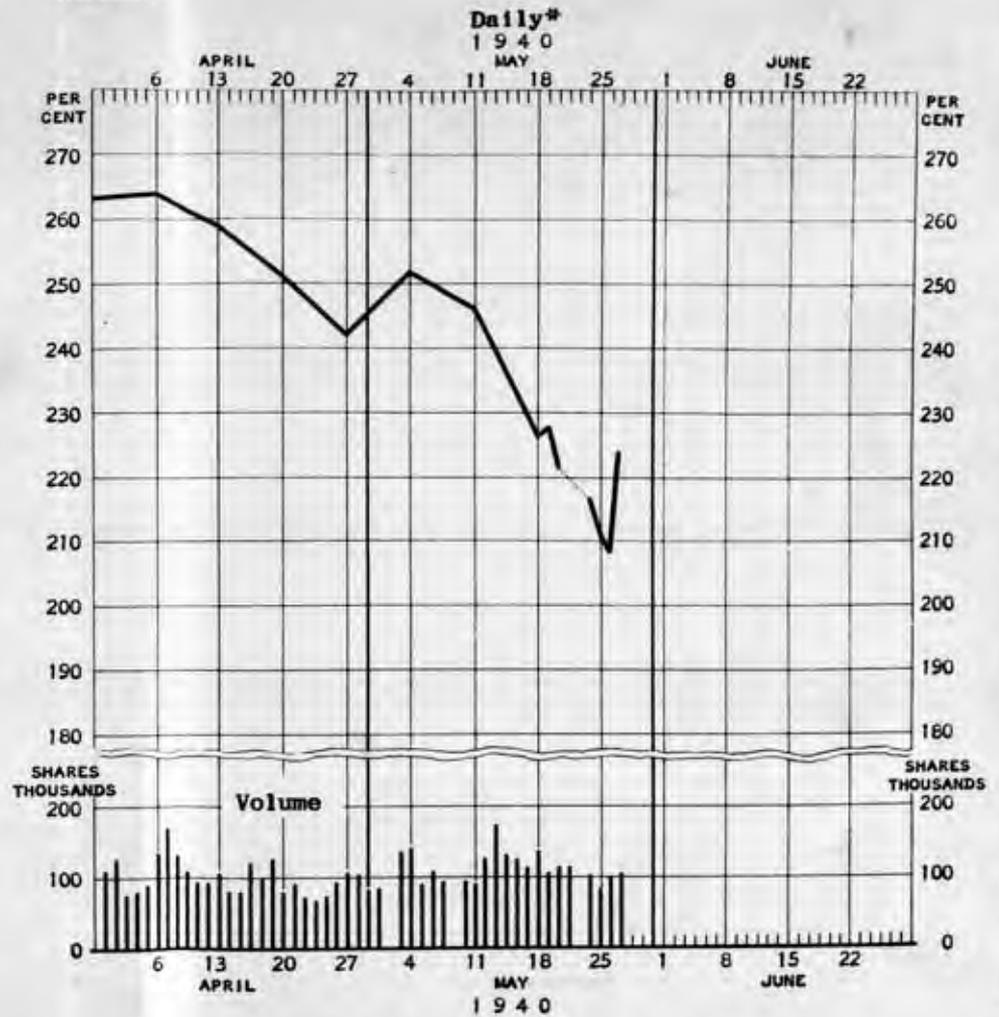
Today's market index 223.83. Volume 100,875.  
(The?)

Of speculative buying in active market enabled many  
shares to recover recent losses.

SHOLES

ALC

ITALIAN STOCK PRICES  
(Milan)



\*SATURDAY FIGURES PRIOR TO MAY 20.

EG

GRAY

Berlin

Dated May 28, 1940

Rec'd 2:30 p.m.

Secretary of State,  
Washington.

V549, May 28, 4 p.m.

My No. 1443, May 21, 2 p.m.

FOR TREASURY FROM HEATH.

The DEUTSCHERREICHSANZEIGER of May 27  
announces the establishment of Reichs kredit  
kullen in Luxemburg, Amsterdam, The Hague and  
Rotterdam

HEATH

ALC

RDS

PLAIN

London

Dated May 28, 1940

Rec'd 1:55 p.m.

Secretary of State,  
Washington.

1413, May 28.

FOR TREASURY FROM BUTTERWORTH.

Given the effects of controls, patriotism and paralyzing inertia the action of the London security markets bore no relation to the reality of England's situation. All securities declined but British Government securities, for instance, closed only slightly off on the day though substantial amounts could not be dealt in at all. War movements-not financial developments-now occupy and dominate the mind and feelings of the city.

KENNEDY

ALC

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris, France

DATE: May 28, 1940, 7 p.m.

NO.: 926

FOR THE TREASURY.

This morning Rueff came to see the Counselor of the Embassy. Reference, telegram of May 25, No. 882 from the Embassy: Rueff said that he had not gone to London, that instead a Bank of England representative came to Paris to discuss the proposed financial "plan"; he did not give any details about the project, but said that the British Embassy in Washington had been given instructions to submit the plan to you, and until your reaction had been ascertained nothing would be done about it.

END SECTION ONE.

BULLITT.

EA:LWV

JT

GRAY

PARIS

Dated May 28, 1940

Rec'd 4:03 p.m.

Secretary of State,  
Washington.

926, May 28, 7 p.m. (SECTION TWO)

Rueff reiterated his contention that there was no valid reason for the franc quotation on the New York free market to be so far below the official rate and added that it would be to the interest of the United States for the franc to be quoted on New York at the official rate.

A member of my staff saw Young at the British Embassy this afternoon. He said that "The French placed too much importance on the free market quotation for the franc" and repeated Simons remarks to the effect that the British authorities were not perturbed over the free sterling rate. He admitted, however, that the French position was "somewhat different" since France's foreign trade was largely invoiced in foreign currencies. Young said that there was nothing in the "Simon-Reynaud agreement" of December 6 which provided that the free rate for the pound and the franc should fluctuate together.

(END SECTION TWO)

BULLITT

NPL

JH

GRAY

Paris

Dated May 28, 1940

Rec'd 3:32 p.m.

Secretary of State,  
Washington.

925, May 28, 7 p.m. (SECTION THREE)

A series of decrees and arrêtes published in today's Journal Officiel change the exchange control regulations so as to prevent non-residents from selling in France to residents of the country "French stocks and bonds, Government securities or other negotiable securities of a fixed maturity. In the past the francs arising from sales of this type could be paid into "foreign accounts in francs" and thus might subsequently be sold on the free market. The change would, therefore, appear to be designed to close one of the sources of the supply for the francs offered for sale abroad.

The Bourse declined as a result of the capitulation of the King of Belgium. Losses in rents ranged from one franc to 1.50 francs with the exception of the 1925 and 1937 exchange guarantee issues which lost 2.35 and 4 francs, respectively. French industrials declined by from 4 to 10%. Suez lost 250 points. (END MESSAGE)

BULLITT

HPD

May 28, 1940

My dear Mr. Hoover:

This will acknowledge receipt of your letter of May 23rd <sup>given to Mr. Boston 9/19/40</sup> referring to an expected remittance to the German Consul in New York City from Italy and your letter of May 27th relative to Walter P. Reuther.

I appreciate having the information contained in these communications.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

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

May 28, 1940

My dear Mr. Hoover:

This will acknowledge receipt of your letter of May 23rd referring to an expected remittance to the German Consul in New York City from Italy and your letter of May 27th relative to Walter P. Reuther.

I appreciate having the information contained in these communications.

Yours sincerely,

(signed) H. Stogsdhon, Jr.

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

May 28, 1940

My dear Mr. Hoover:

This will acknowledge receipt of your letter of May 23rd referring to an expected remittance to the German Consul in New York City from Italy and your letter of May 27th relative to Walter P. Reuther.

I appreciate having the information contained in these communications.

Yours sincerely,

(signed) H. Morgenthau, Jr.

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

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM Treasury Department 146

BUREAU \_\_\_\_\_

CHG. APPROPRIATION Contingent Expenses,

Treasury Department, 1940

U. S. GOVERNMENT PRINTING OFFICE

17-1723

May 29, 1940

(Send telegram to names  
listed on attached sheet)

THANK YOU FOR SUBMITTING THE DATA REQUESTED IN MY TELEGRAM OF MAY 24,  
ON AIRPLANE ORDERS RECEIVED AND DELIVERIES MADE BETWEEN MAY 1 AND  
MAY 23. I HAVE ASKED GEORGE C. HAAS, DIRECTOR OF RESEARCH AND STATISTICS  
FOR THE TREASURY DEPARTMENT, TO ARRANGE TO OBTAIN FROM YOU SUCH FIGURES  
AS ARE NECESSARY TO BRING THE DATA NOW ON HAND UP TO DATE AT THE END OF  
EACH CALENDAR WEEK. HE WILL SEND YOU A COPY OF THE SCHEDULE RELATING  
TO YOUR COMPANY, PLEASE CORRECT THIS SCHEDULE WHERE NECESSARY, AND DATA  
SIMILAR TO THAT REQUESTED IN MY TELEGRAM OF MAY 24, FOR THE PERIOD MAY 24  
TO JUNE 1, INCLUSIVE, AND RETURN THE INFORMATION TO MR. HAAS, AIRMAIL  
SPECIAL DELIVERY, SO THAT IT WILL ARRIVE IN WASHINGTON ON MONDAY, JUNE 3.

HENRY MORSETHRAU, JR.,  
SECRETARY OF THE TREASURY.

*BA*

Aircraft Manufacturers

Mr. Walter K. Bush, President,  
Boeing Aircraft Corp.,  
Wichita, Kansas.

Mr. Lawrence U. Bell, President,  
Bell Aircraft Corp.,  
2090 Klumwood Avenue,  
Buffalo, New York.

Mr. W. R. Farrell, Assistant Treasurer,  
Bellanca Aircraft Corp.,  
New Castle, Delaware.

Mr. P. O. Johnson, President,  
Boeing Aircraft Co.,  
Georgetown Station,  
Seattle, Washington.

Mr. John E. Hunt, Treasurer,  
Brewster Aeronautical Corp.,  
Brewster Building,  
Long Island City, N. Y.

Mr. V. M. Shanahan, Treasurer,  
Consolidated Aircraft Corp.,  
Lindbergh Field,  
San Diego, California.

Mr. Burdette S. Wright, Vice President,  
Curtiss Aeroplane Division,  
Curtiss-Wright Corp.,  
Buffalo, N. Y.

Mr. Carl A. Greer, Vice President,  
Douglas Aircraft Co., Inc.,  
3000 Ocean Park Boulevard,  
Santa Monica, California.

Frederick Engine & Airplane Corp.,  
Ragunston, Md.

Mr. Frank de Gumbel, President,  
Fisherbody, Inc.,  
Tribble, Pennsylvania

Mr. Glenn L. Martin, President,  
Glenn L. Martin Co.,  
Baltimore, Maryland.

Mr. L. B. Gorman, President,  
Gorman Aircraft Manufacturing Corp.,  
Bethpage, Long Island, N. Y.

Mr. G. V. Carr, Production Control Manager,  
Lockheed Aircraft Corp.,  
Burbank, California.

Mr. J. H. Kinkelberger, President,  
North American Aviation, Inc.,  
Inglewood, California.

Mr. V. Wallace Kelleff, President,  
Republic Aviation Corp.,  
Farmingdale, Long Island, N. Y.

Mr. Carl D. Prudden, Vice President,  
Ryan Aeronautical Corp.,  
Lindbergh Field,  
San Diego, California.

Mr. O. Barron, Asst. Secretary & Treasurer,  
Shenandoah Aircraft,  
Division of Boeing Airplane Co.,  
Wichita, Kansas.

Mr. A. T. Viam, Vice President,  
Spartan Aircraft Co.,  
Box 2619,  
Tulsa, Okla.

Mr. V. A. Kura, General Sales Manager,  
Stinson Aircraft Division,  
Aviation Manufacturing Corp.,  
Kearville, Tennessee.

Mr. O. J. McDerby,  
Tough-Storck,  
Division United Aircraft Corp.,  
Bridgeport, Conn.

Mr. Dennis L. Wallace, President,  
Cessna Aircraft Co.,  
Wichita, Kansas.

Mr. F. B. Johnson, Chief Engineer,  
Porterfield Aircraft Corp.,  
2809 E. 14th Street,  
Kansas City, Mo.

Mr. V. G. Scharlemmer, Vice President,  
Vultee Aircraft, Inc.,  
Downey, California.

Mr. Lee H. Smith, Asst. Sales Manager,  
Vaco Aircraft Co.,  
Troy, Ohio.

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM Treasury Department  
BUREAU \_\_\_\_\_  
CHG. APPROPRIATION Contingent Expenses,  
Treasury Department, 1940.

