

June 6, 1940. yes!

197

ATTACK BOMBERS

On hand in Continental United States:

<u>Nos.</u>	<u>Type</u>	<u>Speed</u>
93	A-17A	220
80	A-17	200

These are not dive bombers, but low flying attack planes carrying 1 flexible (tail) and 4 fixed machine guns. They have a range of 700 miles with a 600 pound bomb load of 30 or 100-pound bombs.

They are not equipped with leak-proof tanks or crew armor. About 65 of these would have to go to air depots for about a week for minor overhaul or to be fitted with machine guns.

BOMBS: There are sufficient 100-pound demolition and 30-pound fragmentation bombs on hand in the United States to equip 100 planes with 15 missions of each type. However, this would practically strip the bomb reserves in the United States.

All bombs just renovated; none deteriorated.

*and Phil Young*  
Had Col. Jaeger, at house 8.30 P.M. showed  
him this.

Then called F.D.R. 9.20 P.M. asked  
him to call in Stark and Marshal  
about ~~the~~ bombs. He said  
we should come at 10.15. Friday  
and there was a hole in War Dept.

June 6, 1940. yes!

158

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*Marshall gave these to Hump June 6, 1940. MW:*

PURSUIT PLANES AVAILABLE FOR PURSUIT PILOT TRAINING

199

PURSUIT PLANES ON HAND in Continental United States:

	<u>No.</u>	<u>Type</u>	<u>Speed</u>
	116	P-36a	300 mph
(For 19 combat squadrons requiring <u>500</u> planes)	30	P-36b	320 mph
	62	P-35	240 mph
	37	PB-2a	200 mph (too dangerous for pilot training)

There are now 208 pursuit planes available to train 300 pursuit pilots, the latter number increasing by 50 pilots every six weeks. With no prospective delivery of new pursuit planes before October, we will then have 450 pursuit pilots in squadrons to be trained.

Attrition and delivery delays due to engine production difficulties have been ignored.

MONTHLY SITUATION, JULY 1, 1940 - FEBRUARY 1, 1941:

Number of planes available under assumptions indicated with no attrition considered and assumed P-40 deliveries - 80 Oct. 1; 80 Nov. 1; 40 Dec. 1

1st day of	No. of pursuit pilots requiring training	(1)	(2)	(3)	(4)
		None to Allies; 25 per month to overseas garrisons Oct. 1 to Feb. 1	146 P-36 to Allies; 122 Vultee and Republic deliveries; none to overseas garrisons	208 P-35 and P-36 to Allies; 122 Vultee & Republic deliveries; none to overseas garrisons	208 P-35 and P-36 to Allies; overseas garrisons shipped 25 each month beginning Oct. 1; 122 Vultee and Republic deliveries
July	300	208	68	6	6
Aug.	350	208	78	16	16
Sept.	350	208	90	28	28
Oct.	400	263	189	127	102
Nov.	450	318	294	232	182
Dec.	500	333	358	296	221
Jan.	500	308	371	309	209
Feb.	550	283	384	322	197

Under most favorable conditions, there will continue to be an insufficient number of planes for tactical training of pursuit pilots; a further decrease in planes will aggravate an already serious deficiency. The question then is to what extent we dare limit the development of our pursuit squadrons.

DELIVERY OF AIRPLANES (Sweden)

	<u>Republic</u>	<u>Vultee</u>	<u>Totals</u>
1940 June	6		6
July	10		16
Aug.	10	2	28
Sept.	9	10	47
Oct.	13	12	72
Nov.	12	12	96
Dec.		13	109
1941 Jan.		13	122
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Mr. Marshall gave these to Huff

June 6, 1940. Yes!

Mr. Young has  
photos of it

201

STATUS OF CALIBER .30 BALL AMMUNITION

On hand	580,000,000
Required for PMP	<u>450,000,000</u>
Excess, before commitments	130,000,000
Committed for <u>exchange</u>	<u>100,000,000</u>
Excess, <u>immediately</u> available for <u>exchange</u>	30,000,000

In addition we can make available 4,000,000 rounds per month until August 1st, thereafter 10,000,000 rounds per month until December, 1940, in exchange against 50,000,000 rounds now on order.

June 6, 1940. 40

202

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JUN 6 1940

## MEMORANDUM FOR THE PRESIDENT:

The British Government, fearing that Germany may inspire litigation in this country for the purpose of tying up British Government funds here, is anxious that British Government funds held at the Federal Reserve Bank of New York be held in the name of the British Government rather than in the name of the Bank of England. The British Government has been advised by American lawyers that through such procedure the possibility of British Government funds being tied up is reduced, because of the immunity from suit enjoyed by a foreign government's property.

The Dutch Government has also requested that certain of the accounts held by the Federal Reserve Bank of New York in the name of the central bank of the Netherlands be transferred into the name of the Netherlands Government.

The Federal Reserve Bank of New York has some doubts as to its ability to hold accounts for foreign governments unless it is authorized to do so by the Secretary of the Treasury. It is my opinion that by virtue of the provisions of Section 5 (b) of the Trading with the Enemy Act, as amended, the statutory provisions relative to the appointment of Federal Reserve banks as fiscal agents, and the stabilization provisions in the Gold Reserve Act, the President and the Secretary of the Treasury have the power to authorize the Federal Reserve Bank of New York to hold accounts for foreign governments. As you know, it is in the interests of this Government that there be maintained at the Federal Reserve Bank of New York, as distinguished from other commercial banks, accounts of certain foreign governments which are used in connection with the purchase of war materials.

Accordingly, if you approve, I propose to send the annexed letter to the Federal Reserve Bank of New York authorizing the Bank to open such accounts for the British and Dutch Governments. If you approve the foregoing, kindly indicate at the foot hereof.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

APPROVED:

By Messenger ✓

File to Mr. Thompson

Dear Sirs:

Enclosed is a memorandum received from the Financial Counsellor of the British Embassy on May 27, 1940, in which the British Government asks that its accounts with the Federal Reserve Bank of New York standing in the name of the Bank of England be converted into accounts with the title in each case of "His Britannic Majesty's Government's Account".

You have also advised this Department that the Netherlands Government in London has asked that certain of its accounts in the name of De Nederlandsche Bank be transferred to accounts in the name of the Royal Netherlands Government.

The Treasury Department would be pleased to have the Federal Reserve Bank of New York, as fiscal agent of the United States, open and maintain the account requested by the British and Netherlands Governments on the same basis that the Federal Reserve Bank handles other foreign accounts, and accordingly requests and authorizes the Federal Reserve Bank of New York to do so.

Very truly yours,

Secretary of the Treasury.

Federal Reserve Bank of New York,  
New York, New York.

Enclosure

EB:ldh 6-6-40

THE WHITE HOUSE  
WASHINGTON

June 6, 1940.

MEMORANDUM FOR  
THE SECRETARY OF THE TREASURY

I am delighted to have that list of surplus materiel which is "ready to roll". Give it an extra push every morning and every night until it is on board ship!

F. D. R.

June 6, 1940.  
3:30 p.m.

## RE ALLIED PURCHASES

Present: Mr. Nelson  
Mr. Young  
Mrs. Klotz

H.M.Jr: I asked him if he knew you and he wasn't sure, Governor Lehman. He just dropped in for a minute. I thought this was rather nice from the President.

"I am delighted to have a list of surplus materiel which is ready to roll. Give us an extra push every morning and every night until it is on board ship."

Isn't that all right?

Nelson: That is all right.

Klotz: Isn't that cute? That is what you have been saying all along, "Push 'em."

H.M.Jr: I am just trying to do my business.

Curtiss-Wright Corporation, to the Secretary from Mr. Young. *b-5-40*

"The British have exercised an option dated May 31st, 1940, for fourteen hundred fifty propellers (three different models), including ten percent spare parts. This contract has a total value of seven million four hundred fifty-six thousand dollars with delivery scheduled from September 30, 1941, through December 31st, 1941.

"The French exercised an option dated May 31st, 1940, for one thousand eight hundred ninety propellers (two models). Total value of the contract amounts to eight million two hundred forty thousand dollars with delivery to be made some time during 1941 (exact schedule not yet available).

"The total value of these contracts amounting to fifteen million six hundred ninety-six thousand dollars includes one million dollars of development costs heretofore incurred by United States Government.

"In addition to this total value, two million eight thousand dollars has been contracted for extension of plant capacity, two hundred forty-five thousand dollars for personnel training and overtime, and three hundred thirty-six thousand dollars for income taxes.

"The total value of these contracts plus capital assistance items amounts to approximately eighteen million three hundred fifty-seven thousand dollars.

"North American aviation:

"On May 28, 1940, the French contracted for four hundred fifty NA-76 trainer airplanes and five hundred fifty Pratt & Whitney 1340 S-3H engines. Delivery of this order to start August, 1941, and to be completed in June, 1942, (for the airframes) and August 1942 (for the engines). Total value of the contract amounts to sixteen million three hundred eighty-six thousand dollars; no capital commitment involved."

Well, they oughtn't to buy any of those five hundred Pratt & Whitneys. I told them not to. What size are they?

Young: 1340 engines? I don't know.

H.M.Jr: I told them not to. I told them anything under a thousand horse-power, to give it to some other person. I noticed the other day they did that on something else.

Young: That is characteristic of them.

H.M.Jr: Will you bring that to their attention, Phil? I told them nothing under a thousand. Anything over a thousand, yes, but anything under a thousand, somewhere else.

Nelson: That sounds smart.

H.M.Jr: I thought so and I have told them that steadily. Another one got by me the other day. Tell them this is not keeping faith.

Young: Well, they probably figured that as long as they had an option that might let them out of it.

H.M.Jr: Well, bring it to their attention. Will you let me have an answer on that?

Young: Yes, sir.

H.M.Jr: Thompson machine guns, 45 calibre in the Navy.

Boiling this all down, what can they do on this?

Young: They can't get Navy machine guns unless the new legislation goes through.

H.M.Jr: Are you sure of that?

Young: So far.

H.M.Jr: Have you spoken to Mr. Foley?

Young: Yes. Oscar Cox has been working on it steadily. You see, the Navy wouldn't let them go unless they get the money.

H.M.Jr: What do you mean?

Young: You can have them changed between two Government departments if there is reimbursement.

(The Secretary held an unrecorded telephone conversation with Mr. Foley.)

H.M.Jr: That is the advantage of having a General Counsel.

Nelson: That is right.

H.M.Jr: Now, what do I do with this? This is the only copy.

Young: You can give it back to me.

H.M.Jr: Then what do we do about it?

Klotz: Well, we have a system.

Young: I will get it photostated.

Klotz: We have a system.

H.M.Jr: That is the purpose of these meetings. I want all of that clear, not just the machine guns, the whole works. Don't you think they ought to have that for this meeting?

Nelson: We will take the memorandum for this meeting and give it back to you.

H.M.Jr: Think we can trust them?

Klotz: I think so.

Young: In connection with that, they list these other guns on the bottom. There are some Lewis machine guns.

Nelson: No, I sent this in to you. This was sent to you first. This is the same copy. We will send it back to you.

H.M.Jr: Make a note we get it back in the morning.