U. S. GOVERNMENT PRINTING OFFICE 17-1732

May 29, 1940.

Mr. M. B. Martin,  
Hearwin Aircraft and Engines, Inc.,  
Fairfax Airport,  
Kansas City, Kansas.

THANK YOU FOR SUBMITTING THE DATA REQUESTED IN MY TELEGRAM OF MAY 24, ON AIRPLANE AND AIRPLANE ENGINE ORDERS RECEIVED AND DELIVERIES MADE BETWEEN MAY 1 AND MAY 23. I HAVE ASKED GEORGE C. HAAS, DIRECTOR OF RESEARCH AND STATISTICS FOR THE TREASURY DEPARTMENT, TO ARRANGE TO OBTAIN FROM YOU SUCH FIGURES AS ARE NECESSARY TO BRING THE DATA NOW ON HAND UP TO DATE AT THE END OF EACH CALENDAR WEEK. HE WILL SEND YOU COPIES OF THE SCHEDULES RELATING TO YOUR COMPANY. PLEASE CORRECT THESE SCHEDULES WHERE NECESSARY, AND DATA SIMILAR TO THAT REQUESTED IN MY TELEGRAM OF MAY 24, FOR THE PERIOD MAY 24 TO JUNE 1, INCLUSIVE, AND RETURN THE INFORMATION TO MR. HAAS, AIRMAIL SPECIAL DELIVERY, SO THAT IT WILL ARRIVE IN WASHINGTON ON MONDAY, JUNE 3.

HENRY MORGENTHAU, JR.,  
SECRETARY OF THE TREASURY.

*BA*

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM Treasury Department  
BUREAU \_\_\_\_\_  
CHIEF APPROPRIATION Contingent Expenses  
Treasury Dept., 1940.

May 29, 1940.

(Send telegram to names  
listed on attached sheet)

THANK YOU FOR SUBMITTING THE DATA REQUESTED IN MY TELEGRAM OF MAY 24,  
ON AIRPLANE ENGINE ORDERS RECEIVED AND DELIVERIES MADE BETWEEN MAY 1  
AND MAY 23. I HAVE ASKED GEORGE C. HAAS, DIRECTOR OF RESEARCH AND  
STATISTICS FOR THE TREASURY DEPARTMENT, TO ARRANGE TO OBTAIN FROM YOU  
SUCH FIGURES AS ARE NECESSARY TO BRING THE DATA NOW ON HAND UP TO DATE  
AT THE END OF EACH CALENDAR WEEK. HE WILL SEND YOU A COPY OF THE  
SCHEDULE RELATING TO YOUR COMPANY. PLEASE CORRECT THIS SCHEDULE WHERE  
NECESSARY, AND DATA SIMILAR TO THAT REQUESTED IN MY TELEGRAM OF MAY 24,  
FOR THE PERIOD MAY 24 TO JUNE 1, INCLUSIVE, AND RETURN THE INFORMATION  
TO MR. HAAS, AIRMAIL SPECIAL DELIVERY, SO THAT IT WILL ARRIVE IN  
WASHINGTON ON MONDAY, JUNE 3.

HENRY WOODSWORTH, JR.,  
SECRETARY OF THE TREASURY.

Engine Manufacturers

Mr. G. F. Kresser, President,  
Allison Engineering Co.,  
Division of General Motors Corp.,  
Indianapolis, Indiana.

Mr. A. W. Wild, Manager, Aircraft Division,  
Continental Motors Corp.,  
Muskegon, Michigan.

Mr. J. Story Smith, President,  
Jacobs Aircraft Engine Co.,  
Pottstown, Pennsylvania.

Mr. R. E. Palmer, Sales Manager,  
Lycoming Division,  
Aviation Manufacturing Corp.,  
Williamsport, Pennsylvania.

Mr. A. E. Shelton, President,  
Wenasco Manufacturing Co.,  
6917 McKinstry Avenue,  
Los Angeles, California.

Mr. E. M. Horner, Acting General Manager,  
Pratt & Whitney Aircraft,  
Division United Aircraft Corp.,  
East Hartford, Conn.

Mr. Duncan B. Cox, Vice President,  
Ranger Engineering Corp.,  
Farmingdale, Long Island, N. Y.

Mr. T. N. Lucas, Manager of Contract  
and Order Division,  
Wright Aeronautical Corp.,  
Paterson, New Jersey.

Mr. William O. Warner, President,  
Warner Aircraft Corp.,  
20263 Keover Avenue,  
Detroit, Michigan.

Mr. Earl Herring, General Manager,  
Kinmer Motors, Inc.,  
635 W. Colorado Blvd.,  
Glendale, Calif.

(Dictated May 29, 1940)

While I was horseback riding on Sunday with General Marshall, I said to him, "I am going to give you a little tip. If there is anything that you need additional for the Army, for Heaven's sake get it in in the next 30 days." I said, "Don't you need more planes?" and he said well he would look up and study the picture, as a result of which he has evolved this program (marked #1) which I am going to give my entire support to. 5-29-40

But if it had not been for my horseback ride and my talk with the General, there would have been no program of this kind.

In connection with General Marshall's program, referred to above, which involves an additional \$500,000,000 (revised again to \$700,000,000) the President said he was sorry about this. He also said, "Why didn't they tell me about it in the first place?" 5-29/40

May 29, 1940

10:10 am

Present:

Mr. McReynolds  
Mrs. Klotz

Mr. McReynolds: That's the memorandum you wanted the President to sign.

Incidentally, I talked to a couple of General Motors vice presidents when they were here last night of what we could do with their organization and I asked them about Nelson and they said they considered him the best man in Sears-Roebuck. Everybody in the commercial game considered that he was better than General Wood.

HM, Jr: I talked to Leon Henderson and he said he's absolutely tops.

Mr. McReynolds: The whole story is there now. The double program is listed on there. It's combined. I put them in separately.

HM, Jr: I see. This is different.

Mr. McReynolds: Yes, that's the difference.

HM, Jr: Mac, my boys are all worried. They think Knudsen is going to have charge of planes. Where does that leave me?

Mr. McReynolds: Knudsen will not be down tomorrow.

HM, Jr: What I answered was we would decide what the Army and Navy would buy and then it's up to Knudsen to manufacture them.

Mr. McReynolds: It's up to him to see the machine works. He's the production man. He does not interfere with your jurisdiction at all. He's purely the production man.

HM, Jr: That's what I thought.

oOo-oOo

May 29, 1940

Wallace wanted to know whether I would go along with him on extending credit for agricultural products to the Allies and I told him that I could not; that I believed in upholding the Johnson Act, but if he wanted to go ahead and do it, leave me out of it and I would not put any barriers in his way.

Then he told me that he was using stamp plan money to give the Red Cross food to send across to France. He said that Milo Perkins was opposed to it. I said I admired his courage. I said, "How much?". He said, "\$Two or three million dollars." I said the thing to do was to go up to Congress and ask for \$250,000,000 to feed the starving people and I think you could get it. He said he did not think we could now, but he could in ten days.

oOo-oOo

## WAR DEPARTMENT

WASHINGTON

May 23, 1940.

**MEMORANDUM FOR THE PRESIDENT:**

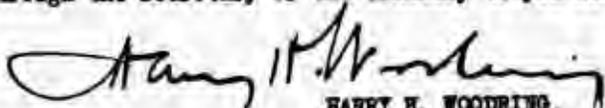
**Subject: Program of Requirements in Aircraft for Procurement under New Legislation.**

In compliance with your memorandum on the above subject, the program of requirements in aircraft by types to be procured as a result of the new legislation is listed below. It will be noted that the total number contemplated for specific and immediate procurement aggregates 1,900 aircraft, as compared to 2,400 proposed in the defense of this legislation. This action is believed advisable due to the variations in price factors. The options for additional procurement as indicated below will provide for the required flexibility, and it is believed that through the application of these options as prices permit 2,400 airplanes will be ultimately procured.

<u>Number</u>	<u>Type</u>	<u>Options to provide a maximum of</u>
500	Primary Training Airplanes	800
500	Basic Training Airplanes	800
600	Advanced Training Airplanes (Single Engine)	1,000
100	Advanced Training Airplanes (Two Engine)	None
200	Heavy Bombers	None
<u>1,900</u>		

Contracts have been prepared to cover the above requirements in order that procurement measures may be immediately initiated upon the availability of appropriations.

As directed in your letter, all contracts and developments will be cleared through the Secretary of the Treasury to you as Commander-in-Chief.

  
**HARRY H. WOODRING,**  
 Secretary of War

156

THE WHITE HOUSE  
WASHINGTON

May 27, 1940

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

FOR YOUR INFORMATION.

F. D. R.

THE WHITE HOUSE  
WASHINGTON

May 29, 1940.

MEMORANDUM FOR THE SECRETARY OF WAR:

I am in receipt of your memorandum of the 25th covering additional aircraft as follows:

<u>Number</u>	<u>Type</u>	<u>Options to provide a maximum of</u>
500	Primary Training Airplanes	800
500	Basic Training Airplanes	800
600	Advanced Training Airplanes (single engine)	1,000
100	Advanced Training Airplanes (two engine)	None
<u>200</u>	Heavy Bombers	None
1,900		

This apparently does not include the War Department's estimates for the fiscal year 1941 now awaiting action by Congress which includes the following:

Heavy bombardment	6
Medium bombardment	66
Amphibian - two engine	14
Pursuit interceptor	37
Transport - two engine	6
Advanced training	<u>37</u>

Total 166

Will you kindly advise me regarding this omission as I wish to include it with the program set forth in your memorandum.

It is also my desire, pursuant to my memorandum to you

- 2 -

of the 24th, that full opportunity be given the Secretary of the Treasury to participate in all negotiations looking to the initiation of contracts for aircraft.

URGENT

ALLIED REQUIREMENTS

Since filing our memorandum of May 20th we have received specific urgent cable requests for the following:

- a. 500,000 Enfield rifles with 500,000,000 rounds of ammunition.
- b. 25,000 Thompson .45 submachine guns with 100,000,000 rounds of ammunition.
- c. 20,000 revolvers with 5,000,000 rounds of ammunition.

These three items are earnestly required to meet parachute attacks expected in the early future.

- d. An urgent request has also been cabled for as many 75 mm guns as can possibly be spared with all ammunition available.

RECEIVED

May 29 1940  
RECEIVED  
OFFICE OF THE  
CHIEF OF STAFF

Reports to  
Mr. Welles  
Gen. Marshall  
Edm. Stark

5/30/40

May 29, 1940.

May 29, 1940

MEMORANDUM CONCERNING AMOUNTS OF T N T & NITROCELLULOSE  
MADE FOR THE U. S. GOVERNMENT, WHICH THE FRENCH GOVERNMENT  
WOULD LIKE TO OBTAIN IN EXCHANGE FOR DELIVERIES FROM  
PLANTS BEING ERRECTED FOR THE FRENCH GOVERNMENT ACCOUNT  
IN THE UNITED STATES

\*\*\*\*\*

1. T N T We would like to obtain, in June and July, about 2,000,000 lbs. of T N T.
  - a) DuPont is making American T N T for the U. S. Government, we would like to have the maximum amount from this released to us from duPont's production.
  - b) Atlas has 5,000,000 lbs. on order for the U. S. Army, we propose that this be released to the French Government to be later replaced by 5,000,000 lbs. to be reconditioned from old T N T

2. NITROCELLULOSE

The Hercules Powder Company are making for the U. S. Army approximately 250,000 lbs. per month of nitrocellulose which the French Government would like to have made available to them until the end of 1940; this would be replaced by deliveries to be made to the U. S. Army from the large nitrocellulose powder plant which is to be erected near Memphis, Tenn., and is to start producing Dec. 1, 1940.

copies to  
Mr. Wallace  
Gen. Marshall  
Adm. Stark  
5/30/40

Warburg

CESSION OF TNT TO THE FRENCH GOVERNMENT  
BY THE AMERICAN GOVERNMENT

\*\*\*\*\*

I. This memorandum completes that which was given May 29th to Mr. Young by Messrs. Barbière and Cholet in Mr. Ballantyne's presence.

The French Government would like to receive, in June and July, the maximum amount of TNT which the American Government could cede to it from the contracts which the United States Army <sup>or Navy</sup> has with various American manufacturers at this time.

The minimum quantity asked for is Two Million Pounds (1,000 short tons) for deliveries in June and July 1940.

The French Government will be in a position to replace the TNT which would be released to it by the American Government in June and July as follows:-

August	75	short tons
September	150	" "
October	225	" "
November	275	" "
December	275	" "

II. The French Government is asking from the American Government the release in 1940, from July to December, of the 125 tons monthly of nitrocellulose which Hercules Powder Company has to deliver to the Picatinny Arsenal as per contract with the United States Army.

This nitrocellulose would be returned to the American Government in 1941 as per the minimum following:-

January	200	short tons
February	250	" "
March	300	" "

*Handwritten notes:*  
Sufficient to  
You  
for  
del  
378/87

Mr Young has  
copy.

Memorandum concerning the cession by United States Army Ordnance Depots, Arsenals or plants of equipment for the manufacture of Nitrocellulose for smokeless powder

The Anglo-French Purchasing Board is closing with DuPont an agreement for the erection of a Nitrocellulose smokeless powder plant at Memphis Tenn. to produce 24,000 tons of smokeless powder per year.

The date at which this plant will start production depends upon deliveries of equipment; therefore if some equipment available in United States ordnance plants, depots or arsenals can be released with the understanding that it would be replaced from deliveries of new equipment now ordered from manufacturers, the date of commencement of production could be materially advanced. This would automatically also advance the replacement date of Nitrocellulose powder for which we have asked the release in the attached memorandum.

Copies to Mr Welles  
Gen Marshall  
Adm. Stork  
5/30/40.

Harbiny

May 29, 1940.



## BRITISH PURCHASING COMMISSION

### RIFLE AND MACHINE GUN N/C POWDER SUPPLIES

Owing to heavy demands on powder for small arms ammunition, there is an extremely urgent need of supplies of rifle type N/C powder to fill a gap in production available for the Allies during the months of August and September, 1940. The existence of this gap will mean that the Allies will be short of 600 tons of rifle powder of a type which may be defined approximately as one-half large bore machine gun powder (.50 caliber type) and one-half small bore rifle powder, such as is used in the British .303" cartridge. This .303" British powder is very similar to the standard American powder for similar calibers.

The only possibility of filling the gap seems to be to obtain a release of capacity from the du Pont and Hercules companies now allocated to the U. S. Government. It is understood that such a capacity might amount to 225,000 lbs. per month from du Pont and 100,000 to 150,000 lbs. per month from Hercules. If this could be made available to the Allies during the months of June, July and August, there would thus be added to the Allied resources over 1 million lbs. of powder, which would very nearly meet the shortage.

The new plant of the Hercules Company at Kenvil is expected to come into production at the end of August, and it is contemplated that this capacity may be still further enlarged so that it would be possible to repay to the U. S. Government any powder released to the Allies under the present request. This repayment could begin, it is expected, in the early months of 1941.

*Handwritten notes:*  
 The...  
 2/23/41

MEMORANDUM

Naval Priorities

In cable of May 17th of which a copy has already been handed you, a request was made that United States assistance be given in securing 48 destroyers, of which

16 might have good anti-aircraft armament, and

32 would preferably be of the flush deck type.

All to be complete with torpedoes; spare torpedoes; reserve equipment, and large quantities of ammunition especially anti-aircraft ammunition.

A further cable has just been received urgently requesting motor torpedo boats. It is understood 23 are being built to power boat design, deliveries starting in July and being completed by end December 1940. It is asked that as many as possible of these boats, fully equipped, be turned over to the British Admiralty.

*Copies to Mr. Welles  
Gen. Marshall  
Adm. Stark  
5/30/40*

New York,  
May 28, 1940.

*Review given House 5/29/40*

May 28th ,1940

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MEMORANDUM

I.

1) The recent trend of the war in Europe has made it necessary for the Allies to launch immediately a large programme for the supply of armament from the United States. It is proposed that this programme should be a joint Anglo-French programme to be developed on the same lines as the current Aircraft programme.

2) The extent of the programme visualized is such that it will certainly involve a large extension of the existing manufacturing capacity for the production of armament in the States. Having regard to the importance of eliminating all delays, the Allied Governments recognise that a considerable capital contribution may be necessary if their requirements are to be met.

3) The importance of the time factor, as mentioned above, is such that the Allied Governments would be glad if the U. S. Administration could be moved to give permission for the use of American designs in all cases in which supplies to these designs would be forthcoming at an earlier date than the production to Allied designs; on the evidence available to the Board, this seems to be the case for the ~~M-2~~ tanks, the 37 mm and 90 mm anti-aircraft guns and the ammunition for these guns.

4) Since the Allied Governments are prepared to proceed immediately with the letting of contracts, it is felt that the steps they take, will,

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by promoting the early development of armament production in the States, prove of considerable value to the U. S. Government in their rearmament programme. It is accordingly suggested that the U. S. Government might be prepared to regard the two programmes as complementary and to afford a considerable measure of priority to the Allies. Moreover, since it would be the intention at a later stage to manufacture to Allied designs, the U. S. Government would benefit both by the knowledge of those designs and by the experience of contractors.

5) The Board feels that in the circumstances, the U. S. Administration will have no objection to their immediate approach to contractors and will be prepared to release to selected contractors the designs referred to in paragraph 3) above.

II. The full scope of the programme is not yet finalised. But the following list is submitted in order that the U. S. Administration may have a general idea of the lines on which it is being drawn up:

- 1) American types for delivery starting within a few months:
  - a) Tanks <sup>medium size/</sup> ~~type 2-2~~: 1000 to 1500.
  - b) 37 mm anti-aircraft guns: 1000 at least.
  - c) 37 mm anti-tank guns: 500 to 1000.
  - d) 90 mm anti-aircraft guns: 300 to 500.
  - e) 3 inch anti-aircraft guns: 1000.

Items b,c,d and e are subject to satisfactory supply of ammunition from U. S. sources.

2) Allied types for deliveries starting as soon as possible but not later than April 1941.

- a) Heavy tanks: 1000 at least: one French and one British type are envisaged.
- b) 3.7 anti-aircraft guns (British design): 400, by extension of the capacity of Midvale Steel Co.
- c) Small arm filled ammunition: 800 million a year
- d) Aircraft Bombs of various sizes: 180.000 long tons per year.

JGP/hg

D. London, May 24, 1940

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R. New York, May 25, 1940

To Purvis

From Monnet

The two Prime Ministers have decided in principle that it is essential to try without delay to make arrangements such as have already been made in the case of aeroplanes to create in the U. S. a vastly increased production capacity for those types of munitions and armaments which are most essential. They have requested me to co-operate with the British and French Ministers of Armaments and the Anglo-French Executive Committee for Armaments in drawing up a joint programme for the armaments and munitions in question.

It seems clear that among the main items which will figure in this joint programme will be -

Anti-aircraft guns  
Anti-tank guns  
Bofors guns  
(together with ammunition in each case)  
S.A.A. and  
Tanks

European models of guns and tanks would be preferable but we realize that we may have to be content with American models. We cannot give any details regarding types, numbers, etc. until we have completed the study which is being pushed ahead here. Meanwhile as our decisions must primarily be determined by the possibilities of American industry it would be of great assistance to us if you could make this study if you could give us in broad outline your opinion on the following points:

- (i) do there exist in the U. S. at present factories producing any or all of the items named in the preceding paragraph and if so are they capable of expansion sufficient to ensure production in really large quantities?
- (ii) in cases where such factories do not exist is there any other branch of U.S. industry capable of prompt adaptation for our purpose?
- (iii) within what period after the placing of orders might we expect deliveries
  - (a) to start, and
  - (b) to reach really large proportions in respect of each item?

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Please investigate these points with your own experts (who on the French side are about to be supplemented by a mission due to arrive in New York in a few days) and let us have your views as soon as possible.

You are also authorized to discuss the matter in confidence with Mr. Morgenthau with a view to obtaining his and the President's guidance.

Our study here will be completed in the light of your reply and the resulting joint programme after approval by the two Governments will be communicated to you so that you can at once seek the assistance of the President and Mr. Morgenthau and consider with them how far it can be dove-tailed into likely programme on the lines of the discussion reported in your telegram No.126.

In addition to acting in accordance with Paragraphs 2 and 3 of this telegram please telegraph immediately

- (a) whether there is an American model of a heavy tank, and if so what are its characteristics, and
- (b) what are the characteristics of the latest American models of anti-aircraft and anti-tank guns.

MEMORANDUM

May 29, 1940.

TO: Secretary Morgenthau  
FROM: Mr. Sullivan

This morning in company with Messrs. Tarleau, Blough and O'Donnell, I went to the Ways and Means Committee meeting at 10:00 o'clock. We carried with us mimeographed copies of the new bill to increase the debt limit and provide for additional taxes. In the work on this bill yesterday afternoon and last night we had the cooperation of Mr. Beaman, House Legislative Counsel, Mr. O'Brien, Assistant House Legislative Counsel, and Mr. Stam of the Joint Tax Committee. Mr. Beaman was obliged to leave at 4:30 and we understood, according to my conversation with Senator Harrison, Congressman Doughton and Cooper yesterday afternoon at 5:30, that when we produced our bill they would ask Mr. Beaman to finish inspecting it and they might be able to introduce it before the close of the session today. At the conference yesterday afternoon they also requested that I be prepared to discuss the bill informally this morning.

As soon as the committee meeting was opened this morning the Republican members started raising questions about the absence of stenographers and the question as to whether or not this was a public or executive session. To stop such objections the Chairman asked us to withdraw to the adjoining room for the time being. We withdrew and for about an hour and three-quarters the committee expressed itself on a variety of problems. From what we could hear of the frequently heated discussion came the impression that the Republican members are anxious to keep Congress in session and hope to seize upon protracted public hearings on this bill as an excuse for continuing the session.

There was a fairly insistent demand from the Republican members that the draft of the bill be circulated and public hearings unrestricted as to length started next Monday. Eventually the committee agreed that they would enact new taxes providing for \$6 to \$7 hundred million additional revenue, and that they would consider the entire program; that public hearings start with the testimony of Secretary Morgenthau Friday morning, May 31st, at 10:00 o'clock; and that after the Secretary's testimony they would then go into executive session and determine whether the hearings should be limited. (Copies of the bill were not distributed).

When the meeting was concluded, Mr. Tarleau and his assistants joined Messrs. Beaman and O'Brien to help them in their review of our draft. It is understood that their completed work will be introduced in the House tomorrow by Congressman Doughton.

I immediately went to the office of Senator Harrison. He had called a meeting of his committee also for 10:00 o'clock this morning and had asked that we send someone to attend it. Mr. Elough attended and my information on the meeting of the Senate Committee comes largely from Elough, who reports that there was a great difference of opinion in that committee as to whether there should be a tax bill, whether the debt limit should be increased, and the type of tax bill that should be enacted if the committee decided on additional legislation at this session. I saw Senator Harrison, who said he would like to have you there tomorrow morning at an executive session to give them some of the background on the necessity of raising the debt limit. I explained to him that you would not be available tomorrow and that the following morning you were to testify before the Ways and Means Committee. He then asked me to arrange to have Mr. Bell there and I have done so.

Mr. Bell discussed with Dr. Viner this noon your statement before the Ways and Means Committee Friday and that statement is now being drafted. Dr. Viner has to leave for Chicago this afternoon and I have arranged to read it to him over the telephone tomorrow, if you deem this advisable.

JLS

May 29, 1940

9:00 a.m.

Present:

Mr. Purvis  
Mr. Bloch-Laine  
Mr. Ballantyne  
Dr. White (For beginning of the meeting)  
Mr. Young  
Mr. Matthews  
Mrs. Klotz  
Dr. Mead (For latter part of meeting)

HM, Jr: Have you met Mr. Matthews? He's Secretary of the Embassy in Paris. He's sailing back tomorrow. I thought if he could get the feel of the thing to tell Ambassador Bullitt.

Mr. Purvis: I'm sorry he's going back so soon.

HM, Jr: I am under terrific pressure, gentlemen, and I'm going to stop at ten minutes to ten, so if you will watch the clock and, as I say, after that if you want to talk to Mr. Matthews he's available.

Mr. Purvis: Good. Very good.

HM, Jr: I thought we could do the strategic thing first and I could excuse Dr. White.

Mr. Purvis: Yes.

HM, Jr: Shall I tell you what our situation is first because I think it answers everything we have. Go ahead, Harry.

Dr. White: We have adequate funds already allocated to acquire half the Chinese production for the next couple of years so that if that is decided upon the funds are there and if we do acquire that amount we will have an adequate source for an emergency need.

Mr. Purvis: Quite.

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Dr. White: Then we also consider that we produce increasing amounts of tungsten.

Mr. Purvis: True.

Dr. White: And there might even be a -- with the reserve stock and with what more we can produce here.

Mr. Purvis: Does that mean you cannot continue buying from South America?

Dr. White: No longer necessary to buy from South America. We have been buying from China, a very little from South America, but mostly from China.

Mr. Purvis: I see.

HM, Jr: The point is you wanted to know how we could buy up the 10,000 tons surplus and we are prepared to buy the whole business if necessary.