Klotz: Don't forget Mead.

Young: I called them back on these other guns, because they looked like the same guns the Army sold to them and the prices are twenty dollars higher.

H.M.Jr: That is your Coordinating Committee on Purchases. That goes to the Army and Navy when they sell us.

Nelson: That is right. We will coordinate it.

- 5 -

H.M.Jr:

"With respect to the request of the Anglo-French Purchasing Board for an additional two hundred fifty million rounds of .30 calibre cartridges, Colonel Burns informed me that thirty million rounds could be released immediately. In addition, the War Department will make further releases of .30 calibre ammunition, now on hand, if it receives no ammunition for replacement. Release of this ammunition will be as follows:

June	4 million rounds		
July	4	"	"
August	10	"	"
September	10	"	"
October	10	"	"
November	10	"	"
December	10	"	"

"This ammunition will be released at a price of thirty dollars per M.

"The foregoing information was communicated to Mr. Purvis this morning, who stated that the Anglo-French Purchasing Board would be glad to buy this ammunition."

I have a covering memorandum which I will come to. I had a half hour this morning with General Marshall.

Nelson:

We aren't doing very well by them with only thirty million. They wanted two hundred fifty. That renders those guns practically useless if they haven't got .30 calibre ammunition. We will have to do something on that.

H.M.Jr:

Couldn't you look into the situation of the manufacture of the .30 calibre ammunition? What is the situation in the United States?

Nelson:

I have made a note on that for Mr. Young and I to go after it and see what we can do, because they wanted the guns and you can see the guns would be no good to them without the ammunition.

H.M.Jr: All right. That is the kind of service we give around here.

Nelson: This is the same information.

H.M.Jr: Now, where is the ammunition thing on the first? Now, they have discovered 93 A-17-A's. I don't know what they are.

Young: Those are Northrups.

H.M.Jr: And we can get them?

Young: Right away.

H.M.Jr: Yes. This is General Marshall. He said I could have 93 A-17-A's and 80 A-17s.

Nelson: They made a request for that yesterday.

H.M.Jr: Who did?

Nelson: The Commission.

H.M.Jr: Well, we can have these.

Klotz: Were these given to you by General Marshall?

H.M.Jr: Yes, this morning, all three.

Young: Okay.

H.M.Jr: He says these are not dive bombers, they are low flying attack planes. Anyway, they can have them.

Young: As you please.

H.M.Jr: He said it came down to us through Colonel Burns.

Now, the last thing here gives this explanation why we cannot have these Swedish things. I agree with General Marshall that this thing of the Republic and Vultees is out and after you read that long technical memorandum you will see why. It

- 7 -

just completely shoots the whole training program to Hell and gone. You can read it afterwards, will you?

Nelson: Sure.

H.M.Jr: Out of this thing, we do get one hundred seventy-three planes, which is something.

Nelson: That is something.

H.M.Jr: Just to keep the record straight, make a note to tell this to Foley, Mr. Sumner Welles is not satisfied -- he is satisfied with General Marshall that we can't give the planes up, he is satisfied on that, but he personally will call up the Solicitor-General and get the legislation through making it possible for us to take the planes away from the Swedes. I told General Marshall this, I said, "Look, General, here is the Kingdom of Sweden that is at peace. We go to work and take away a hundred and fifty or two hundred planes from them because they are at peace and give them to a belligerent. I don't think it smells so good."

Nelson: Except on this basis, it would seem to me, Mr. Secretary, and this is getting in the State Department's province, if Sweden today is literally under the dominance of Germany and Germany could go in there any moment, anything you delivered to them could go into the hands of the Germans.

H.M.Jr: Well, anyway we have got something.

Nelson: Yes.

H.M.Jr: Now -- Nelson you are doing pretty well. You got fifty yesterday.

Young: Have you told Purvis about it?

H.M.Jr: No.

Young: Am I supposed to?

- 8 -

H.M.Jr: I think I would tell him tomorrow, because Marshall has to tell a couple of generals and by the time it gets down to Burns -- I would tell him tomorrow.

Now, this Canadian Empire training program. We can't do what is in this first paragraph, with this big training program coming along.

Nelson: We will be subjected to a great deal of criticism.

H.M.Jr: We can't do this. Have you seen this memorandum?

Nelson: No, sir, I haven't.

H.M.Jr: Well, they are asking for five hundred Harvard trainers and for us to give them priority over ours. I don't see how we can do that, do you, Phil?

Young: we can't possibly.

H.M.Jr: Now, "In addition, in order to meet the engine requirements for the planes which will now have to be partly built in Canada, Mr. Howe has negotiated (subject to U. S. administration approval) a contract with the Jacobs Company for delivery of two thousand engines (three hundred thirty horse-power) prior to the end of December, 1941 (three hundred twelve will be delivered by end of December, 1940). While this far from meets the Canadian Government's requirements as regards deliveries, nevertheless there was no better alternative offered. At the request of the U. S. administration, this order has been held up during the last week or ten days in view of the desire to visualize the whole airplane engine situation."

What about that?

Nelson: Didn't you tell us yesterday that they didn't want Jacobs engines? We sent them yesterday to see Mr. Mead about these Jacobs engines.

H.M.Jr: And I spoke to Knudsen about it this morning. I asked Knudsen to give me an answer on that by tonight.

Young: He isn't going to do it.

Nelson: He was supposed to call a meeting this afternoon.

H.M.Jr: Would you ride Knudsen on it?

Nelson: I will. I will be right after him.

H.M.Jr: On the two thousand Jacobs and three hundred thirty horse-power.

Young: They arranged for the Jacobs people to come in tomorrow morning.

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

Young: No, I haven't seen it. Where did it come from?

H.M.Jr: It came to me. I called up Purvis and said I had been waiting for a memorandum on it.

Klotz: Ballantyne gave it to me this afternoon.

Nelson: He ought to give us the copy so we can follow it up.

Klotz: When I get a chance, I will make a copy.

Young: The system works.

Nelson: Oh, does it? All right.

H.M.Jr: This thing here --

Nelson: I will take it up with Bill Knudsen right away.

H.M.Jr:

I will give you this and then we will get it back tomorrow.

"Because of the urgency of the Empire training scheme in its relation to the supply of combat pilots, it is requested that the Canadian Government be allowed to go ahead either with the Jacobs order or with an order for some equivalent type of engine which will fit into the aircraft frames (the latter point is made because Dr. Mead felt there might be an alternative that could be worked out for small Wright or Pratt & Whitney engines)."

Off hand, I don't agree with him. Here is Jacobs, they have got a nice set up, it is their own engine, they know how to make it, two thousand engines would last them for two years, they go ahead and turn out the thing and I don't see why we don't leave them alone. Now, get that back to me (handing memorandum to Mr. Nelson).

I don't see why we don't let them go ahead and I asked Knudsen to clear it by tonight and I spoke to him about it this morning. While these fellows are making up their minds, these people know how to make their own engine and until they begin to turn out a small Wright and a small Pratt & Whitney, weeks will pass and the plea that Purvis made, he is wrong on it this time, is that he has had several requests from Howe, who is the new minister of defense for Canada, on both things so he would like to do both things and this fills this fellow up with business and I don't see why we don't let Jacobs go. Check?

Young:

Yes.

H.M.Jr: "Dear General Arnold:

Based upon your conversation with Mr. George J. Mead this morning, and at his direction, I am returning herewith your memorandum to the Assistant Secretary of War under date of June 1, 1940, in which you discussed the advisability of placing an educational order with the Ford Motor Company for the fabrication of P-38 (Lockheed) two engine pursuit airplanes, together with a letter from Assistant Secretary Johnson addressed to Secretary Morgenthau of the Treasury.

"It is Mr. Morgenthau's understanding that this disposition of the matter is satisfactory to you as you do not desire any action to be initiated at present."

This is just returning this Louis Johnson thing, educational order of P-38 Lockheeds. Kraus is sending it back to General Arnold. You don't want that.

Nelson: Shall we notify Ballantyne of your answer on this Jacobs thing?

H.M.Jr: I think I would wait until you could say yes on the Jacobs.

Nelson: I will. If we say yes all on one --

H.M.Jr: If we say yes on one and no on the other, it tastes a little sweeter.

Here is the thing on Thompson sub-machine gun and TNT.

"Colonel Burns informed me tonight that, although the War Department could not release delivery on fifteen hundred tons of new TNT as requested by the Anglo-French purchasing Board, it would release immediately thirty-five hundred tons (seven million pounds) of grade three TNT. It is my understanding that this TNT to be released, although old, is in service-able condition."

- 12 -

Well, there is nothing for me to do on this.

Nelson: No, sir, that is following up the memorandum.

Young: Still working on the memorandum on TNT.

Nelson: That gives them more TNT than they asked for.

H.M.Jr: Wonderful.

Nelson: They asked for fifteen hundred tons.

H.M.Jr: Gentlemen, believe it or not, that is mine. Now, only in fairness I will give you a chance. What have you got?

Nelson: Well, I told you all I had this morning.

H.M.Jr: Oh, nothing has happened since?

Nelson: Not since then.

H.M.Jr: You no sooner will have the room than McReynolds calls up -- Generalissimo, as I call him -- then goes into a long explanation about this committee of three and was it all right with me and I said yes, "I think if you go back and talk to Mr. Stettinius you will find that Mr. Nelson has already called him, but I am always glad to hear from you, Mac." It was all right. So then he went through the whole same story about this committee of three.

Nelson: Fine.

H.M.Jr: How are they getting out over there, anyway, do you know?

Nelson: They are moving side ways at a considerable distance now. Shortly they will be able to move forward, I think.

H.M.Jr: That is marvelous.

Klotz: I never heard that one before.

H.M.Jr: That is wonderful.

Klotz: It reminds me of you walking with your back to the ground.

H.M.Jr: One day I said I used to walk always with my back to the wall to keep from being stabbed, but I didn't find that was safe so I walked with my back to the ground.

Is Mead still in our building?

Young: He has moved. Johnson is still left there.

H.M.Jr: Where did they put Mead?

Young: I don't know.

Klotz: Didn't they say in the Munitions building somewhere?

Young: I will bet he doesn't like that.

H.M.Jr: Are you being taken care of well?

Nelson: Very well, sir, very well.

H.M.Jr: Have you got all the clerical help you need?

Nelson: Everything that we want. We have a very able bunch of assistants around there. Nothing I have asked for that I haven't gotten like that.

H.M.Jr: The only thing, I would just sort of like to test Knudsen out and see if I ask him something at ten minutes of nine in the morning and ask to get it before sunset whether there is any chance of getting it. That was the two thousand --

Young: I have a question before you get through.

H.M.Jr: All right.

- 14 -

Klotz: He doesn't want to be put out.

H.M.Jr: Go ahead, Phil.

Young: Is there anything new on the motor boats?

H.M.Jr: I understood that was finished.

Young: That is what I thought, too. Was there any document or memorandum or official request for that release or anything sent in? Mr. Thompson's office called me on it today. I will straighten it out.

H.M.Jr: That was done -- Stark and I saw the President personally in his bed room and we asked him and the President said yes. That is all I know, so it is up to Admiral Stark's office to do it. Is everything clicking with Stark on these fifty planes?