Dr. White: In one year and nothing in the second.

Mr. Purvis: One year is a lifetime at the moment. That is a fairly satisfactory answer. Might I tell them on the other side that is your position?

Dr. White: That we are ready to buy half their production, half their total of all that they have left that is not allocated.

HM, Jr: And then report this back to whoever has charge of this so they won't sell me down the river.

Mr. Purvis: Shall I invite their suggestions?

HM, Jr: Yes.

Mr. Purvis: And then let them tell you what they are.

HM, Jr: But, Harry, tie up that money and let them know that we have said we are ready to buy the 10,000 tons from China as our part of the show.

Dr. White: O. K.

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HM, Jr: They only asked us to buy half of it.

Mr. Purvis: Then the other question was on the possibility of getting some embargo that would control these re-exports.

Dr. White: The thing that would strike most quickly at that, skipping the powers that we already have, is a bill which has been introduced already before the House, and passed before the House yesterday and is now introduced in the Senate. It will take care of most commodities but not all and therefore we got in touch with the State Department last night to see whether they could not make some slight changes in the bill which is now before the Senate which would give all the power necessary to take care of the re-export of any strategic materials. I think they will be acceptable and they will accept such changes and we will know a little later in the day.

Mr. Purvis: That's very satisfactory.

HM, Jr: Excellent.

Harry, I told Leon if he wanted to work with you it was entirely satisfactory.

Thanks, Harry, it was a very nice job.

Mr. Purvis: Very nice.

(Dr. White left the meeting.)

Mr. Purvis: The next is as to whether you have any more news together in regard to General Marshall.....

HM, Jr: General Marshall is testifying this morning and he's coming down immediately after coming off the Hill to see me and I will ask him. He is expected to come here about ten minutes past eleven. It's about guns, etc. for the Allies and if I have an answer -- but there has been all the pressure possible and all the sympathy but we have to find a way frankly to get around the law.

Mr. Purvis: Yes. What is really the essence of the difficulty.

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HM, Jr: It's against the law and he has to find a way and in order to slow myself down I am going to tell you a story about General Marshall when he was in charge of the American soldiers at Tientsin. To show you, he wanted to get instructors to teach his soldiers Chinese and he had no money, and although it took a minimum of money they had no money. So the most valuable thing he had in the compound to sell was manure from the stables. So he advertised it for sale, but said you have to supply services, contractors, to get this manure and "services" were teachers to teach soldiers Chinese, and on that basis he got the teachers.

Mr. Purvis: You are very reassuring.

HM, Jr: Now, I told him if he could get instructors for the soldiers, he could find some way around. I said, "Use the manure deal." He's that kind of fellow.

Mr. Purvis: It's in the best hands then. If a way can be found to do it, there is some hope of doing it?

HM, Jr: If there is an illegal way we will do it. It's absolutely against our Neutrality Act to sell these guns to belligerents and he's been fussing with it ever since last Saturday. It's a question of can we do it illegally. We can't get it through Congress.

Mr. Purvis: Yes. Yes.

We have had, in the last few weeks, many intermediaries offering to sell us things out of the stock. We have steadfastly come to you.

HM, Jr: It's in the hands of the Chief of Staff.

Mr. Purvis: It can't be gotten out of any of these backstairs way.

HM, Jr: It would be a grave error when it's in the hands of the General Staff. It's in the hands of Sumner Welles, Chief of Staff, and myself. Either we can or cannot and the disposition is to do it.

Mr. Purvis: I hate to trouble you again. I have two men around us on priority. Shall I hand them to Mr. Young?

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Hm, Jr: I think it would be better. Is it airplanes?

Mr. Purvis: One is motor torpedo boats which may be asking for priority on motor torpedo boats which will be delivered from July to December this year, an order which you have. The other is -- I really almost hesitate to say this -- there is June, July, August in which nitro-cellulose powder, we are again up against it and again there is a request. We have a new factory coming into production at the end of August. We would like to borrow for those three months and repay immediately after.

HM, Jr: The destroyer thing is out.

Mr. Purvis: Out? Is it? I thought so, but the second thing looked like it might be possible.

HM, Jr: The destroyer thing is out because somebody went to the President on that. //

Mr. Purvis: But on the last thing we thought there might be a possibility. It's priority. If it would be desirable I will change that memorandum including only the last one.

HM, Jr: (To Lieut. McKay.) This is extra confidential. I want three photostats. I want to take one over to the White House at eleven-thirty.

Mr. Purvis: The other thing I wanted to mention to you was to find out where, what, so I could tell the Minister of Supplies in Canada how he stood on that.

HM, Jr: Engines?

Mr. Purvis: But we will leave that to a little later.

HM, Jr: Leave that because I want to have Dr. Mead come in.

Mr. Purvis: Then there was a cable came in on Saturday indicating an entire change in the purchasing methods in regard to supplies and I thought I would like to leave, on the confidential record, a copy of it as it means program buying with authority to buy.

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HM, Jr: May I take a minute to read this?

Mr. Purvis: Yes, please do.

HM, Jr: Incidentally, don't bring down Baron de la Grange, please. Nobody.

Mr. Bloch-Laine: I can tell you I will not be responsible for his coming.

HM, Jr: He's coming <sup>he's</sup> and/persona non grata, and we will not receive him.

Mr. Bloch-Laine: Would you like me to say so?

HM, Jr: Please. Please say he's persona non grata at the White House and the Treasury and you will save a lot of time and trouble if he is not brought down. Neither the President nor I will receive him. Doesn't hurt your feelings, does it?

Mr. Bloch-Laine: No, it would take a lot to hurt my feelings just now.

HM, Jr: I am very glad to see this, because if you people in this program will go and take American tanks and American guns, et cetera, et cetera, we can work out ways. Now you take the business over at the Curtiss plant in Buffalo, that left-hand drive and right-hand. I mean, everything is different and it slows them up and if from now on you people will take the United States Army models....

Mr. Purvis: Yes.

HM, Jr: .....the chances of working you in on production side by side are one hundred percent better.

Mr. Purvis: May I ask one question? If then may I take it that where we place substantial orders the release will be there on the American models?

HM, Jr: I can't guarantee it, but I am quite sure. For instance, if you will say we want -- whatever your tank is -- can we have it? I think the chances are eight out of ten the answer will be yes, but if you say, "Well, we want to do....."

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Mr. Purvis: Such and such a tank.

HM, Jr.: .....a different tank and upset out whole program. Now, in the first place it takes other kind of tools and everything else. We will be delighted to have those officers and technical people come over and say, "Wait a minute. We have just learned through this fight we are going through that you are weak here or there," and then sit down and argue with our people, but let's turn out, if it's a 30-ton tractor, one 30-ton tractor. Now, it's not one for you or one for us. That's what I wanted to get to you on that.

Mr. Purvis: It's common sense.

HM, Jr.: And we want some of your technical advice to bring us up to date.

Mr. Purvis: I think that's a very sensible way to try to work it.

Is the appointment of this Committee something that will affect us?

HM, Jr.: No, the President has said three times you will still work with us and I will, of course, get Mr. Stettinius and Mr. Knudsen to help me, but you still, unless the President changed as of last night, he still has asked me to continue.

Mr. Purvis: I was just wondering whether they were under your wing and you would push us along to talk to them so as to try to work in.....

HM, Jr.: You are perfectly free to talk with them, but the first member has already called up to see if he can come to see me to get my help. I think it will be the other way around, but you are free.....

Mr. Purvis: .....just to talk to them, but keep the channels straight as before.

HM, Jr.: I think you will find you will get further in the long run, but as far as the President is concerned he wants me to handle foreign orders and machine tools that way, as of last night. After all, I helped to make

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up this Committee in three sessions we had with him and four out of the seven were my suggestions.

Mr. Purvis: Yes. Quite.

HM, Jr: I will let you know when you should go somewhere else, because I am too much interested in your success to let my personality interfere.

Mr. Purvis: We should be very regretful if that should happen.

HM, Jr: The thing is too critical.

Mr. Purvis: Thanks. It is very critical.

Another cable which came in, indirectly, which I was shown, would indicate that that central cable which I handed you a copy of has the very broadest and best kind of background in its fulfillment from the British end, which has relieved me, I think things are looking much more satisfactory and we should be able to get our setup in better condition. Buying will be program buying, similar to airplanes, and we did get airplane orders, placed as fast as the manufacturer could take them, as soon as the engine was out of the way.

Mr. Bloch-Laine: If you want to get quick action on those things, now that we have the blessing of Mr. Morgenthau, don't you think we ought to see the manufacturers just as soon as we can?

Mr. Purvis: Oh, yes! I take it we can have full parleys with the manufacturers to find out their full capacity.

HM, Jr: Oh, Yes! Go ahead! Definitely!

Mr. Bloch-Laine: They might say they cannot discuss anything, but are agreeable to our discussing models, or their old models, but I suppose that way it could be given to them quickly.

Mr. Purvis: You see, we have more technical people on this side already. The Frency mission arrived Monday who could probably talk with great advantage.

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Mr. Bloch-Laine: Including a man who was at the head of

HM, Jr: But here is the thing. We are all, everybody, has got more to do than he can attend to. You have to say to me, "Mr. Morgenthau, this is what we want to buy. We want to buy so many of this kind of tanks, so many different models, so many trucks, and we want to buy American models." When you give me your list I will be able to say to the Army and Navy, "I want a release on that."

Mr. Bloch-Laine: But, you see, the difficulty is to us that none of us, including our experts, really know what the American model is.

HM, Jr: We have to know first what you want.

Mr. Purvis: We have been asked to put them in the very largest terms. The experts have put down a preliminary program of what that means.

HM, Jr: Just as soon as you have a list as to quantity.....

Mr. Purvis: I can file a preliminary memorandum of what we are prepared to purchase in the next three months. I will give it to Mr. Young. Quite a different program from anything we have contemplated. As a matter of fact, if you are going to see the President, you might want it before. I think it's important enough for that.

HM, Jr: Shall we do engines now?

Mr. Purvis: Yes.

HM, Jr: I want you to meet Dr. Mead.

(HM, Jr phones for Dr. Mead to come into the meeting)

Mr. Purvis: Have we anybody on the airplane staff that you (Bloch-Laine) want to bring in?

Mr. Bloch-Laine: Jacquin is here and he has two men with him. Mr. Detroyat is ace flyer. I think he got fined for flying under the Niagara Bridge. He has been

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busy for the last six months and he might be able to tell you airplane things.

HM, Jr: I have the Airplane Board under Mead. Let Jacquin meet him and I'll explain to you in a minute what we are trying to do on airplanes. They should meet Mead. He's the person they should meet.

Mr. Bloch-Laine: Jacquin is around. He was here this morning.

Mr. Purvis: If there is any further guidance on the table -- I think we have your general picture up to this minute, but if other points occur to you.....

HM, Jr: It would make all the difference in the world if you people would take United States Army models. We invite technical assistance and criticism.

Mr. Purvis: Yes. It seems the obvious thing.

Mr. Bloch-Laine: When you talk about a program, we can make one. We can't expect one from the other side. They are very busy and they don't know exactly what America can give them. I think the program -- we can make it go in view of the possibilities of this country.

HM, Jr: But put it on a piece of paper so I can see it.

Mr. Purvis: I will give you a preliminary memo on it before I leave.

(At this point Dr. Mead came in.)

HM, Jr: George, just sit down a minute. This is what we are trying to do. On engines I am, with Mr. Mead's assistance, for the moment we have, after all, this program of the President's -- the 50,000 planes -- and we are trying to work out the details. We are trying to have our own Army and Navy be patient with us for a few days.

Mr. Purvis: Yes.

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HM, Jr: I mentioned yesterday to Mr. Mead and the Army and Navy officials this order of 2,000 engines for Canada and we looked up -- you check my memory -- on Jacobs and I think the last month we produced four engines in the first three weeks of May. How they are going to produce 2,000 engines I don't know, and if it is going to mean complete retooling of their plant there is a limited number of tools to go around. What I would like to do -- we get it this way -- General Motors comes in and say they have a request for a \$50,000,000 plant from you to go ahead on the Bristol engine. I said, "Wait." In the meantime you say, "No." Mr. Mead has been heckled by the President of Studebaker who says he has an order to go ahead with 1500 Gnome and Rhone engines.

Mr. Bloch-Laine: That's right. I told you about it the last time.

HM, Jr: If you did, it went in one ear and out the other. And then, following this thing which we have just been talking about, the most important thing is the big engines and both Wright and Pratt Whitney are going to be in here tomorrow, one in the morning and one in the afternoon, devoting the whole day to it, and we are thinking in terms of roughly getting them to duplicate their capacity on the big engines, biggest engines which they each have which is proven. We don't want to go beyond the proven stage.

Dr. Mead: It's the 2500 Pratt Whitney and the 2000 Wright.

HM, Jr: With these people we don't know quite yet what technic we will use, whether the Government will build the plant, whether they will build the plant, or get an automobile manufacturer, but the present plan is to get somewhere west of the Alleghanies to duplicate Pratt Whitney and Curtiss Wright. When we do that each of the new plants will turn out only one model, one engine, and we won't put that model into production unless we are 100 per cent sure of it, but we are going to duplicate each of those and then as we go along and I would like to say to you gentlemen, "All right, now we're going to do this. How much of this do you want?"

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Mr. Purvis: That would be splendid.

HM, Jr: How much do you want? And everything you do on engines now if you would direct somebody from the Allied Purchasing Mission directly to work with Dr. George Mead so we can coordinate this thing because we can't let you, frankly, place an order for 2000 Jacobs right now. In the first place you wouldn't get them and on what basis? They turn out two engines in three weeks.

Mr. Purvis: Deliveries were relatively small this year. I think they will go 200 or 250 this year.

HM, Jr: If you will place yourselves in his hands; he has the whole picture and I'm definitely sure that you will get better results than by shopping yourself. Now, so much for these air-cooled engines.

Now, Mr. Ford is coming in here Friday. And for the moment everything is stopped out at Allison pending a test. You might just as well know it, but we feel General Motors ought to be able to correct the thing, but we are running additional tests on that engine, both at Dayton and their own shop, under direction of Dr. Mead. And the Rolls-Royce engine so far has showed up pretty well.

Dr. Mead: We are not running the Rolls. This is the Allison.

HM, Jr: But the Rolls you feel is pretty good.

Dr. Mead: Well, I certainly do, knowing Mr. Haas very well for a long time.

HM, Jr: So again the question comes up, would the Allies care to join us in production of their Model 10 or Model 20 Rolls Royce engine so that we can be concentrating our efforts.

Mr. Purvis: Yes.

HM, Jr: And you go along with us and instead of having these things scattered -- and as I say we have limited tools, limited mechanics, limited brains, and we want to focus this thing into a channel so --

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you may say we don't want any of that Curtiss engine and give you military reasons why not, and your Military Mission should see Dr. Mead and tell him what they know. They have military men here.

Mr. Bloch-Laine: Jacquin is here and two other men.

HM, Jr.: So very quickly we can say, "All right, gentlemen, we are going to go ahead with two more plants for the big engines. We will or will not go ahead with the Rolls-Royce engine."

Mr. Purvis: Quite.

HM, Jr.: We were not interested in the Bristol.

Dr. Mead: That's right, simply because we have comparable engines here.

Mr. Purvis: I see.

Dr. Mead: It's a good engine, but with Wright and Pratt Whitney it seems to be no need to do that.

Mr. Purvis: Quite. Quite. You are just duplicating.

Dr. Mead: Just trying to speed our own production. I know Feddon also. I think he's a good fellow.

HM, Jr.: So on small engines we are thinking along the same lines, but we hope to get our own Army and Navy to say that in certain classes of horsepower we are going to concentrate on production in those classes and what we will try to do is put your production in line with ours if you will go along. I said if they will go along with our American types, giving us the benefit of their military information, so we can bring ourselves up to date, I think we can work out a program.

Mr. Purvis: Then the problem -- I was thinking now of Canada's position. They have this Empire training program for pilots which is another bottleneck and they are up against the fact that England has suddenly had to withdraw her trainers from deliveries. The question now is, on trainers, whether anything can be done along the lines they said. Can I discuss it with Dr. Mead?

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HM, Jr: He's down in room 296 and if you will go down and discuss it with him.....

Mr. Purvis: Several things, Dr. Mead.

HM, Jr: If you talk airplanes and airplane engines with him.....

Mr. Purvis: Good. Yes.

HM, Jr: And tell him what the French have in mind on your engine, you see? Is there one of these French engines over here?

Mr. Bloch-Laine: I don't know. I suppose so. Studebaker has asked for the license because they want to make airplane engines and probably can't get Pratt Whitney or Wright to do it. So they know that the engine works and they are ready to make it. I think it is the way those things happen. It's people who want to make airplane engines that haven't got the rights.

Mr. Purvis: Or the technical background.

Mr. Bloch-Laine: So they get it from the people who make it.

Mr. Purvis: We will put into Dr. Mead 's hands all the records we have and we'll keep him advised of changes as they transpire.

HM, Jr: On engines and planes.

Mr. Bloch\*Laine: After all, when we tried to bring up that big program there was a question that perhaps General Motors could make Pratt Whitney and Wright and it came to nowhere, because I don't think Pratt Whitney or Wright were willing to hand it down so they made another one.

HM, Jr: We have this thing under control. I think we are approaching it on a commonsense basis, and in the not too distant future we are going to move, and when we move it will be helpful to you and to us to know how much of this do you want, gentlemen.

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Mr. Purvis: You will get much further that way and I think we can give you all our various angles from the various countries.

HM, Jr: Now.....

Mr. Purvis: Then after you have seen General Marshall we might possibly have other word as to whether there is anything? And I see now only one other thing. I will get you the memorandum giving preliminary ideas on the program and the kind of orders we are prepared to place in the next three months.

HM, Jr: Mr. Matthews can sit with you wherever you go while you're in the Treasury and anything you want to get back to Ambassador Bullitt, here's your chance.

Mr. Purvis: Thank you. I feel I've missed one thing on craft pulp and embargo. Could I have a word with Dr. White? Is there an embargo put on aircraft spruce? Can I just tell him what the problem is?

HM, Jr: Let Philip Young go along with you.

Mr. Purvis: They wired in yesterday from Vancouver and they are worried whether there will be some embargo.

HM, Jr: I think it would be better to have you do it with Young. I don't think White is the fellow. I think it's the Department of Interior. I think it's Mr. Iokes.

Mr. Purvis: I see. Thank you.

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Photostat  
to me young

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5/29/40  
orig of this is filed  
5/30 -

**BRITISH PURCHASING COMMISSION**RIFLE AND MACHINE GUN N/C POWDER SUPPLIES

Owing to heavy demands on powder for small arms ammunition, there is an extremely urgent need of supplies of rifle type N/C powder to fill a gap in production available for the Allies during the months of August and September, 1940. The existence of this gap will mean that the Allies will be short of 600 tons of rifle powder of a type which may be defined approximately as one-half large bore machine gun powder (.50 caliber type) and one-half small bore rifle powder, such as is used in the British .303" cartridge. This .303" British powder is very similar to the standard American powder for similar calibers.

The only possibility of filling the gap seems to be to obtain a release of capacity from the du Pont and Hercules companies now allocated to the U. S. Government. It is understood that such a capacity might amount to 225,000 lbs. per month from du Pont and 100,000 to 150,000 lbs. per month from Hercules. If this could be made available to the Allies during the months of June, July and August, there would thus be added to the Allied resources over 1 million lbs. of powder, which would very nearly meet the shortage.

The new plant of the Hercules Company at Kenvil is expected to come into production at the end of August, and it is contemplated that this capacity may be still further enlarged so that it would be possible to repay to the U. S. Government any powder released to the Allies under the present request. This repayment could begin, it is expected, in the early months of 1941.

MEMORANDUM

Naval Priorities

In cable of May 17th of which a copy has already been handed you, a request was made that United States assistance be given in securing 48 destroyers, of which

16 might have good anti-aircraft armament, and

32 would preferably be of the flush deck type.

All to be complete with torpedoes; spare torpedoes; reserve equipment, and large quantities of ammunition especially anti-aircraft ammunition.

A further cable has just been received urgently requesting motor torpedo boats. It is understood 23 are being built to power boat design, deliveries starting in July and being completed by end December 1940. It is asked that as many as possible of these boats, fully equipped, be turned over to the British Admiralty.

New York,

May 28, 1940.

May 28th ,1940

MEMORANDUM

1) The recent trend of the war in Europe has made it necessary for the Allies to launch immediately a large programme for the supply of armament from the United States. It is proposed that this programme should be a joint Anglo-French programme to be developed on the same lines as the current Aircraft programme.

2) The extent of the programme visualized is such that it will certainly involve a large extension of the existing manufacturing capacity for the production of armament in the States. Having regard to the importance of eliminating all delays, the Allied Governments recognise that a considerable capital contribution may be necessary if their requirements are to be met.

3) The importance of the time factor, as mentioned above, is such that the Allied Governments would be glad if the U. S. Administration could be moved to give permission for the use of American designs in all cases in which supplies to these designs would be forthcoming at an earlier date than the production to Allied designs; on the evidence available to the Board, this seems to be the case for the M-3 tanks, the 37 mm and 90 mm anti-aircraft guns and the ammunition for these guns.

4) Since the Allied Governments are prepared to proceed immediately with the letting of contracts, it is felt that the steps they take, will,

.....

or promoting the early development of armament production in the States, prove of considerable value to the U. S. Government in their rearmament programmes. It is accordingly suggested that the U. S. Government might be prepared to regard the two programmes as complementary and to afford a considerable measure of priority to the Allies. Moreover, since it would be the intention at a later stage to manufacture to Allied designs, the U. S. Government would benefit both by the knowledge of those designs and by the experience of contractors.

5) The Board feels that in the circumstances, the U. S. Administration will have no objection to their immediate approach to contractors and will be prepared to release to selected contractors the designs referred to in paragraph 3) above.

II. The full scope of the programme is not yet finalised. But the following list is submitted in order that the U. S. Administration may have a general idea of the lines on which it is being drawn up:

1) American types for delivery starting within a few months:

- a) Tanks <sup>medium size</sup> ~~1000~~ 1000 to 1500.
- b) 37 mm anti-aircraft guns: 1000 at least.
- c) 37 mm anti-tank guns: 500 to 1000.
- d) 90 mm anti-aircraft guns: 300 to 500.
- e) 3 inch anti-aircraft guns: 1000.

Items b,c,d and e are subject to satisfactory supply of ammunition from U. S. sources.

2) Allied types for deliveries starting as soon as possible but not later than April 1941.

- a) Heavy tanks: 1000 at least: one French and one British type are envisaged.
- b) 3.7 anti-aircraft guns (British design): 400, by extension of the capacity of Midvale Steel Co.
- c) Small arm filled ammunition: 800 million a year
- d) Aircraft Bombs of various sizes: 180.000 long tons per year.

PROPOSED ARMY AND NAVY LOAD

<u>Manufacturer</u>	<u>Service</u>	<u>Type</u>	<u>Model</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>Total</u>
Beech Aircraft Corp. Wichita, Kansas	Navy	Transport, 2-Eng.	JRB	1				1
	Navy	Transport, 1-Eng.	BG	3	7	12	20	42
	Army	Transport, 2-Eng.	C-45		137	137	136	410
	<b>Total</b>			4	144	149	156	453
Bell Aircraft Corp. Buffalo, New York	Army	Pursuit, Interceptor, 1-Eng.	P-39		400	400	400	1200
Boeing Aircraft Co. Seattle, Wash.	Army	Bomber, Heavy, 4-Eng.	B-17	(150)	201	201	201	603
Brewster Aero. Corp. Brooklyn, N.Y. Newark, N.J. }	Navy	Scout Bomber, 1-Eng.	XSB2A	115	476	729	400	1720
Consolidated Aircraft Corp. San Diego, California	Navy	Patrol Bomber 2-Engine	VPB	89	205	404	250	948
	Army	Bomber, Heavy 4-Engine	B-24	*(50)	50	50	50	150
* On current contract - not included in totals.								
Curtiss Airplane Division Buffalo, New York	Navy	Scout Observation, 1-Eng.	XB3C	360	300	434	250	1344
	Army	Pursuit Interceptor, 1-Eng.	P-40		1088	1088	1087	3263
	Army	Observation G.D. 1-Engine	O-52		188	188	188	564
	<b>Total</b>			360	1576	1710	1525	5171

(Continued)

Manufacturer	Service	Type	Model	1941	1942	1943	1944	Total
Curtiss (St. Louis)	Army	Transport, 2-Eng.	OW-20	--	200	200	200	600
	Army	Trainer, Advanced 1-Engine	OW-22	50	100	124	100	374
			Total	50	300	324	300	974
Dougllass Aircraft Corp. Santa Monica, Calif.) El Segundo, Calif. }	Navy	Scout Bomber 1-Engine	SBD-2	174	--	--	--	174
	Navy	Transport, 2-Eng.	RD-3(DC-5)	6	5	6	13	30
	Army	Bomber, Light 2-Engine	A-20		669	669	669	2007
	Army	Transport, 2-Eng.	C-39		400	400	400	1200
			Total	180	1074	1075	1082	3411
Grumman Aircraft Corp. Beth Page, L.I., N.Y.	Navy	Fighter, 1-Engine	F4F3	162	271	470	500	1403
	Navy	Fighter, 2-Engine	F5F	54	271	470	500	1295
	Navy	Transport, 2-Engine	JRF	10	18	37	30	95
	Navy	Transport, 1-Eng.	J2F4	--	95	96	70	261
	Army	Pursuit, 2-Eng.	P-50		90	90	90	270
			Total	326	745	1183	1190	3344
Lockheed Aero. Corp. Burbank, Calif.	Army	Pursuit, Fighter 2-Engine	P-38		300	300	300	900
Glenn L. Martin Co. Baltimore, Md.	Navy	Patrol Bomber	VPB	90	205	404	250	949
	Army	Bomber, Medium 2-Engine	B-26		630	630	630	1890
		Total	90	835	1034	880	2839	