Young: I haven't heard from him on the accessories and Mr. Nelson and I both have it on our mind to call him up to check.

H.M.Jr: Give him a little business.

Nelson: Yes, after giving him an opportunity to get --

Young: He hasn't called you?

Klotz: No, I would refer him to you.

Young: Only one other question that I have.

H.M.Jr: All right.

Young: The greatest bottle neck at the present time, the exchange of information between Ballantyne and me as to what is going on is what happens when you and Mr. Purvis have a telephone conversation. Is there anything I should know?

Klotz: He has got something there.

H.M.Jr: No, this has to do with publicity. He wanted to know how they should handle their publicity in England on this materiel and I called up Steve Early and asked his advice and gave it back to Purvis, but that was referred to me by Mrs. Klotz.

Klotz: Yes, but he can't get anything out of me, so I guess he is going to you direct.

H.M.Jr: We will have an exchange of information once or twice a day, as I told Mr. Nelson. Every once in a while I do something on my own, but before sunset I will confess. What else, Phil? I want you to raise your hand again. All right?

Young: I think I am clear.

H.M.Jr: All right.

Nelson: I have been going through the file of unfinished business over in Captain Collin's office on this Allied thing and I have got a number of questions to take up with Mr. Young here. We have got the whole business over there.

Young: I put my foot down on that.

H.M.Jr: All right. Weren't you people going to have lunch with Joe Green?

Young: Yes.

H.M.Jr: How did it go?

Nelson: Fine. All right. We were just pals.

H.M.Jr: Young, here, wants me to put Joe Green on your committee.

Young: I talked to Harold about that and I talked to Merle about it.

H.M.Jr: Yes.

- Young: And the general consensus of opinion on the whole thing was that we should see what happens, whether or not this committee can operate under the proper direction. If it can operate, then it is no use to put him in there.
- Nelson: We didn't speak to him about it at all.
- H.M.Jr: He is one of the meanest men in Washington, bar none, and that is saying a lot.
- Nelson: He was very nice at lunch.
- H.M.Jr: I don't know a sweeter, nicer double-crosser in Washington. He can do the nicest job on you you ever saw.
- Nelson: All right, sir, I will let you know about Mr. Knudsen right away.

CONFIDENTIAL

225

June 5, 1940

To: The Secretary

From: Mr. Young

CURTISS-WRIGHT CORPORATION

The British have exercised an option dated May 31, 1940, for 1,450 propellers (three different models), including 10 per cent spare parts. This contract has a total value of \$7,456,000 with delivery scheduled from September 30, 1941, through December 31, 1941.

The French exercised an option dated May 31, 1940, for 1,890 propellers (two models). Total value of the contract amounts to \$8,240,000 with delivery to be made some time during 1941 (exact schedule not yet available).

The total value of these contracts amounting to \$15,696,000 includes \$1,000,000 of development costs heretofore incurred by United States Government.

In addition to this total value, \$2,080,000 has been contracted for expansion of plant capacity, \$245,000 for personnel training and overtime, and \$336,000 for income taxes.

The total value of these contracts plus capital assistance items amounts to approximately \$18,357,000.

NORTH AMERICAN AVIATION

On May 28, 1940, the French contracted for 450 NA-76 trainer airplanes, and 550 Pratt & Whitney 1340 S-3H1 engines. Delivery of this order to start August, 1941, and to be completed in June, 1942, (for the airframes) and August, 1942, (for the engines). Total value of the contract amounts to \$16,386,000; no capital commitment involved.

CONFIDENTIAL

June 6, 1940

To: The Secretary

From: Mr. Young

With respect to the request of the Anglo-French Purchasing Board for an additional 250 million rounds of .30 calibre cartridges, Colonel Burns informed me this morning that 30 million rounds could be released immediately.

In addition, the War Department will make further releases of .30 calibre ammunition, now on hand, if it receives new ammunition for replacement. Release of this ammunition will be as follows:

June	4	million	rounds
July	4	"	"
August	10	"	"
September	10	"	"
October	10	"	"
November	10	"	"
December	10	"	"

This ammunition will be released at a price of \$30.00 per M.

The foregoing information was communicated to Mr. Purvis this morning, who stated that the Anglo-French Purchasing Board would be glad to buy this ammunition.

CONFIDENTIAL

June 5, 1940

To: The Secretary  
From: Mr. Young

THOMPSON SUB-MACHINE GUNS

I have been advised by the Office of Admiral Spear that the Navy has on hand 426 new Thompson sub-machine guns at a book value of \$321.00 each. If orders were received from the proper authority, these guns would be released for transfer, provided that the Navy received the money for replacement orders.

Under existing legislation, it is possible for these guns to be transferred from the Navy to the Army, but the pending Army authorization bill would have to become law before the Navy could receive the exchange value of these guns for replacement orders.

Colonel Burns informed me that the Army has no Thompson sub-machine guns to release.

TNT

Colonel Burns informed me tonight that, although the War Department could not release delivery on 1500 tons of new TNT as requested by the Anglo-French Purchasing Board, it would release immediately 3500 tons (7 million pounds) of grade 3 TNT. It is my understanding that this TNT to be released, although old, is in serviceable condition.

ARMY MACHINERY

I was advised by Colonel Burns that the War Department had no objection to the release of the powder machinery, including the nito-cellulose and ammonia oxidization equipment, over and above that machinery needed for the new Army

powder plants. I have not yet been able to determine how much of this machinery will be so utilized.

Mr. Cox is working with General Gullion and Colonel Cramer of the Army on a procedure for the legal transfer of such equipment.

June 5, 1940

CONFIDENTIAL

Dear General Arnold:

Based upon your conversation with Mr. George J. Mead this morning, and at his direction, I am returning herewith your memorandum to the Assistant Secretary of War under date of June 1, 1940, in which you discussed the advisability of placing an educational order with the Ford Motor Company for the fabrication of P-38 (Lockheed) two-engine pursuit airplanes, together with a letter from Assistant Secretary Johnson addressed to Secretary Morgenthau of the Treasury.

It is Mr. Morgenthau's understanding that this disposition of the matter is satisfactory to you as you do not desire any action to be initiated at present.

Sincerely yours,

(Signed) S. M. Kraus

---

S. M. Kraus

Enclosures

Major General H. H. Arnold

Chief of the Air Corps

War Department

Washington, D. C.

CANADIAN EMPIRE TRAINING PROGRAMME

A serious situation has arisen in connection with the Empire Training Programme on which Canada has already spent over one hundred million dollars, due to the events of the last two weeks which have resulted in England cutting off supplies to Canada of advanced trainers on which supplies the programme depended to an important degree. The Canadian Government understands the U. S. Government has a large number of North American Harvard Advanced Trainers on order and the Honourable C. D. Howe, Minister of Supplies, has asked whether it will be possible that priorities be granted for deliveries during the next two or three months on some 500 planes.

In addition, in order to meet the engine requirements for the planes which will now have to be partly built in Canada, Mr. Howe has negotiated (subject to U.S. Administration approval) a contract with the Jacobs Company for delivery of 2,000 engines (330 h.p.) prior to the end of December 1941 (312 will be delivered by end of December 1940). While this far from meets the Canadian Government's requirements as regards deliveries, nevertheless there was no better alternative offered. At the request of the U.S. Administration, this order has been help up during the

last week or ten days in view of the desire to visualize the whole aeroplane engine situation.

Because of the urgency of the Empire Training Scheme in its relation to the supply of combat pilots, it is requested that the Canadian Government be allowed to go ahead either with the Jacobs order or with an order for some equivalent type of engine which will fit into the aircraft frames (the latter point is made because Dr. Mead felt there might be an alternative that could be worked out for small Wright or Pratt & Whitney engines).

(Signed) A.B.P.

A.B.P

Washington, D. C.

June 6, 1940.

232

AMBASSADE DE FRANCE

AUX ETATS UNIS

L'ATTACHÉ FINANCIER New York

20 Exchange Place

June 6<sup>th</sup> 1940

Dear Mr. Morgenthau

You have always proved so friendly to me since I arrived in this country that I feel entitled to write you this note to thank you, not only in my official capacity, but as a Frenchman, for what took place yesterday in your home.

I know what part you played in the matter, that it is indeed your work, and that

if it had not been for you those planes would  
never have been delivered to us in time.

A few days ago I received a cable  
from my three little boys (age: 10, 9, 7) who  
are still in France. It read as follows in  
French: "Ask the Americans to send us  
their tanks and planes to help the four  
uncles" i.e. my four brothers who are in the  
army.

I thought it might interest you to know  
what faith French children have in America,  
and I feel glad that, owing to you,

they will not be deceived.

With highest regards

Yours sincerely

Paul Leroy. Beauclerc

*Comp has not  
seen - only copy*

In reply address not the signer of this letter, but the Bureau of Supplies and Accounts and Refer to No.

*RJ*

NAVY DEPARTMENT  
BUREAU OF SUPPLIES AND ACCOUNTS

(00)

233

WASHINGTON, D. C.

6 June 1940.

MEMORANDUM FOR MR. YOUNG,  
Room 294, Treasury Department.

SUBJECT: Availability of Thompson Machine Guns, 45 caliber, in the Navy Department.

1. Answering your inquiry and confirming my telephone message of last evening (5 June), the Navy Department has available for possible transfer -

426 each 45 caliber Thompson Machine Guns.

2. Inasmuch as this represents the entire reserve stock in the Navy, it will be necessary for the Bureau of Ordnance to replace these guns in the very near future. Consequently, the Navy Department desires to emphasize that this material should be transferred to some other activity only with the understanding that the transaction will be treated as a cash sale, with a view to utilizing that money for replacement purposes.

3. There is legal authority for the transfer of material between Executive Departments of the Government with reimbursement. The book price of Thompson Machine Guns as carried on the books of the Navy is \$321.00 each.

4. The Navy has available for transfer 1,000,000 rounds of 45 caliber ammunition for the above guns at \$17 per thousand -- total, \$17,000.00, which it is willing to transfer with these guns, subject to reimbursement.

5. In connection with this general subject, I consider it advisable to invite attention to the following additional equipment which the Navy is willing to transfer and which may serve much the same purpose as the Thompson Machine Guns, to-wit:

- 3,000 Lewis Machine Guns, ground type (a few need a little overhaul work) .....\$50. each
- 3,000 Lewis Machine Guns, aircraft type (good condition; need slight modification for ground use; can be used in short bursts on ground in present condition)..... \$50. each
- 4,093 Browning Automatic Rifles (some require a little overhaul) ..... \$90. each

RECEIVED

JUN 11 1940  
Treasury Department  
Room 294

(00)

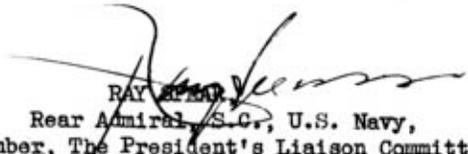
6 June 1940.

SUBJECT: Availability of Thompson Machine Guns, 45 caliber,  
in the Navy Department.

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The Navy is willing to transfer these Lewis and Browning guns subject to reimbursement as outlined for the Thompson Machine Guns.