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Manufacturer	Service	Type	Model	1941	1942	1943	1944	Total	
Naval Aircraft Factory Philadelphia, Pa.	Navy	Primary Trainer	N3N-3	500	173	315	1215	2203	
North American Aviation Inglewood, Calif.	Navy	Trainer, Advanced 1-Eng.	BNJ-2	200	25	72	100	397	
	Army	Bomber, Medium 2-Eng.	B-25		1229	1229	1228	3686	
		Trainer, Advanced 1-Eng.							
				Total	300	300	300	900	
				Total	500	1554	1601	1328	4983
Republic Airplane Co. Farmingdale, L.I., N.Y.	Army	Pursuit, Intercep- tor, 1-Eng.	P-44		600	600	600	1800	
Ryan Aeronautical Corp. San Diego, Calif.	Navy	Trainer, Primary 1-Eng.		200	--	--	--	200	
	Army	Trainer, Primary 1-Eng.	PT-20						
					Total	253	253	252	--
				Total	453	253	252	--	958
Stearman Airplane Div. (Boeing) Wichita, Kansas	Navy	Trainer, Primary		500				500	
	Army	Trainer, Primary 1-Eng.	PT 18						
					Total	500	500	500	--
				Total	1000	500	500	--	2000
Spartan Aircraft Corp., Tulsa, Okla.	Navy	Trainer, Primary 1-Engine		200				200	
	Army	Trainer, Primary		100	100	100	--	300	
					Total	300	100	100	--

PROPOSED ARMY AND NAVY LOAD  
(Continued)

<u>Manufacturer</u>	<u>Service</u>	<u>Type</u>	<u>Model</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>Total</u>
Vought-Sikorsky Stratford, Conn.	Navy	Observation Scout 1-Eng.	VOS	276	300	434	250	1260
	Navy	Torpedo, 1-Eng.	XTBU-1	108	165	95	100	468
	Army	Reconnaissance Amphibian, 2-Eng.			38	38	37	113
				Total	384	503	567	387
Vultee Div. Aviation Mfg. Corp. Downey, Calif.	Army	Trainer, Basic, 1-Eng.	BT-13	300	500	500	200	1500

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PROPOSED ARMY LOAD  
(Miscellaneous)

<u>Manufacturer</u>	<u>Service</u>	<u>Type</u>	<u>Model</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>Total</u>
Aircraft Research Corp. Bendix, N.J.	Army	Trainer, Basic 1-Eng.	XBT-11	31	131	131	100	393
Barkley-Grow Detroit, Mich.	Army	Trainer, Advanced 2-Eng.	T&P-1	50	100	100	50	300
Bellanca New Castle, Del.	Army	Observation, Short Range, 1-Eng.	YO-50	--	--	--	--	--
Fairchild Hagenstown, Md.	Army	Trainer, Primary 1-Eng.	PT-19	300	300	300	--	900
Fleetwings, Inc. Bristol, Pa.	Army	Trainer, Basic 1-Eng.	XBT-12	100	300	300	200	900
St. Louis Aircraft St. Louis, Mo.	Army	Trainer, Primary 1-Eng.	PT-15	250	250	250	--	750
Stinson Nashville, Tenn.	Army	Trainer, Advanced 2-Engine		200	500	500	300	1500
Waco Troy, Ohio	Army	Trainer, Primary 1-Engine	PT-14	150	150	150	--	450

Sheet 5 of 5

ARMY AIRPLANE REQUIREMENTS

		1941	1942	1943	1944	TOTAL
Bombardment, Heavy,	4-Engine					
Boeing	B-17		201	201	201	603
Consolidated	B-24		50	50	50	150
						<u>753</u>
Bombardment, Medium	2-Engine					
Martin	B-26		630	630	630	1890
North American	B-25		1229	1229	1228	3686
						<u>5576</u>
Bombardment, Light	2-Engine					
Douglas	A-20		669	669	669	2007
Pursuit, Fighter	2-Engine					
Lockheed	P-38		300	300	300	900
Grumman	P-50		90	90	90	270
						<u>1170</u>
Pursuit, Interceptor	1-Engine					
Bell	P-39		400	400	400	1200
Curtiss	P-40		1088	1088	1087	3263
Republic	P-44		600	600	600	1800
						<u>6263</u>
Reconnaissance Amphibian	2-Engine					
Vought-Sikorsky JRF			38	38	37	113
Transport	2-Engine					
Douglas	C-39		400	400	400	1200
Curtiss (St. Louis)	OW-20		200	200	200	600
Beech	C-45		137	137	136	410
						<u>2210</u>
Observation O&D	1-Engine					
Curtiss (Buffalo)	O-52		188	188	188	564
Trainer Advanced	2-Engine					
Stinson			200	500	500	1500
Barkley-Grow,			50	100	100	300
						<u>1800</u>
Trainer-Advanced	1-Engine					
Curtiss (St. Louis)	OW-20		50	100	124	374
North American	AT-6		300	300	300	900
						<u>1274</u>

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	1941	1942	1943	1944	TOTAL
<b>Trainer-Basic 1-Engine</b>					
Vultee	300	500	500	200	1500
Fleetwing	100	300	300	200	900
Air Research	31	131	131	100	393
					<b>2793</b>
<b>Trainer-Primary 1-Engine</b>					
Fairchild	300	300	300	--	900
Ryan	253	253	252	--	758
Spartan	100	100	100	--	300
Stearman	500	500	500	--	1500
St. Louis	250	250	250	--	750
Waco	150	150	150	--	450
					<b>4658</b>

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<u>WRIGHT</u>			
<u>Airplane</u>	<u>Type</u>	<u>Number Engines</u>	<u>Engine Type</u>
Beeing	B-17	4	1800
North American	B-25	2	2600
Douglas	A-20	2	2600
Grumman	P-50	2	1820
Douglas	C-39	2	1820
Curtiss (St.L.)	OW-20	2	2600
Stinson	2 eng. trainer	2	975
Curtiss (St.L.)	OW-22	1	975

<u>P. &amp; W.</u>			
Consolidated	B-24	4	1830
Martin	B-26	2	2800
Republic	P-44	1	2800
Vought	JRF	2	1830
Beech	C-45	2	985
Curtiss	C-52	1	1340
Barkley-Graw	2 eng. trainer	2	985
North American	AT-6	1	1340
Vultee	BT-13	1	985
Fleetwing	XBT-12	1	985
Air Research	XBT-11	1	985

<u>ALLISON</u>			
Lockheed	P-38	2	1710
Bell	P-39	1	1710
Curtiss	P-40	1	1710

<u>CONTINENTAL</u>			
Spartan	trainer	1	670
Stearman	PT-17	1	670

<u>MEVASCO</u>			
Ryan	PT-20	1	L-365

<u>LYCOMING</u>			
Stearman	PT-13	1	680
St. Louis	PT-15	1	680

<u>RANGER</u>			
Fairchild	PT-19	1	L-440

<u>JACOBS</u>			
Stearman	PT-18	1	755
Waco	PT-14	1	755

**ARMY AIRPLANE ENGINE REQUIREMENTS**  
 (Allowance made for 50% spare engines)

	1941	1942	1943	1944	Total
Wright 2600		6,294	6,294	6,291	18,879
1820		2,676	2,676	2,676	8,028
975	675	1,650	1,686	1,050	5,061
P. & W. 2800		2,790	2,790	2,790	8,370
1830		414	414	411	1,239
1340	450	450	450	-	1,350
985	646	1,957	2,107	1,458	6,168
Allison 1710		3,132	3,132	3,132	9,396
Continental 670	900	900	900	-	2,700
Lycoming 680	375	375	375	-	1,125
Jacobs 755	225	225	225	-	675
Menasco L-365	379	379	378		1,136
Ranger L-440	450	450	450		1,350

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ASSIGNMENT OF TYPES  
(to Manufacturers)

Bomber, heavy, 4 engines	- Boeing, Consolidated
" medium, 2 engines	- Martin, North American
" light, 2 engines	- Douglas
Pursuit, fighter, 2 engines	- Lockheed, Grumman
Pursuit, interceptor, 1 engine	- Bell, Curtiss(Buffalo), Republic
Reconnaissance, Amphib., 2 engines	- Vought-Sikorsky
Transport, 2 engines	- Curtiss(St.Louis), Beech, Douglas
Observation, C&D, 1 engine	- Curtiss(Buffalo)
Observation, S.R., 1 engine	- Stinson, Bellanca
Trainer, advanced, 2 engines	- Stinson, Barkley-Grow
" " 1 engine	- Curtiss(St.Louis), North American
" basic, 1 engine	- Vultee, Fleetwings, Air Research Corp.
" primary, 1 engine	- Stearman, Fairchild, Ryan, Waco, Spartan, St. Louis

ASSIGNMENT OF MANUFACTURERS  
(to Types)

	Type	Model Designation		
		Commercial	Navy	Army
Aircraft Research Corp.	Trainer, basic, 1 engine			XBT-11
Barkley-Grow	Trainer, advanced, 2 engines	TSP-1		
Beech	Transport, 2 engines		GB-1	C-45
Bell	Pursuit, interceptor, 1 engine		JRB-1	P-39
Bellanca	Observation, S.R., 1 engine		FL	YB-50
Boeing	Bombardment, Heavy, 4 engines			B-17
Brewster	Pursuit, interceptor, 1 engine		F2A-2	
Burnelli	Subcontractor or licensee			
Cessna	" " "			
Consolidated	Patrol Boat		PB2Y	
	Bombardment, Heavy, 4 engines			B-24
Curtiss(Buffalo)	Scout observation		SB2C	
			BO3C	
	Pursuit, interceptor, 1 engine			P-40
Curtiss(St. Louis)	Transport	CW-20		
	Trainer, advanced, 1 engine	CW-22		
Douglas - Santa Monica	Transport			C-39
	Bombardment, Light, 2 engines			A-20
- El Segundo	Scout Bomber, 1 engine		SBD-2	
	Transport	DC-5	R3D-1	
Engineering Research Corp.	Observation, S.R., 1 engine	X		
Fairchild	Trainer, primary			PT-19
Fleetwings	Trainer, basic			XBT-12
Grumman	Torpedo, 1 engine		XTBF-1	
	Transport, amphib., 2 engines		JRF	
	" " 1 engine		J2F-1	
	Pursuit fighter, 1 engine		F4F-3	
	" " 2 engines		F5F	XP-50
Kellett	Subcontractor or licensee			
Lookheed	Pursuit, fighter, 2 engines			P-38
Martin	Patrol boats		PPM/PB2M	
	Bombardment, medium, 2 engines			B-26
	Subcontractor or licensee			
Mercury	Trainer, primary		N3N	
Naval Aircraft Factory				

	Type	Model Designation		
		Commercial	Navy	Army
North American	Trainer, Advanced, 1 engine		SNJ-2	BT-14
	Bombardment, Medium, 2 engines			B-25
Pitcairn	Subcontractor or licensee			P-44
Republic	Pursuit, interceptor, 1 engine			PT-20
Ryan	Trainer, primary, 1 engine		(Trainer)	
Spartan	Trainer, primary, 1 engine	X	(Trainer)	
St. Louis	Trainer, primary, 1 engine			PT-15
Stearman	Trainer, primary, 1 engine		(Trainer)	PT-13, 17, 18
Stinson	Trainer, advanced, 2 engines	X		
	Observation, S.R., 1 engine			O-49
Vega	Subcontractor or licensee			
Vultee	Trainer, advanced, 1 engine			BT-13
Vought Sikorsky	Reconnaissance, amphib., 2 engines		JRS-1	
	Torpedo, bomber, 1 engine		XTBU-1	
	Observation, scout, 1 engine		OS2U	
	Pursuit, fighter, 1 engine		XF4U	
Waco	Trainer, primary, 1 engine			PT-14

Arrow	-	Indeterminate.
Culver	-	"
Piper	-	"
Porterfield	-	"
Taylorcraft	-	"

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ARMY AIRPLANE REQUIREMENTS

This Estimate is Not Based Upon An Approved Program

	Airplanes Required as Basic Equip- ment by Tac- tical Org.	Airplanes Required for Train- ing and Adm. in Tac. Org.	Total Airplanes Required By Type	Airplanes to be on hand from previous procurements as of 6/30/44	Airplanes to be purchased on 50,000 Airplane Program
<u>Tactical</u>					
Bomb. H. 4-Engine	1122	0	1122	(169 & 200) 369	753
Bomb. M. 2-Engine	4432	1868	6300	724	5576
Bomb. L. 2-Engine	1700	720	2420	413	2007
Purs. F. 2-Engine	878	372	1250	81	1169
Purs. I. 1-Engine	5110	2140	7250	987	6263
Rec. Amph. 2-Engine	96	58	154	41	113
			474		
Trans. 2-Engine	1614	1150	2290	80	2210
Obs. O&D 1-Engine	874	366	1240	676	564
Obs. S.R. 1-Engine	--	--	--	--	--
<b>Total</b>	<b>15,826</b>	<b>6,674</b>	<b>22,500</b>	<b>3519</b>	<b>18,655</b>
<u>Training</u>					
Train. Adv. 2-Engine	1800	--	1800	--	1800
Train. Adv. 1-Engine	2200	--	2200	(326 and 600) 926	1274
Train. B. 1-Engine	4000	--	4000	(707 and 500) 1207	2793
Train. P. 1-Engine	6000	--	6000	(842 and 500) 1342	4658
	<u>14,000</u>		<u>14,000</u>	<u>3475</u>	<u>10,525</u>
			22,500	3519	18,655
<b>Army Program</b>			<u>36,500</u>	<u>6994</u>	<u>29,180</u>

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CHRYSLER CORPORATION

Detroit, Michigan

May 29, 1940.