6. While the original inquiry did not mention the Lewis and Browning guns, the information is submitted for whatever use you may care to make.

  
RAY SPEAR,  
Rear Admiral, S.C., U.S. Navy,  
Member, The President's Liaison Committee.

(2)

cc: The Chief of the Bureau of Ordnance, Navy Dept.  
Mr. D. M. Nelson, Acting Director of Procurement,  
Treasury Department.

June 6, 1940

Purvis called Mrs. Klotz and said that due to the two stories on the front page of the Times in regard to certain supplies being released, Mr. Monnet had called him and said that their Ministry of Information is being bombarded for information in regard to the release of this material. Mr. Purvis did not know what slant their publicity should take and asked him to put it up to the Secretary, which H.S.K. did when he returned from the White House at 10:48 a.m.

H.M.Jr. called Steve Early and the following is H.M.Jr.'s end of the conversation:

"Here is a difficult one and that is why I am calling you. The British Ministry of Information, through Arthur Purvis, who is head of the Allied Purchasing Commission, called up in view of the story in the New York Times in regard to the release of certain supplies. They are being bombarded in England for information and they do not know what they should say or do and they have put it up to me. If you want facts I can send Ed Foley over, who sat in on all the meetings. What I suggested to Woodring, two days ago, was that he have his Adjutant General draw up a document which would be legal and proper and give it out, but he did not do it. The statement should come out of Woodring's office. It is his responsibility.

"What would you do if you were handling the press relations for the English in London?"

Mr. Early said, in substance, that what he would do is simply say that the English government has a purchasing mission over here and they are buying whatever planes or guns or surplus material that they can buy.

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Immediately following H.M.Jr.'s conversation with Steve Early, he phoned Purvis and told him what Steve Early advised. (In this connection see telephone conversation with Purvis at 11:20 a.m. June 6.)

CONFIDENTIAL

June 6, 1940

To: The Secretary

From: Mr. Young

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*P.Y.*

June 6, 1940

My dear General Wood:

I beg to acknowledge receipt of your letter of June 4th. To put it quite frankly, I was rather surprised at the tone of it after our very friendly conversation on the telephone.

You state in your letter, "I feel we must have this matter clear." I quite agree with you.

When I called you, on May 27th, I asked you whether I could borrow Mr. Edward Brooks and you replied that this would be impossible. You then offered me the services of Mr. Don Nelson and said that he could come down for awhile. I asked you what you called "awhile" and in return you asked me "How long do you want him?" I said I would like to leave it open-ended.

In my conversation with Mr. Nelson in Washington he said that he would be free to come for two or three months and I repeated to Mr. Nelson that in these most unusual times I would like to leave it open-ended as agreed with General Wood.

These are the facts, General. The President and I are delighted to have Mr. Nelson here assisting us at this time and, for my part, I would like to continue to leave the matter open-ended. If, after several months, Mr. Nelson decides that he wants to return to Chicago he, of course, is free to do so, but if, on the other hand, the emergency is such that the President and I feel that we very much need his services, then I want Sears, Roebuck & Company to decide whether or not he must return to his business.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

General R. E. Wood,  
Chairman of the Board,  
Sears, Roebuck & Company,  
Chicago, Illinois.

Air mail Special Delivery  
copy to Donald Nelson

June 6, 1940

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Chairman of the Board,  
Sears, Roebuck & Company,  
Chicago, Illinois.

Air mail Special Delivery  
copy to Donald Nelson

## Sears, Roebuck and Co.

Executive Offices

Chicago

R. E. Wood  
Chairman of the Board

June 4, 1940.

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

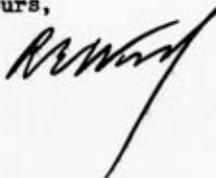
My dear Mr. Morgenthau:

Don Nelson called me on the phone Wednesday and talked to me about his appointment. He said that you said it was an "open end" appointment.

I feel we must have this matter clear. I told you over the phone that as far as Sears was concerned, it would have to be a limited operation. You told me over the phone that it would be an "open end" appointment but I told you again that this company could not agree to an "open end" appointment. As it stands today, the company releases Mr. Nelson for a period of two months.

I think you will agree, in view of the fact that Mr. Nelson has spent almost one-half of his time in Washington during the past four years, in view of the fact that I myself have spent a good deal of time there and that we have never hesitated to loan any of our men to any branch of the government when needed, that this company has always done its part.

Sincerely yours,



241

Air Mail 1/2  
2 1 Nelson

June 6, 1940

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Yours sincerely,

General R. E. Wood,  
Chairman of the Board,  
Sears, Roebuck & Co.,  
Chicago, Illinois.

HSK paid to file  
without answer.  
He

Paris, June 6, 1940.

Dear Henry:

I take pleasure in transmitting herewith, in quadruplicate, Mr. Ward's first report.

Everyone here has done his utmost to give Ward everything he wanted, and I am sure that his visit will be most productive. I know I need not tell you, but in this matter, as in everything else, speed is of the essence.

I can not begin to describe to you the profound gratitude of Reynaud, Daladier, and everyone else in the French Government for your cooperation. You may rest assured that if at any time you get tired of being Secretary of the Treasury of the United States, everyone here will be delighted to take you on as Minister of Finance for France!

I am deeply grateful to you for your telegram. Affectionate regards to you and Elinor.

Yours always,

Bill

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury,

Washington, D. C.

copy of report filed  
with transmittal  
letter to the Pres.  
Stark, Marshall  
& Knudsen  
6/25/40

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro

NO.: 248

DATE: June 6, 1940

Reference is made to my despatch no. 3078, dated May 31, 1940.

I have received reliable information to the effect that it is possible that the payments agreements with France and Great Britain will be concluded during the present week. I shall send you the details by air mail.

CAFFERY

EA:EB

June 6, 1940  
8:47 a.m.

H.M.Jr: Hello.

Operator: Mr. Knudsen.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello.

William S.  
Knudsen: Yes.

H.M.Jr: Morgenthau.

K: Good morning.

H.M.Jr: How are you?

K: Fine, sir. How are you?

H.M.Jr: Mr. Knudsen, I see in this morning's papers -- they say that you've taken over Dr. Mead. Is that right?

K: Yes, sir.

H.M.Jr: Good. That means that .....

K: I took his whole staff.

H.M.Jr: You did what?

K: I took his organization.

H.M.Jr: You did, intact.

K: Yes.

H.M.Jr: And -- I suppose one of these days you'll also begin to pay them.

K: Well, I'm going to start -- (Laughs) -- I've got his payroll here, and I've put it up to McReynolds

- 2 -

H.M.Jr: I see. Well -- ah -- I won't push you on that, but when you can it's all right. See?

K: What's that?

H.M.Jr: You'll in due course take that over also -- the payroll.

K: Oh, absolutely.

H.M.Jr: Right. Now -- ah -- here's something that we want some help on. The Canadians want to buy a lot of trainers.

K: Yes.

H.M.Jr: I think they want to buy, as I understand it, 2,000 engines -- trainers. They want to buy these Jacobs engines.

K: Yeah.

H.M.Jr: The Minister of National Defense of Canada has been down here. I wonder if you couldn't get your people together, plus Don Nelson and Philip Young -- see? And see if that couldn't be settled so that we could give them a release today on that program -- the Canadians.

K: Ah -- do you know just what type trainer they want?

H.M.Jr: They know just what they want.

K: And who is the man that knows that?

H.M.Jr: Mead knows.

K: Mead.

H.M.Jr: Mead. They saw Mead last night.

K: I see.

H.M.Jr: But I'd like very much to give them an answer before sundown.

K: All right.

H.M.Jr: There're two things -- they want something right away and they want something over

- 3 -

long distance. Now they're talking about a 330 horse engine which they want to get from Jacobs.

K: Has Jacobs got a 330?

H.M.Jr: Yeah. And it seems to me that along the line that I was working with Mead that it built up one man on one engine.

K: Yes.

H.M.Jr: And it sounds sensible to me, and rather than having a lot of people building a lot of little engines. What do you think?

K: That's right.

H.M.Jr: What?

K: That's right.

H.M.Jr: So if that could be cleared .....

K: Of course, the President told me that -- when I was over there the first time that he had so many different types. See?

H.M.Jr: ..... well, I gave him .....

K: And they ought to reduce the number of types, and that's all right, but they can't do it right away. Of course, we've got orders for .....

H.M.Jr: But here's Canada willing to place 2,000 engines with one concern for one engine .....

K: Yes.

H.M.Jr: ..... which makes sense, doesn't it?

K: Yeah.

H.M.Jr: Now .....

K: Sure.

H.M.Jr: What?

- 4 -

K: Yes.

H.M.Jr: And if that could be cleared today -- George Mead knows all about it and the fellows that are handling it for me are Don Nelson and Philip Young.

K: All right.

H.M.Jr: Now one other thing, please. Mead made an appointment for me to see Edsel Ford on Tuesday.

K: Yes.

H.M.Jr: And I think it would be much better if you saw him rather than if I did so that .....

K: Well, I -- I thought of that, but I thought I'd talk to you first. So you think it's better for Edsel to come in here.

H.M.Jr: Much. I'd like a clean-cut break on this.

K: Well, you told me that and I'll see that we get it.

H.M.Jr: Well, can I forget about it?

K: Yes, sir.

H.M.Jr: And you'll explain to Edsel so there's no hard feelings -- that you'll see him.

K: In other words, that you -- you want Mr. Ford to come in and start to ship engines to the Allies if he's ordered to.

H.M.Jr: (Laughs) Wonderful! Now, you've got it. Hello.

K: Yes.

H.M.Jr: Marvelous. Well, now wait a minute. Got a minute?

K: Yes, sure.

- 5 -

H.M.Jr: Ah -- the French are ready to place an order for 800 Rolls Royce engines a month.

K: Yeah.

H.M.Jr: Ah -- the English are to let me know Monday how many they want.

K: Mead said 1400.

H.M.Jr: 1400?

K: Yeah.

H.M.Jr: Well, that's the combined. Well, then, he's got later word than I have.

K: Is that -- does the 1400 include eight?

H.M.Jr: I don't know about it. All I know is that this morning -- yesterday morning -- told me 800 and the English said they'd have to cable for instructions and would let me know Monday.

K: I see.

H.M.Jr: I don't know where Mead got his information from.

K: I see.

H.M.Jr: Yeah. I see you and I are going to be able to work together.

K: Well, sir, you'll have to see how I perform.

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

K: I may sound a little short, but .....

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

K: ..... let's see, we'll try to get what you want and then put it down.

H.M.Jr: Well, let's see what you can do for Canada today.

- 6 -

K: All right.

H.M.Jr: Thank you.

K: All right.

H.M.Jr: Thank you.

June 6, 1940  
9:23 a.m.

Operator: General Marshall calling.

H.M.Jr: Right.

Operator: Go ahead.

H.M.Jr: Hello.

General  
Marshall: Mr. Secretary?

H.M.Jr: Yeah.

M: Can I see you for about five or ten minutes  
this morning?

H.M.Jr: Surely.

M: When would you suggest?

H.M.Jr: Well, now, I've got 1:00 at the White House,  
let me just see.

M: I tell you, if you'll call me at the convenient  
time to you, I'll go then.

H.M.Jr: I can tell you now. It's on this plane  
business, is it?

M: Yes.

H.M.Jr: Huh?

M: Yes, about the plane business.

H.M.Jr: I see. What are you doing at 11:30?

M: All right, I'll be there then.

H.M.Jr: All right.

M: You can just have your secretary, if there's  
anything wrong about it, she can just call up .....

H.M.Jr: No, it'll be all right.

M: All right. Thank you very much.

H.M.Jr: Thank you.

June 6, 1940  
12:45 p.m.

252

H.M.Jr: Hello

William  
McReynolds: How're you?

H.M.Jr: Hello, Mac.

McR: Yeah!

H.M.Jr: How is Generalissimo? (laughs)

McR: (laughs) Oh, I'm kind of out of breath.

H.M.Jr: Oh, yeah.

McR: Uh-huh. Now, we've been talking -- I've been talking with this Commission of mine for the last two hours and I told them we weren't going to have any more meetings, they wasted too much time. I am going to see the President at 2:00 .....

H.M.Jr: Yeah.

McR: ..... and one thing I wanted to bring up, if I could clear with you -- ah -- Ed Stettinius has gone into this question and run into the problem of competitive purchasing -- War, Navy and Procurement and that sort of thing.

H.M.Jr: I thought you meant cement.

McR: Now -- (laughs) and -- ah -- the proposal was made in the Commission that we ask the President to announce a committee composed of Stettinius, Don Nelson as head of Procurement, and a representative from the Army and the Navy to be designated the proper people from there, to go into the question of -- of consolidated purchases with the idea on the part of Ed that it would head up in Procurement and they would take all the Procurement requirements of Army and Navy and take care of it as a consolidated proposition.

H.M.Jr: Well, this was all in the New York Times this morning, you know.

-2-

McR: Oh, was it?

H.M.Jr: Sure. I read in the paper that Mead went over to them and this whole thing -- that Nelson was going to do the buying and everything else -- was all in the New York Times.

McR: I didn't see that. I don't know anything about it.

H.M.Jr: Yeah. The whole business -- in the Times. Well, I just got through talking with Nelson for 45 minutes and he put this thing up to me and I told him that I was willing to go along.

McR: Well, if -- I didn't want to ask the President to put Nelson on this thing without clearance with you, of course. Ah -- both the -- ah -- Stark and Marshall are very enthusiastic about getting a consolidated responsibility for purchases.

H.M.Jr: Yes, but I just want to make -- this thing I do feel. Nelson is here working for me.....

McR: I know it.

H.M.Jr: And Procurement is in the Treasury .....

McR: Yes, sir!

H.M.Jr: ..... and when I -- just let me get this -- when I came here in the fall of '33, everybody in the Treasury was running over to the White House just the way they do in the State Department.

McR: Yeah.

H.M.Jr: And I can't work that way.

McR: Well, of course .....

H.M.Jr: And if Nelson is here, he's my subordinate.

McR: I understand that thoroughly and I pointed that out to Ed very clearly this morning.

- 3 -

- H.M.Jr: Now, if on the other hand, they want to move him over there and make it a committee of eight, that's all right.
- McR: Ah -- this isn't -- this isn't an operating committee. This is proposed as a committee to work out a system that would look toward the President under the authority he has under the '33 order of consolidating Army and Navy purchases in the Procurement Division as a Treasury function.
- H.M.Jr: Well, just as long as Nelson and the Procurement stay in the Treasury, subordinate to the Secretary of the Treasury, it's all right.
- McR: Well, of course, there's no -- ah -- there's no question about that in my mind and I've made it entirely clear to those fellows. But the problem that they're under -- that they're tackling here is one of -- of working out a system that the Army and Navy -- so that the -- you know the President never would go along with the proposition of consolidating Army and Navy purchases in the Procurement Division, and the President never did it because of their opposition. Now these fellows, including the Chief of Staff and the Chief of Operations .....
- H.M.Jr: Well, that's all right, Mac, but -- just so we understand each other. Procurement's in the Treasury and so is Nelson.
- McR: Yes, sir. Well, of course, I don't -- I'll never let anybody forget that over here, no.
- H.M.Jr: And when they get this new Public Relations fellow I hear they've got over there, one of the things he's got to do is to see that these stories ought, at least, break after I've been consulted.
- McR: Well -- ah -- I don't know where that story came from. I've been so busy since early this morning that I haven't even looked at the papers so I didn't know it was in there.

- 4 -

H.M.Jr: Oh.

McR: And I gave these fellows a lecture today on what they could talk about or what anybody could talk about or what any of their staff could talk about, and -- without knowing what was in the paper. But this thing isn't an operating committee. It isn't intended to do any -- ah -- the sole purpose of its creation is to be able to hand clearly and cleanly and without any reservation the responsibility to Don Nelson as the head of Procurement being a part of Treasury.

H.M.Jr: Good.

McR: And with that understanding, I have your consent to the President's appointing Don Nelson as a member of that committee to study that particular problem?

H.M.Jr: I think that you'll find if you ask Stettinius that Don's already spoken to them and said that I gave my consent.

McR: Oh, well .....

H.M.Jr: I gave it 20 minutes ago.

McR: Well -- that -- it's been 20 minutes since I left down there, so he probably talked to Don about it after I left.

H.M.Jr: Oh.

McR: I told him I would clear with you before we would submit the thing to the President.

H.M.Jr: Right. Right-o. Thank you for calling.

McR: O. K.

June 6, 1940  
2:40 p.m.

Sumner  
Welles: Hello, Henry.

H.M.Jr: Yes, Sumner.

W: Henry, General Marshall has just left me and he told me that he'd been with you.....

H.M.Jr: That's right.

W: ..... so I don't see any use to my sending over what he has given me since I suppose he's given you just the same thing.

H.M.Jr: Just to keep our records straight, he asked to see me .....

W: Yeah.

H.M.Jr: I mean, I didn't ask for it.

W: Yeah. And from the job that he's given you and me I, frankly, don't see where we can ask him to do anything of the kind that we had in mind.

H.M.Jr: Not on the Swedish .....

W: Yeah.

H.M.Jr: ..... but on the other thing, very hopeful.

W: What other thing do you mean?

H.M.Jr: Well, he left me -- I'm just going through my papers here -- ah -- there's a group of some 200 planes -- old planes that he had that he is willing to .....

W: Yes. Oh, yes. I was thinking about pursuit planes.

H.M.Jr: Oh.

- 2 -

W: Just pursuit planes.

H.M.Jr: Well, these others are fairly good.

W: Well, that's helpful.

H.M.Jr: At least, they'd be something .....

W: That's helpful.

H.M.Jr: ..... and he's putting that in the channels so that it will come to me officially.

W: That's very helpful.

H.M.Jr: Yes.

W: Well, now in regard to these Swedish planes -- calling for scheduled deliveries up to the first of August, there'd only be delivered 28. But I still feel that if those 28 could be sent in the right direction they'd be far more useful than in the other, and I was wondering if we hadn't better further explore that legislative possibility that we spoke about, with Francis Biddle, I mean .....

H.M.Jr: Yeah.

W: ..... which gives the right to requisition.

H.M.Jr: Well, of course, in case of a national emergency they have that.

W: They have their ideas that in the event war is declared by the President to be imminent and until and unless he does that, he can't requisition under pending legislation. All he can do is to embargo and then re-export. Well, I'll talk myself to Francis Biddle and see what he thinks and then I'll have another talk with you.

H.M.Jr: Well, I've got this memorandum. It's 893 of one kind and 80 of another and the attack bombers.

W: I see.

- 3 -

H.M.Jr: And I think that they'd be very helpful to them.

W: Yeah. Yeah.

H.M.Jr: That's a goodly number.

W: Yes.

H.M.Jr: And .....

W: But the bulk of the delivery, as you see, isn't until late.

H.M.Jr: Right -- ah -- you mean on the Swedish.

W: On the Swedish.

H.M.Jr: Well, this they could get right away.

W: Well, that's the main thing, of course.

H.M.Jr: This they could get right away.

W: That's the main thing.

H.M.Jr: But you say you're going to talk to Francis Biddle.

W: Yeah, just on this Swedish thing.

H.M.Jr: O. K.

W: Thank you, Henry.

H.M.Jr: Thank you.

W: Good-bye.

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AERONAUTICAL SECTION  
NATIONAL DEFENSE COMMISSION

COPY NO. 11  
ASSIGNED TO SECRETARY MORGENTHAU

ARMY AIRFRAME REQUIRE-  
MENTS --- BY TYPES

## ARMY AIRFRAME REQUIREMENTS

36,500 Program  
BY TYPE

Class and manufacturer	Airp. type	Engine type	Fiscal year				Total
			1941	1942	1943	1944	
<b>Bomber, Heavy,</b>							
<u>4-eng.</u>							
Boeing	B-17	Wr. B-1820	(150)	290	50	-	340
	B-40B	Wr. B-3350	-	10	450	530	990
							<u>1,330</u>
Consolidated	B-24	P&W B-1830	(56)	140	50	-	190
	B-40B	Wr. B-3350	-	10	100	200	310
							<u>500</u>
Lockheed	B-40B	Wr. B-3350	-	10	150	200	360
							<u>2,190</u>
<b>Bomber, Medium,</b>							
<u>2-eng.</u>							
Martin	B-26	P&W B-2800	-	1,085	1,100	1,100	3,285
North American	B-25	Wr. B-2600	-	1,050	300	-	1,350
	B-28	P&W B-2800	-	50	800	1,085	1,935
							<u>3,285</u>
							<u>6,570</u>
<b>Bomber, Light,</b>							
<u>2-eng.</u>							
Douglas	A-20A	Wr. B-2600	110	1,000	2,000	2,000	5,110
<b>Pursuit, 2-eng.</b>							
Lockheed	P-38	All. V-1710F	100	500	200	-	800
	P-58	Cont. IV-1430	-	100	900	1,100	2,100
							<u>2,900</u>
Grumman	P-50	Wr. 1820	50	200	250	250	750
							<u>3,650</u>
<b>Pursuit, 1-eng.</b>							
Bell	P-39	All. 1710E	-	400	225	-	625
	Model 310	All. 1710E	-	-	200	425	625
							<u>1,250</u>
Curtiss	P-40D	All. 1710	-	1,200	600	-	1,800
	P-40X	All. 1710 or Cont. IV 1430	-	-	600	1,200	1,800
							<u>3,600</u>
Republic	P-44	P&W 2800	-	600	700	700	2,000
Northrop	B-40C	P&W X-1800	-	-	50	100	150

CONFIDENTIAL - 6/6/40

ARMY AIRFRAME REQUIREMENTS  
(Continued - 2)