THE KELLER  
PUBLISHING

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

My dear Mr. Secretary:

Acknowledging your letter of May 27th, may I first mention that in my letter to you of May 23rd I didn't tell you that I had seen Mr. Purvis in New York, but as he told me he was planning to see you in Washington the next day, I asked him to tell you of our conversation.

Since writing you last we have continued our study of the airplane engine situation; in fact, we already have on paper a good deal of preliminary design work on an engine such as we understood would meet the Wright Field engineers' desires.

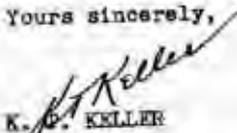
May I comment further on the Continental engine situation? If I am correctly informed, the Continental people are currently engaged in developing and designing such an engine and hope to have a sample engine ready to submit for test in about seven months. We are not attempting to intrude in any way upon their activity in this direction.

The situation as we see it is this: the Wright Field engineers have a wealth of experience, background and data on airplane engine fundamentals which we are at present lacking; we have facilities for designing, drafting, experimental building and testing which we believe, sympathetically integrated with their experience, could rapidly design the kind of engine desired. Furthermore, we have a background of manufacturing experience which we believe could rapidly translate any design arrived at into actual production.

I realize the pressure you must be under these days, and I marvel at your finding the time and energy to deal with all these questions. If you feel it would be wise to pursue the discussion of this matter further with the War Department or any of the other departments of the Government to which you refer, we would appreciate your suggestion. Meanwhile, we are carrying on the preliminary exploration work in which we are now engaged without raising the question of commitments on the part of the Government, which, after all, can be dealt with when our problems become a little more clearly defined.

May I again assure you of the willingness of this Corporation to take a part in the defense program that will be at once a credit to ourselves and a real service to the Government?

Yours sincerely,

  
K. C. KELLER

NRK:LS

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NOTE:

- This was prepared for the President but he did not accept it. He used instead the ltr dated 6/4 addressed to the Secy of War.

*Not in  
primary index  
6/4.  
DD 2/27/40*

THE WHITE HOUSE  
WASHINGTON

May 29, 1940

My dear Mr. Secretary:

I have created an informal committee to represent the American Government in its contacts with the interested foreign governments in all matters relating to the purchase of war materials in the United States, consisting of the following:

(a) The Director of Procurement, Treasury Department; (b) The Executive Assistant to the Assistant Secretary of War; (c) The Paymaster General of the Navy.

This committee will serve as the exclusive liaison with reference to procurement matters between this Government and the interested foreign governments. It will hold sessions at least once weekly, and at such more frequent intervals as may be necessary. At these sessions, it will receive an accredited representative of the embassy of any interested foreign government for the purpose of giving consideration to the requirements of such government for supplies, equipment, and materials, in relation to: (a) availability of the desired articles, (b) priorities, and (c) prices. The committee will submit a complete report of its proceedings, acts and recommendations to the President through the Secretary of the Treasury.

The Secretary of State has informed the British and French Ambassadors of this arrangement.

Will you please inform the Director of Procurement of his designation as a member of this committee and ask him to serve as its chairman.

Sincerely,

The Honorable,

The Secretary of the Treasury.

## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE May 29, 1940

TO Secretary Morgenthau  
FROM Mr. White  
Subject: Tungsten

1. Uses

Tungsten is included in the United States Army listing of strategic raw materials. Its chief use is in the manufacture of steel, especially in high speed tool steels. It is also used in manufacturing steel alloys fabricated into armor-piercing bullet cores, and in producing "stellite", a hard alloy which is processed into surgical instruments. Tungsten is important as the filament material in electric light and radio bulbs.

It is possible to substitute molybdenum for tungsten in certain hard steels. The War Department has reported that it is also possible to use carbon steel in place of tungsten steel in the manufacture of armor-piercing bullet cores. Tungsten is virtually indispensable in the production of electric light and radio bulbs, but the amount used in each bulb is so small that the total quantity consumed is relatively small. Commodity specialists variously estimate that metallic alloys consume between 80 and 90 percent of the total amount of tungsten used. Moreover, in an emergency, carbon filaments could be used in producing electric light bulbs.

2. Production

The total world production of tungsten concentrates amounts to approximately 40,000 tons annually. China is the world's largest producer of tungsten, accounting for about one-third of the world output. Until 1939, Burma was the second largest producer. It is believed, however, that the United States was the second largest producer last year, turning out about 4,000 tons. (Most computations are in terms of metal; one ton of concentrates is roughly equivalent to one thousand pounds of metal.)

3. The United States can probably be self-sufficient provided that domestic tungsten producers are given greater incentive.

The United States has become increasingly self-sufficient in tungsten. Domestic production rose from 40 percent of consumption in 1936 to 73 percent in 1939. Last year approximately 5.6 million pounds of metal were consumed in the United States, of which 1.5 million pounds were imported. Imports came principally from China and British Malaya.

The War Department estimated in 1938 that the United States requirements -- both civilian and military -- for tungsten in a "major emergency" would be about 6 million pounds of metal a year. These estimates allowed for partial substitution (molybdenum in some tool steels, but not carbon in lamp filaments nor carbon steel in armor-piercing bullet cores).

According to our information, the United States producers were operating far below their capacity in 1939, when they produced over 4 million pounds. It is known that several important mines were not operated in the first 9 months of 1939. In addition, new and improved refining plants have been completed only in recent months.

In view of these facts, the United States may be able to supply almost all of its own tungsten requirements, if greater incentive were given to domestic producers.

4. Available stocks of tungsten probably exceed six months' requirements.

Stocks in bonded warehouses on December 31, 1939, were equivalent to 1.7 million pounds of metal (mostly in the form of ore).

The government in recent months has purchased concentrates equivalent to about 1.1 million pounds of metal for use by the Army and Navy. Only about .8 million pounds of this quantity is for the National Stock Pile. The Army estimated that the Army and Navy alone would require 2 million pounds for 12 months of a major emergency.

\$12 million of the anticipated \$35 million appropriation for the acquisition of strategic commodities is reported to be tentatively set aside for the purchase of tungsten. This sum is probably adequate to purchase enough tungsten to meet the Army estimates of requirements for a two year emergency period.

In addition to these stocks there are probably several months' industrial supply in the hands of private corporations.

5. There are over 45 tungsten producing companies in the United States, but the output appears to be dominated by one company.

The Nevada-Massachusetts Corporation produces between 30 and 45 percent of the domestic output, and appears to dominate the industry.

Other large companies in the field include the Molybdenum Corporation of America, the U. S. Vanadium Corporation, the Larson Mill (Subsidiary of Continental Mining Company), the Tungsten Metal Corporation, and the Ima Mines Company. The General Electric Company owns the Germania Mines (Fruitland, Washington) and can probably produce sufficient tungsten for the General Electric needs.

In addition, there are about 25 small independent producers in Nevada, and approximately 13 in California, as well as several in Idaho, Washington, and Colorado.

May 29, 1940

10 a.m.

In this discussion this morning with Purvis I had two things in mind.

When I talked to General Marshall last Sunday I told him that from now on I would try to get the Allies to order American models -- tanks, guns, etc. -- so that if the time should come that we had to take over the production ourselves for whatever reason, they would be American Army models and not French or English.

Purvis played right into my hands this morning when he said they might be willing to take American models if they could get them faster and get a release rather than trying to order either English or French models.

Second. If we go into the building of new airplane factories, I think a perfectly legitimate way of helping out the Allies would be from now on not to make them pay for plant expansion, because up to now they have paid for 100% of the plant expansion in the airplane industry and it seems to me it's up to us now to do our share.

oOo-oOo

May 29, 1940  
10:59 a.m.

H.M.Jr: How are you?

Sumner

Welles: Oh, I'm struggling. I wanted to ask you two questions.

H.M.Jr: Please, Sumner.

W: There's a telegram just come in from Bullitt to the President, referring to the President's decision yesterday as announced, to send the Cruiser Vincennes and two destroyers to Lisbon.

H.M.Jr: Yes.

W: He now asks whether the President will agree to let the Vincennes go to Bordeaux. As you may remember in the telegram that he sent yesterday or the day before, he suggested that it might go ostensibly to take refugees but really in order to take gold.

H.M.Jr: Yes.

W: And he says the early arrival of a cruiser at Bordeaux is essential for the reasons that -- for the reason that interests Henry Morgenthau. Now before sending this over to the President, I wanted to get your judgment as to whether you wanted that done or not.

H.M.Jr: Well, you know -- ah -- Mr. Hull called me Sunday noon -- Sunday noon -- and asked me about this gold business, and I drew to his attention the fact that we had sent three different cruisers over there for gold.

W: Yes.

H.M.Jr: And he said, well, they were not at war, and I said that is true. Now, in that case we bought the gold. Now, what we could do is, if it would help you cross this bridge, we could pay for the gold as it was put on the cruiser.

W: I see.

H.M.Jr: If that would help any.

W: I see.

H.M.Jr: See what I mean?

W: Yeah. Yeah.

H.M.Jr: I mean, if they ship the stuff, we'd take title when it got on board the cruiser.

W: I see.

H.M.Jr: Now, that might help a little bit.

W: All right. That answers that question.

H.M.Jr: But, if something like that could be worked out, I'd be heartily in favor. And the other time I think we limited it to \$25 million, but there's no reason why a cruiser shouldn't take \$100 million.

W: A \$100 million.

H.M.Jr: It could just as well take a \$100 million.

W: Yeah. All right.

H.M.Jr: They could take a \$100 million on board and it's just as safe as \$25.

W: Yeah.

H.M.Jr: What?

W: Right.

H.M.Jr: But we'd take title to it as they came on board so that .....

W: That would avoid that question.

H.M.Jr: It makes it look a little bit -- it isn't as though we were transporting French gold, we'd be transferring American property.

W: Exactly.

- 3 -

H.M.Jr: You get the idea?

W: Yeah, perfectly.

H.M.Jr: It'd be American property.

W: Yeah.

H.M.Jr: Does that help?

W: Yeah, that would clear that up entirely, yes.

H.M.Jr: All right.

W: Now the second question.

H.M.Jr: Please.

W: Bullitt's suggestions that we insist that planes that are being manufactured for the Soviet Government and for the Swedish Government be transferred to the Allies. Is there any way in your judgment which that could be done?

H.M.Jr: Well, there are no Soviet planes being manufactured here. There is one order here for Sweden, something around 150 planes, roughly. How are you going to take them away from Sweden?

W: That's what I wanted to ask you.

H.M.Jr: It's impossible.

W: There's no power as I see vested in this Government to ex-appropriate property being paid for by another sovereign government.

H.M.Jr: Well, I mean, look, we take 150 planes away from a neutral to give to a belligerent.

W: Exactly.

H.M.Jr: What?

W: Exactly.

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H.M.Jr: That doesn't look very good.

W: Well, I sometimes get a little bit confused, in the first place the flood of suggestions that comes from him is something fantastic.

H.M.Jr: Well, any time, day or night, call me on the plane thing. I have that at my finger tips.

W: I know you have. Well, in other words, there's nothing that we can do along that line.

H.M.Jr: No, there's not.

W: All right, Henry.

H.M.Jr: Thank you.

W: Thank you.

SUGGESTED ADVISORY BOARD

Carl Breer	V. P. in charge Engineering Chrysler
Dr. Vannevar Bush	President Carnegie Institution of Washington Chairman of NACA
Dr. Karl T. Compton	President M.I.T.
R. V. Davis	President Aluminum Company
Dr. W. F. Durand	Consulting Engineer
R. E. Flanders	President Jones & Lampson
Edsel Ford	President Ford Motor Car Co.
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Charles Kettering	Vice President General Motors
W. B. Mayo	Former Chief Engineer of Ford
Dr. Robert Millikan	President California Inst. of Technology
Harry G. Steddard	President Wyman-Gordon Company
Gerard Swope	Former Chairman of Board, General Electric
Willis Whitney	Director of Research, General Electric Steel

May 29, 1940

OPERATIONS

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Mack -

Mr. Edison asked  
me to have for him - (for the  
President) our plane and  
procurement engine plan  
for next year -  
I have it is - I will give Mr  
Edison copy - Monday -

NRS

THE WHITE HOUSE  
WASHINGTON

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May 29, 1940.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

FOR YOUR INFORMATION

F. D. R.

Photostat  
to Dr. Mead  
5/31/40  
9 am

220

A reply address not the signer of  
this letter but Bureau of Aeronautics,  
Navy Department, Washington, D.C.

Refer to No.

AST-PL-4-VGM

NAVY DEPARTMENT  
BUREAU OF AERONAUTICS  
WASHINGTON

25 May 1940

MEMORANDUM for Admiral Stark.

The information you requested regarding program requirements  
in aircraft and engines by types is forwarded herewith in tabulated  
form.

*W. H. S. Jones*

NAVAL AIRCRAFT AND ENGINE PROCUREMENT PROGRAM  
1941

A. - AIRCRAFT

<u>TYPE</u>	<u>1941 Normal</u>	<u>1941 Training</u>		<u>Total</u>
		<u>Cash</u>	<u>Contract</u>	
Observation Scouting	128	107	304	539
Scout Bombing	189	18	58	269
Fighting	81	42	109	232
Patrol Bombing	26	40	105	169
Torpedo Bombing	27	-	63	90
Utility	11	2	4	17
Utility Transport	6	2	2	10
Small Transport	-	1	2	3
Large Transport	3	1	3	7
Training Primary	-	525	944	1470
Training Advanced	-	69	125	194
		<b>TOTAL</b>		<b>2996</b>

B. ENGINES

25 May 1940

QUANTITY AND TYPES OF ENGINES REQUIRED FOR 1941 NAVAL AIRCRAFT PROGRAM

ITEM	TYPE	1941 Normal	1941 Training		Quantity Required (Equiv. Engines)	AIRPLANE TYPE
			Cash	Contract		
1	<del>V-770-6 (Ranger)</del> <del>R-985-50 (P&amp;W)</del>	205	171	486	862	VOS
2	R-2600-8 (Wright)	303	29	92	424	VSB
3	R-1830-76 (P&W)	152	78	—	230	VF
4	R-1820-40 (Wright)	—	—	174	174	VF
5	R-1820-42 (Wright)	—	—	174	174	VF
6	R-2600-6 (Wright)	83	128	330	541	VPB
7	R-2600-10 (Wright)	22	—	50	72	VTB
8	R-2800-6 (P&W)	22	—	50	72	VTB
9	R-1820-30 (Wright)	18	3	7	28	VJ
10	R-985-48 (P&W)	18	9	10	37	VG & VJR (small)
11	R-1820-44 (Wright)	11	3	11	25	VR
12	R-760-8 (NAF)	—	154	278	432	VN (primary)
13	R-670-4 (Continental)	—	343	617	960	VN (primary)
14	R-680-8 (Lycoming)	—	343	617	960	VN (primary)
15	R-1340-24 (P&W)	—	112	200	312	VN (advanced)
TOTAL					5303	

TREASURY DEPARTMENT 223  
Office of the Secretary  
Technical Assistant to the Secretary

Date May 29, 1940

TO:

SECRETARY MORGENTHAU

Room .....

The two attached paraphrases were received simultaneously, one from Mr. Welles and the other from Mr. Stone in the Secretary's Office. They concern the same message.

  
H. Merle Cochran

From: MR. COCHRAN

OFFICE OF  
THE UNDERSECRETARY



DEPARTMENT OF STATE  
WASHINGTON

May 29, 1940

Personal and Strictly  
Confidential

Dear Henry:

I am enclosing a paraphrase of a confidential telegram received from Bullitt this morning.

Believe me

Yours very sincerely,

Enclosure:  
From Paris,  
May 29, 1940

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

PARAPHRASE OF TELEGRAM  
FROM AMERICAN EMBASSY, PARIS

May 29, 1940

This morning I received Louis Renault together with the general manager of the Renault works in Paris, Rene de Peyrecave, who told me they intend to leave on Saturday on the Clipper from Lisbon, arriving next Monday morning in Washington. They will get in touch with the Secretary of the Treasury as soon as they arrive in Washington in accordance with your suggestion. If it is possible I think arrangements should be made for the President and Renault to shake hands.

PARAPHRASE OF TELEGRAM RECEIVED

Paris

May 29, 1940

Rec'd 9:55 a.m.

Secretary of State,

Washington.

933, May 29.

STRICTLY CONFIDENTIAL AND PERSONAL FOR SECRETARY  
MORGENTHAU AND THE SECRETARY OF STATE.

The Paris Renault works general manager, Rene de Peyre-  
cave, this morning accompanied Louis Renault on a call on  
me. It is planned that they will arrive in your city on  
the morning of next Monday, taking the clipper from Lisbon  
on Saturday. As suggested in your telegram No. 488, as  
soon as they get to Washington, they will communicate with  
Secretary Morgenthau. I think that the President should  
shake hands with Renault.

BULLITT

5/29/40

Aircraft Manufacturers

Mr. George G. Moseley, President,  
Barkley-Grow Aircraft Corp.,  
13210 French Road,  
Detroit, Michigan.

Mr. Walter H. Besch, President,  
Beech Aircraft Corp.,  
Wichita, Kansas.

Mr. Lawrence D. Bell, President,  
Bell Aircraft Corp.,  
2050 Elmwood Avenue,  
Buffalo, New York.

Mr. G. M. Bellanca, President,  
Bellanca Aircraft Corp.,  
New Castle, Delaware.

Mr. P. G. Johnson, President,  
Boeing Aircraft Co.,  
Georgetown Station,  
Seattle, Washington.

Mr. James Work, President,  
Brewster Aeronautical Corp.,  
Brewster Building,  
Long Island City, New York.

Mr. V. J. Burnelli, President,  
Burnelli Aircraft Corp.,  
Keyport, New Jersey.

Mr. R. H. Fleet, President,  
Consolidated Aircraft Corp.,  
Lindbergh Field,  
San Diego, California.

Mr. G. W. Vaughan, President,  
Curtiss-Wright Corp.,  
30 Rockefeller Plaza,  
New York City.

Mr. Donald W. Douglas, President,  
Douglas Aircraft Co., Inc.,  
3000 Ocean Park Boulevard,  
Santa Monica, California.

Mr. Sherman Fairchild, President,  
Fairchild Engine & Airplane Corp.,  
RCA Building,  
New York City.

Mr. Frank de Canahl, President,  
Fleetwings, Inc.,  
Bristol, Pennsylvania.

Mr. L. R. Grumman, President,  
Grumman Aircraft Engineering Corp.,  
Bethpage, Long Island, New York.

Mr. J. C. Parker, President,  
Howard Aircraft Corp.,  
5301 West 65th Street,  
Chicago, Illinois.

Mr. Howard R. Hughes, President,  
Hughes Aircraft Co.,  
Union Air Terminal,  
Burbank, California.

Mr. Robert E. Gross, President,  
Lockheed Aircraft Corp.,  
Burbank, California.

Mr. Glenn L. Martin, President,  
Glenn L. Martin Co.,  
Baltimore, Maryland.

Mr. J. H. Kindelberger, President,  
North American Aviation, Inc.,  
Inglewood, California.

Mr. W. Wallace Kallett, President,  
Republic Aviation Corp.,  
Farmingdale, Long Island, New York.

Mr. T. Claude Ryan, President,  
Ryan Aeronautic Corp.,  
Lindbergh Field,  
San Diego, California.

Mr. J. E. Schaefer, Vice President,  
Stearns Aircraft,  
Division of Boeing Airplane Co.,  
Wichita, Kansas.

Mr. W. A. Mara, Vice President,  
Stinson Aircraft Division,  
Aviation Manufacturing Corp.,  
Nashville, Tennessee.

- 2 -

Mr. A. I. Lockick,  
Aviation Manufacturing Corp.,  
420 Lexington Avenue,  
New York City.

Mr. R. W. Clark, Vice President,  
Vought-Sikorsky,  
Division United Aircraft Corp.,  
Bridgeport, Conn.

St. Louis Aircraft Corporation,  
St. Louis, Missouri.

Mr. Mac Short, President,  
Vega Airplane Co.,  
Burbank, California.

Mr. Duane L. Wallace, President,  
Cessna Aircraft Co.,  
Wichita, Kansas.

Mr. E. E. Porterfield, Jr., President,  
Porterfield Aircraft Corp.,  
1720 Wabash Avenue,  
Kansas City, Missouri.

Mr. Richard W. Miller, President,  
Vultee Aircraft, Inc.,  
Downey, California.

Mr. C. J. Brukner, President,  
Waco Aircraft Co.,  
Troy, Ohio.

Mr. R. A. Rearwin, President,  
Rearwin Aircraft and Engine, Inc.,  
Fairfax Airport,  
Kansas City, Kansas.

Mr. W. G. Skelly, President,  
Spartan Aircraft Co.,  
Box 2649,  
Tulsa, Okla.

Treasury Department

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TELEGRAPH OFFICE

37W

1940 MAY 29 PM 7 03

R188BU TWS PAID 3

FD DEARBORN MICHIGAN MAY 29 40 641 P M

HON HENRY MORGENTHAU JR

WASHN D C

WILL ARRIVE WASHINGTON ON B AND O 820 AM EASTERN STANDARD TIME FRIDAY  
31ST AND WILL BE AT YOUR OFFICE 845 AM EASTERN STANDARD TIME

EDSEL FORD

7 P M

TREASURY DEPARTMENT  
WASHINGTON

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

**Official**

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE 2-11117

Mr. Edsel Ford,  
Ford Motor Company,  
Detroit, Michigan.

May 29, 1940.

I HAVE TO TESTIFY ON HILL TEN O'CLOCK FRIDAY STOP WOULD  
APPRECIATE YOUR BEING AT MY OFFICE AT EIGHT FORTY FIVE a.m.  
EASTERN STANDARD TIME FRIDAY PLEASE ACKNOWLEDGE

Henry Morgenthau, Jr.

*Handwritten:*  
@ 4:27  
Andy  
5/29

TREASURY DEPARTMENT  
WASHINGTON

231

# TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

**Official**

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE 5-12117

Mr. Edsel Ford,  
Ford Motor Company,  
Detroit, Michigan.

May 29, 1940.

I HAVE TO TESTIFY ON HILL TEN O'CLOCK FRIDAY STOP WOULD  
APPRECIATE YOUR BEING AT MY OFFICE AT EIGHT FORTY FIVE a.m.  
EASTERN STANDARD TIME FRIDAY PLEASE ACKNOWLEDGE

Henry Morgenthau, Jr.

May 29, 1940.

MEMORANDUM FOR THE SECRETARY OF WAR:

I am in receipt of your memorandum of the 25th covering additional aircraft as follows:

<u>Number</u>	<u>Type</u>	<u>Options to provide a maximum of</u>
800	Primary Training Airplanes	800
800	Basic Training Airplanes	800
800	Advanced Training Airplanes (single engine)	1,000
100	Advanced Training Airplanes (two engine)	None
800	Heavy Bombers	None
<u>1,900</u>		

This apparently does not include the War Department's estimates for the fiscal year 1941 now awaiting action by Congress which includes the following:

Heavy bombardment	5
Medium bombardment	56
Amphibian - two engine	14
Pursuit interceptor	37
Transport - two engine	6
Advanced training	<u>37</u>
Total	166

Will you kindly advise me regarding this omission as I wish to include it with the program set forth in your memorandum.

It is also my desire, pursuant to my memorandum to you

- 2 -

of the 26th, that full opportunity be given the Secretary of the Treasury to participate in all negotiations looking to the initiation of contracts for aircraft.