262

36,500 Program  
BY TYPE

Class and manufacturer	Airp. type	Engine type	Fiscal year				Total
			1941	1942	1943	1944	
<u>Pursuit, 1-eng.</u>							
<u>(Cont'd)</u>							
Curtiss (St.L.)	R-40C	Cont. IV-1430	-	-	50	100	150
Vultee	R-40C	P&W X-1800	-	-	50	100	<u>150</u>
							<u>7,300</u>
<u>Transport, 2-eng.</u>							
Beech	C-45	P&W 985	-	75	75	100	250
Curtiss (St.L.)	OW-20	Wr. 2600	-	50	100	100	250
Douglas	C-39	Wr. 1820	45	150	200	200	<u>595</u>
							<u>1,095</u>
<u>Observation, C&amp;D</u>							
Curtiss	C-52	P&W 1340	-	295	400	400	<u>1,095</u>
<u>Trainer, Advanced,</u>							
<u>2-eng.</u>							
Barkley-Grow	T&P-1	P&W 985	25	75	150	100	300
Beech	18A	P&W 985	140	300	350	100	890
Cessna	T-50	Jac. 755	100	100	100	-	300
Stinson	X	P&W 985	50	250	300	100	<u>700</u>
							<u>2,190</u>
<u>Trainer, Advanced,</u>							
<u>1-eng.</u>							
Curtiss (St.L.)	OW-23	P&W 1340	100	300	400	200	1,000
North American	AT-6	P&W 1340	(600) 100	800	850	300	2,050
Vultee	BC-3	P&W 1340	100	200	200	100	<u>600</u>
							<u>3,650</u>
<u>Trainer, Basic,</u>							
<u>1-eng.</u>							
Curtiss (St.L.)	OW-22	Wr. 975	50	100	100	50	300
North American	BT-14	P&W 985	300	100	-	-	400
Vultee	BT-13	P&W 985	(500) 200	300	300	100	900

CONFIDENTIAL - 6/6/40

ARMY AIRFRAME REQUIREMENTS  
(Continued - 3)

263

36,500 Program  
BY TYPE

Class and manufacturer	Airp. : type :	Engine type	Fiscal year				Total
			1941	1942	1943	1944	
<u>Trainer, Basic,</u>							
<u>1-eng. (Cont'd)</u>							
Fleetwing	XBT-12	Wr. 975	-	25	75	75	175
Aircraft Research	XBT-11	Wr. 975	-	-	25	25	<u>50</u>
							<u>1,825</u>
<u>Trainer, Primary,</u>							
<u>1-eng.</u>							
Fairchild	PT-19	Ranger L-440	(100) 100	250	100	-	450
Ryan	PT-20	Menasco L-365	(100) 100	225	100	-	425
Spartan	-	-	-	-	-	-	-
Stearman	PT- (13) (17) (18)	Cont. R-670 Lyc. R-670	(300) 150	400	400	-	950
St. Louis	PT-15	-	-	-	-	-	-
Waco	PT-14	-	-	-	-	-	<u>-</u>
							<u>1,825</u>

204  
264

ACM AIRFRAME LOAD  
DISTRIBUTION - BY MP.

ARMY AND NAVY  
AIRFRAME LOAD DISTRIBUTION

265

50,000 Program  
BY MANUFACTURER

Company and type	: Service :	Fiscal year				: Total
		1941	1942	1943	1944	
<u>Aircraft Research</u>						
Trainer, Basic 1-eng. XBT-11	Army	-	-	25	25	<u>50</u>
<u>Barkley-Grow</u>						
Trainer, Adv. 2-eng. T&P-1	Army	25	75	100	100	<u>300</u>
<u>Beech</u>						
Transport 1-eng. BG	Navy	3	7	12	20	42
Transport 2-eng. JRB	Navy	1	-	-	-	1
Transport 2-eng. C-45	Army	-	75	75	100	250
Trainer, Adv. 2-eng.	Army	140	300	350	100	<u>890</u>
						<u>1,183</u>
<u>Bell</u>						
Pursuit 1-eng. P-39	Army	-	400	425	425	<u>1,250</u>
<u>Bellanca</u>						
Observation, SR 1-eng. YO-50	Army	-	-	-	-	-
<u>Boeing</u>						
Bomber, Heavy, 4-eng. B-17	Army	-	290	50	-	340
Bomber, Heavy, 4-eng. B-40B	Army	-	10	450	530	<u>990</u>
						<u>1,330</u>
<u>Brewster</u>						
Scout Bomber 1-eng. XSB2A	Navy	115	476	729	400	<u>1,720</u>
<u>Burnelli</u>						
No data						
<u>Cessna</u>						
Trainer, Adv. 2-eng. T-50	Army	100	100	100	-	<u>300</u>
<u>Consolidated</u>						
Patrol Bomber, 2-eng. VPB	Navy	89	205	404	250	948
Bomber, Heavy, 4-eng. B-24	Army	-	140	50	-	190
Bomber, Heavy, 4-eng. B-40B	Army	-	10	100	200	<u>310</u>
						<u>1,448</u>
<u>Curtiss (Buffalo)</u>						
Scout Observation, 1-eng. XS3c	Navy	360	300	434	250	1,344
Pursuit, 1-eng. P-40D	Army	-	1,200	600	-	1,800
Pursuit, 1-eng. P-40X	Army	-	-	600	1,200	1,800
Observation C&D 1-eng. O-52	Army	-	295	400	400	<u>1,095</u>
						<u>6,039</u>

CONFIDENTIAL - 6/10/40

ARMY AND NAVY  
AIRFRAME LOAD DISTRIBUTION  
(Continued - 2)

50,000 Program  
BY MANUFACTURER

Company and type	: Service :	Fiscal year				: Total :
		: 1941 :	: 1942 :	: 1943 :	: 1944 :	
<u>Curtiss (St. Louis)</u>						
Transport, 2-eng. CW-20	Army	-	50	100	100	250
Trainer, Adv. 1-eng. CW-23	Army	100	300	400	200	1,000
Trainer, Basic 1-eng. CW-22	Army	50	100	100	50	300
Pursuit, 1-eng.	Army	-	-	50	100	150
						<u>1,700</u>
<u>Douglas</u>						
Scout bomber, 1-eng. SBD-2	Navy	174	-	-	-	174
Transport, 2-eng. RD-3 (DC-5)	Navy	6	5	6	13	30
Transport, 2-eng. C-39	Army	45	150	200	200	595
Bomber, Sight, 2-eng. A20A	Army	110	1,000	2,000	2,000	5,110
						<u>5,909</u>
<u>Fairchild</u>						
Trainer, Primary, 1-eng. PT-19	Army	100	250	100	-	450
<u>Fleetwings</u>						
Trainer, Basic, 1-eng. XBT-12	Army	-	25	75	75	175
<u>Grumman</u>						
Fighter, 1-eng. F4F-3	Navy	162	271	470	500	1,403
Fighter, 2-eng. F5F	Navy	54	271	470	500	1,295
Transport, 2-eng. JEF	Navy	10	18	37	30	95
Transport, 1-eng. J2F4	Navy	-	95	96	70	261
Pursuit, 2-eng. P-50	Army	50	200	250	250	750
						<u>3,804</u>
<u>Lockheed</u>						
Bomber, Heavy, 4-eng. B-40B	Army	-	10	150	200	360
Pursuit, 2-eng. P-38	Army	100	500	200	-	800
Pursuit, 2-eng. P-58	Army	-	100	900	1,100	2,100
						<u>3,260</u>
<u>Martin, G.L.</u>						
Patrol Bomber, 2-eng. VPB	Navy	90	205	404	250	949
Bomber, Medium, 2-eng. B-26	Army	-	1,085	500	-	1,585
B-?	Army	-	-	600	1,100	1,700
						<u>4,234</u>
<u>Naval Aircraft Factory</u>						
Trainer, Primary N3H-3	Navy	500	173	315	1,225	2,213
<u>Northrop</u>						
Pursuit, 1-eng. B-40C	Army	-	-	50	100	150

ARMY AND NAVY  
AIRFRAME LOAD DISTRIBUTION  
(Continued - 3)

50,000 Program  
BY MANUFACTURER

Company and type	: Service :	Fiscal year				: Total :
		1941	1942	1943	1944	
<u>North American</u>						
Trainer, Adv. 1-eng. SNJ-2	Navy	200	25	72	100	397
Trainer, Adv. 1-eng. AT-6	Army	100	800	850	300	2,050
Trainer, Basic, 1-eng. BT-14	Army	300	100	-	-	400
Bomber, Medium, 2-eng. B-25	Army	-	1,100	1,100	1,085	3,285
						<u>6,132</u>
<u>Republic</u>						
Pursuit, 1-eng. P-44	Army	-	600	400	-	1,000
Pursuit, 1-eng. P-7	Army	-	-	300	700	1,000
						<u>2,000</u>
<u>Ryan</u>						
Trainer, Primary, 1-eng.	Navy	200	-	-	-	200
Trainer, Primary, 1-eng. PT-20	Army	100	225	100	-	425
						<u>625</u>
<u>Spartan</u>						
Trainer, Primary	Navy	200	-	-	-	200
<u>Stearman</u>						
Trainer, Primary, 1-eng.	Navy	500	-	-	-	500
Trainer, Primary, 1-eng.	Army	150	400	400	-	950
						<u>1,450</u>
<u>Stinson</u>						
Trainer, Adv., 2-eng.	Army	50	250	300	100	700
Obs. Short Range, 1-eng. O-49	Army	-	-	-	-	-
						<u>700</u>
<u>Vought-Sikorsky</u>						
Obs. Scout, 1-eng. VOS	Navy	276	300	434	250	1,260
Torpedo, 1-eng. XTBV-1	Navy	108	165	95	100	468
Reconnaissance Amphibian 2-eng.	Army	-	-	-	-	-
						<u>1,728</u>
<u>Vultee</u>						
Trainer, Basic, 1-eng. BT-13	Army	200	300	300	100	900
Trainer, Adv., 1-eng.	Army	100	200	200	100	600
Pursuit, 1-eng. B-40C	Army	-	-	50	100	150
						<u>1,650</u>
<u>Waco</u>						
Trainer, Primary, 1-eng.	Army	-	-	-	-	-

CONFIDENTIAL - 6/10/40

268

AIRPLANES -- TYPES  
TO MANUFACTURERS

**AIRPLANES  
ASSIGNMENT OF TYPES  
TO MANUFACTURER**

ARMY

Bomber, Heavy, 4-engine	-Boeing, Consolidated, Lockheed
Bomber, Medium, 2-engine	-Martin, North American
Bomber, Light, 2-engine	-Douglas
Pursuit, 2-engine	-Lockheed, Grumman, Curtiss (St.L.)
Pursuit, 1-engine	-Bell, Curtiss (Bflo.), Curtiss (St.L.), Republic, Northrop, Vultee
Reconnaissance, Amphib., 2-engine	-Vought-Sikorsky
Transport, 2-engine	-Curtiss (St.L.), Beech, Douglas
Observation, C&D, 1-engine	-Curtiss (Buffalo)
Observation, S.R., 1-engine	-Stinson, Bellanca
Trainer, Advanced, 2-engine	-Stinson, Barkley-Grow, Beech, Cessna
Trainer, Advanced, 1-engine	-Curtiss (St.L.), North American, Vultee
Trainer, Basic, 1-engine	-Vultee, Fleetwings, Aircraft Research Corp., Curtiss (St.L.), North Amer.
Trainer, Primary, 1-engine	-Stearman, Fairchild, Ryan, Waco, Spartan, St. Louis Aircraft.

NAVY

Patrol Bombers	-Consolidated, Martin
Fighters	-Grumman
Scout Bombers	-Brewster, Douglas
Observation Scouts	-Vought-Sikorsky
Scout Observation	-Curtiss
Torpedo Bomber	-Vought-Sikorsky
Utility	-Grumman
Utility Transport	-Grumman
Transport	-Douglas
Transport, Small	-Beech
Trainer, Advanced	-North American
Trainer, Primary	-North American, Stearman, Spartan, Ryan

MANUFACTURERS  
BY TYPES

ASSIGNMENT OF MANUFACTURERS  
BY TYPES

271

Manufacturer	Type	Model designation		
		Commer- : cial	Navy	Army
Aircraft Research	Trainer, Basic, 1-eng.	-	-	XBT-11
Barkley-Grow	Trainer, Advanced, 2-eng.	TSP-1	-	-
Beech	Trainer, Advanced, 2-eng.	18-A	-	-
Beech	Transport, 2-eng.	-	JRG-1	C-45
Beech	Transport, 1-eng.	-	GB-1	-
Bell	Pursuit, Inter., 1-eng.	-	XFL-1	P-39, 310
Bellanca	Observation, S.R., 1-eng.	-	-	YO-50
Boeing	Bomber, Heavy, 4-eng.	-	-	B-17
Boeing	Bomber, Heavy, 4-eng.	-	-	B-40B
Brewster	Pursuit, Inter., 1-eng.	-	F2A-2	-
Burnelli	Subcontractor or licensee	-	-	-
Cessna	Trainer, Advanced, 2-eng.	T-50	-	-
Consolidated	Patrol Boat	-	PB2Y	-
Consolidated	Bomber, Heavy, 4-eng.	-	-	B-24
Consolidated	Bomber, Heavy, 4-eng.	-	-	B-40B
Curtiss (Buffalo)	Scout Observation	-	(SB2C (SO3C	-
Curtiss (Buffalo)	Pursuit, 1-eng.	-	-	P-40
Curtiss (St. Louis)	Pursuit, Inter., 1-eng.	-	-	B-40C
Curtiss (St. Louis)	Trainer, Advanced, 1-eng.	CW-23	-	-
Curtiss (St. Louis)	Trainer, Basic, 1-eng.	CW-22	-	-
Curtiss (St. Louis)	Transport, 2-eng.	CW-20	-	-
Douglas, Santa Monica	Bomber, Light, 2-eng.	-	-	A-20
Douglas, Santa Monica	Transport	-	-	C-39
Douglas, El Segundo	Scout Dive Bomber	-	SD-2	-
Douglas, El Segundo	Transport, 2-eng.	-	B3D-1	-
Engineering Research	Observation, S.R., 1-eng.	-	-	-
Fairchild	Trainer, Primary	-	-	PT-19
Fleetwings	Trainer, Basic	-	-	XBT-12
Grumman	Torpedo Bomber	-	XTBF-1	-
Grumman	Pursuit, Inter., 2-eng.	-	PSF-1	XP-50
Grumman	Pursuit, Fighter, 1-eng.	-	F4F-3	-
Grumman	Utility Amph., 1-eng.	-	J2F-1	-
Grumman	Utility Transport, 2-eng.	-	JRF	-
Kellett	Subcontractor or licensee	-	-	-
Lockheed	Bomber, Heavy, 4-eng.	-	-	B-40B
Lockheed	Pursuit, Inter., 2-eng.	-	-	P-38, P-58
Martin	Patrol Boat	-	(PBM (PB2M	-
Martin	Bomber, Med., 2-eng.	-	-	B-26
Mercury	Subcontractor or licensee	-	-	-
Naval Aircraft Factory	Trainer, Primary	-	N3N	-
Northrop	Pursuit, 1-eng.	-	-	B-40C
North American	Trainer, Advanced, 1-eng.	-	SNJ-2	AT-6
North American	Trainer, Basic	-	-	BT-14
North American	Bomber, Med., 2-eng.	-	-	B-25

ASSIGNMENT OF MANUFACTURERS  
BY TYPES  
(Continued - 2)

272

Manufacturer	Type	Model designation		
		Commer- : cial	Navy	Army
Pitcairn	Subcontractor or licensee	-	-	-
Republic	Pursuit, 1-eng.	-	-	P-44
Ryan	Observation, S.R., 1-eng.	-	-	YO-51
Ryan	Trainer, Primary	-	-	PT-20
Spartan	Trainer, Primary	NS-1	-	-
St. Louis Aircraft	Trainer, Primary	-	-	PT-15
Stearman	Trainer, Primary	-	-	PT-13, 17, 18
Stinson	Trainer, Advanced, 2-eng.	-	-	-
Stinson	Observation, S.R., 1-eng.	-	-	C-49
Vega	Subcontractor or licensee	-	-	-
Vultee	Pursuit, 1-eng.	-	-	B-40C
Vultee	Trainer, Basic, 1-eng.	-	-	BT-13
Vought-Sikorsky	Bomber, Torpedo	-	XBTU-1	-
Vought-Sikorsky	Observation, Scout, 1-eng.	-	OS2U	-
Vought-Sikorsky	Fighter, 1-eng.	-	XF4U	-
Vought-Sikorsky	Reconn. Amphib., 2-eng.	-	JRS-1	-
Waco	Trainer, Primary	-	-	PT-14
Arrow	Indeterminate			
Culver	Indeterminate			
Piper	Indeterminate			
Porterfield	Indeterminate			
Taylorcraft	Indeterminate			

273

273

NAVY ENGINE  
REQUIREMENTS

NAVY ENGINE REQUIREMENTS  
13,500 Airplane Program

Manufacturer and type	Fiscal year				Total
	1941	1942	1943	1944	
Wright: R-3350	-	168	101	-	269
R-2600	682	1,699	3,184	1,933	7,498
Tornado-2160	-	-	-	-	-
R-1820	392	862	1,397	1,461	4,112
R-1550	-	-	-	-	-
R-975	-	-	-	-	-
R-760	200	-	-	-	200
Total Wright					<u>12,079</u>
P & W: R-3130	-	-	-	-	-
R-2800	144	220	127	133	624
R-1830	216	361	627	667	1,871
X-1800	-	-	-	-	-
R-1340	267	33	96	133	529
R-985	402	457	694	440	1,993
Total P & W					<u>5,017</u>
Ranger: V-770	480	400	579	333	1,792
NAF: R-760	467	230	420	1,620	2,737
Lycoming: R-680	600	-	-	-	600
Continental R-670	600	-	-	-	600
	<u>4,450</u>	<u>4,430</u>	<u>7,225</u>	<u>6,720</u>	<u>22,825</u>

275

COMBINED A&I  
ENGINE REQUIREMENTS

COMBINED ARMY AND NAVY  
ENGINE REQUIREMENTS

276

50,000 Airplane Program

Manufacturer and type	Fiscal year				Total
	1941	1942	1943	1944	
Wright:					
R-3350	-	318	3,601	4,650	8,569
R-2600	957	6,949	9,184	7,183	24,273
Tornado-2160	-	-	-	-	-
R-1820	630	3,187	2,772	2,586	9,175
R-1550	-	-	-	-	-
R-975	62	156	250	187	655
R-760	200	-	-	-	200
Total Wright					<u>42,872</u>
P & W:					
R-3130	-	-	-	-	-
R-2800	144	3,807	5,752	6,470	16,173
R-1830	216	1,061	877	667	2,821
X-1800	-	-	124	250	374
R-1340	642	2,027	2,408	1,383	6,460
R-985	1,564	2,706	3,256	1,690	9,216
					<u>35,044</u>
Allison:					
V-1710	250	3,250	2,146	1,281	6,927
Continental:					
IV-1430	-	250	2,687	3,625	6,562
R-670	693	250	250	-	1,193
Ranger:					
V-770	480	400	579	333	1,792
L-440	125	312	125	-	562
NAF:					
R-760	467	230	420	1,620	2,737
Jacobs:					
R-755	250	250	250	-	750
Lycoming:					
R-680	694	250	250	-	1,194
Menasco:					
L-365	125	281	125	-	531
	<u>7,499</u>	<u>25,684</u>	<u>35,056</u>	<u>31,925</u>	<u>100,164</u>

277

ARMY ENGINE  
REQUIREMENTS

## ARMY ENGINE REQUIREMENTS

278

## 36,500 Airplane Program

Manufacturer and type	Fiscal year				Total
	1941	1942	1943	1944	
Wright: R-3350	-	150	3,500	4,650	8,300
R-2600	275	5,250	6,000	5,250	16,775
Tornado-2160	-	-	-	-	-
R-1820	238	2,325	1,375	1,125	5,063
R-1550	-	-	-	-	-
R-975	62	156	250	187	655
R-760	-	-	-	-	-
Total Wright					<u>30,793</u>
P & W: R-3130	-	-	-	-	-
R-2800	-	3,587	5,625	6,337	15,549
R-1830	-	700	250	-	950
X-1800	-	-	124	250	374
R-1340	375	1,994	2,312	1,250	5,931
R-985	1,162	2,249	2,562	1,250	7,223
Total P & W					<u>30,027</u>
Allison: V-1710	250	3,250	2,146	1,281	6,927
Continental: IV-1430	-	250	2,687	3,625	6,562
R-670	93	250	250	-	593
Jacobs: R-755	250	250	250	-	750
Lycoming: R-680	94	250	250	-	594
Menasco: L-365	125	281	125	-	531
Ranger: L-440	125	312	125	-	562
	<u>3,049</u>	<u>21,254</u>	<u>27,831</u>	<u>25,205</u>	<u>77,339</u>

ARMY ENGINE LOAD  
ALLISON

ALLISON  
ARMY ENGINE LOAD

280

50,000 Program

Engine type and airplane type	Fiscal year				Total
	1941	1942	1943	1944	
V-1710					
Lockheed, P-38, Pursuit, 2-eng.	250	1,250	500	-	2,000
Bell, P-39, Pursuit, 1-eng.	-	500	271	-	771
Bell, Model 310, Pursuit, 1-eng.	-	-	250	531	781
Curtiss, P-40-D, Pursuit, 1-eng.	-	1,500	750	-	2,250
Curtiss, P-40X, Pursuit, 1-eng.	-	-	375	750	1,125
Total	250	3,250	2,146	1,281	6,927

Nominal h.p. V-1710 is 1,000 h.p.

Approx. n.p. in thousands	250	3,250	2,146	1,281	6,927
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ARMY ENGINE LOAD  
FRATT & WHITNEY

PRATT & WHITNEY  
ARMY ENGINE LOAD

282

50,000 Program

Engine type and airplane type	Fiscal year				Total
	1941	1942	1943	1944	
E-3130					
No data					
E-2800					
Martin B-25, Bomber M, 2-eng.	-	2,712	2,750	2,750	8,212
North American B-28, Bomber M, 2-eng.	-	125	2,000	2,712	4,837
Republic P-44, Pursuit, 1-eng.	-	750	875	875	2,500
Total	-	3,587	5,625	6,337	15,549
E-1830					
Consolidated B-24, Bomber H, 4-eng.	-	700	250	-	950
X-1800					
Northrop B-40C, Pursuit, 1-eng.	-	-	62	125	187
Vultee B-40C, Pursuit, 1-eng.	-	-	62	125	187
Total	-	-	124	250	374
E-1340					
Curtiss (Bflo.) O-52, Obs. L & D 1-eng.	-	369	500	500	1,369
Curtiss (St.L.) CW-23, Trainer Adv., 1-eng.	125	375	500	250	1,250
North American AT-6, Trainer Adv., 1-eng.	125	1,000	1,062	375	2,562
Vultee BC-3, Trainer Adv., 1-eng.	125	250	250	125	750
Total	375	1,994	2,312	1,250	5,931
E-985					
Beech, C-45, Transport, 2-eng.	-	187	187	250	624
Barkley-Grow T&P-1, Trainer, Adv. 2-eng.	62	187	375	375	999
Beech, 18A, Trainer, Adv., 2-eng.	350	750	875	250	2,225
Stinson, X, Trainer, Adv. 2-eng.	125	625	750	250	1,750
North American, BT-14, Trainer, Basic, 1-eng.	375	125	-	-	500
Vultee BT-13, Trainer, Basic, 1-eng.	250	375	375	125	1,125
Total	1,162	2,249	2,562	1,250	7,223

PRATT & WHITNEY  
ARMY ENGINE LOAD  
(Continued - 2)

50,000 Program

Engine type and airplane type	Fiscal year				Total
	1941	1942	1943	1944	
Recapitulation:					
	Nominal h.p.				
E-3130	2500	-	-	-	-
E-2800	1500	-	3,587	5,625	6,337
E-1830	1000	-	700	250	-
L-1800	2000	-	-	124	250
E-1340	600	375	1,994	2,312	1,250
E-985	500	1,162	2,249	2,562	1,250
Approx. h.p. in thousands		-	-	-	-

204

284

ARMY ENGINE LOAD  
WRIGHT AERO

WRIGHT AERONAUTICAL CORPORATION  
ARMY ENGINE LOAD

285

50,000 Program

Engine type and airplane type	Fiscal year				Total	
	1941	1942	1943	1944		
<b>R-3350</b>						
Boeing B-40B, Bomber H, 4-eng.	-	50	2,250	2,650	4,950	
Consolidated B-40B, Bomber H, 4-eng.	-	50	500	1,000	1,550	
Lockheed B-40B, Bomber H, 4-eng.	-	50	750	1,000	1,800	
<b>Total</b>	-	150	3,500	4,650	8,300	
<b>R-2600</b>						
North Amer. B-26, Bomber M, 2-eng.	-	2,625	750	-	3,375	
Douglas A-20A, Bomber L, 2-eng.	275	2,500	5,000	5,000	12,775	
Curtiss (St.L.) CW-20 Transport, 2-eng.	-	125	250	250	625	
<b>Total</b>	275	5,250	6,000	5,250	16,775	
<b>Tornado-2160</b>						
No data						
<b>R-1820</b>						
Boeing B-17D, Bomber H, 4-eng.	-	1,450	250	-	1,700	
Grumman P-50, Pursuit, 2-eng.	125	500	625	625	1,875	
Douglas C-39, Transport, 2-eng.	113	375	500	500	1,488	
<b>Total</b>	238	2,325	1,375	1,125	5,063	
<b>R-1550</b>						
No data						
<b>R-975</b>						
Aircraft Research ZBT-11, Trainer B, 1-eng.	-	-	31	31	62	
Curtiss (St. L.) CW-22, Trainer B, 1-eng.	62	125	125	62	374	
Fleetwing ZBT-12, Trainer B, 1-eng.	-	31	94	94	219	
<b>Total</b>	62	156	250	187	655	
<b>Recapitulation:</b>						
	Nominal h.p.					
R-3350	2000	-	150	3,500	4,650	8,300
R-2600	1500	275	5,250	6,000	5,250	16,775
Tornado-2160	2000	-	-	-	-	-
R-1820	1000	238	2,325	1,375	1,125	5,063
R-1550	1500	-	-	-	-	-
R- 975	500	62	156	250	187	655
Approx. h.p. in thousands		-	-	-	-	-

ARMY ENGINE LOAD  
MISCELLANEOUS

MISCELLANEOUS COMPANIES  
ARMY ENGINE LOAD

## 50,000 Program

Manufacturer, engine type and airplane type	Fiscal year				Total
	1941	1942	1943	1944	
<u>Continental</u>					
IV-1430					
Lockheed, P-58, Pursuit, 2-eng.	-	250	2,250	2,750	5,250
Curtiss (Bflo.) P-40X, Pursuit, 1-eng.	-	-	375	750	1,125
Curtiss (St.L.) E-40C, Pursuit, 1-eng.	-	-	62	125	187
Total	-	250	2,687	3,625	6,562
E-670					
Stearman, PT, Primary Trainer, 1-eng.	93	250	250	-	593
<u>Jacobs</u>					
E-755					
Cessna E-50, Trainer, Adv., 2-eng.	250	250	250	-	750
<u>Lycoming</u>					
E-680					
Stearman, PT, Trainer, Primary, 1-eng.	94	250	250	-	594
<u>Menasco</u>					
L-365					
Ryan, PT-20, Trainer, Primary, 1-eng.	125	281	125	-	531
<u>Ranger</u>					
L-440					
Fairchild, PT-19, Trainer, Primary, 1-eng.	125	312	125	-	562

ENGINE MANUFACTURERS  
TOTAL LOAD

**ENGINE MANUFACTURERS  
TOTAL LOAD**

289

(\* Quantities on orders estimated from Treasury Dept. data)

Manufacturer and type		New American program (50,000)	Quantities now on order*	Combined
Wright:	R-3350	8,569	40	8,609
	R-2600	24,273	6,700	30,973
Tornado-	2160	-	-	-
	R-1820	9,175	3,300	12,475
	R-1550	-	-	-
	R-975	655	260	915
	R-760	200	-	200
	<b>Total Wright</b>	<b>42,872</b>	<b>10,300</b>	<b>53,172</b>
P & W:	R-3130	-	-	-
	R-2800	16,173	1,240	17,413
	R-1830	2,821	4,030	6,851
	L-1800	374	-	374
	R-1535	-	900	900
	R-1340	6,460	1,480	7,940
	R-985	9,216	590	9,806
	<b>Total P &amp; W</b>	<b>35,044</b>	<b>8,240</b>	<b>43,284</b>
Allison:	V-1710	6,927	4,184	11,111
Continental:	IV-1430	6,562	-	6,562
	R-670	1,193	-	1,193
Ranger:	V-770	1,792	-	1,792
	L-440	562	-	562
NAF:	R-760	2,737	-	2,737
Jacobs:	R-755	750	-	750
Lycoming:	R-680	1,194	-	1,194
Menasco:	L-365	531	-	531
		<b>100,164</b>	<b>22,724</b>	<b>122,888</b>



GROUP MEETING

June 6, 1940  
9:05 a.m.

Present: Mr. Bell  
Mr. Thompson  
Mr. Foley  
Mr. Graves  
Mr. Sullivan  
Mr. White  
Mr. Gaston  
Mr. Haas  
Mrs. Klotz

H.M.Jr: Listen, Mr. Bell --

Klotz: He has got it in the notes, is that all right?

H.M.Jr: That is all right. It is for my grandchildren. The President has ten; there is no reason why I can't look forward to one.

Bell: I thought he made it plural, didn't you?

Klotz: Yes. He has ten?

H.M.Jr: Yes, he has ten. Do you still feel the way you did on this memorandum last night, feller?

Bell: I feel about the same.

H.M.Jr: Now listen, I am not going to do what Bill Bullitt did, send a telegram saying Italy is going into the war on June 4th, see, but what I am going to say is that by Monday we will know whether this so-called Meuse-Aisne Line holds or doesn't hold, and the old man isn't going out on the limb between now and Monday afternoon.

Bell: Is not?

H.M.Jr: No.

Klotz: The old man isn't.

- 2 -

- H.M.Jr: No, sir. I think it is just plain suicide. If those babies can hold this thing, you will get a better rate and the thing goes. The thing that just makes me laugh, here you fellows recommend that I go off and take a note at 12/32 above par when I have been averaging giving them from 26/32 to a point in normal times.
- Bell: Twenty-four. Well, it is a small amount, and I think they would rather have the bond.
- H.M.Jr: Yes, but you fellows recommend, you and George Harrison, that I do a refunding in these times with only a 12/32 margin.
- Bell: I am not so particular about the type. I am afraid of the criticism you are going to take on the cash payments.
- H.M.Jr: Okay, I am afraid of the criticism of a failure.
- Bell: Well, I don't think --
- H.M.Jr: Seriously. I don't see how you fellows, you and George Harrison, can recommend when in normal times we have been averaging about 24 or 25/32 and in these days -
- (Mr. Gaston entered the conference.)
- H.M.Jr: Hello.
- Gaston: Good morning. I am sorry.
- H.M.Jr: That is all right. I don't see how you can recommend that we do one at 12/32. The bank cracked a little bit. What I say is, between now and Monday without trying to be too great a prophet, we will know whether the Meuse-Aisne Line holds or whether it doesn't hold, and if it does hold, I will go ahead Monday with my new financing, but I am not going to do anything Friday and Saturday. I think it is just an unnecessary risk.
- Gaston: Yes, probably so. They will probably give some

- 3 -

ground, and we will know whether it is going to be a disastrous break through or not.

Bell: And if they do break through, you pay off in cash?

H.M.Jr: Right.

Bell: How about bills? The bills will have to go then, today or next Wednesday. You are going to start those next week?

H.M.Jr: I won't do anything today. I don't want to tip my hand. I think, Dan, after you have thought it over, you will agree with me. I wish that you would have all the machinery set up and leave me a time table. I will make it a little bit easy. So we will say if we are going to do it, we will do a note, see, and leave me a time table in my hands tomorrow that you and I can go over so if you are away, for instance, and designate who will be here Monday and Tuesday, see. Who can I work with? That would make it a little easier, and I don't mind your sending out the machinery for a note.

Bell: We haven't sent out anything. We contemplated wiring all these things. We didn't know what it was going to be.

(Mr. Haas entered the conference.)

H.M.Jr: George, I can decide this morning or Monday afternoon, whether I will refund or pay off in cash. In other words, I can do it Friday and Saturday or I can do it Tuesday and Wednesday of next week.

Haas: I don't think there is any reason to rush yourself. I would be inclined to wait. I don't think there is any trouble at either time unless things break wide open, but you can always --

H.M.Jr: Well, they may.

Haas: You can always pay it off.

- H.M.Jr: That is what that bill is for.
- Haas: You have this situation; You have a good market - not a good market but an available market for short term securities but on the refunding they have to go through your right holders to get to that market, and that is the only problem here.
- Bell: That is right. I forgot about that.
- H.M.Jr: Well, Dan, all of these things - I have got to take - if you don't mind, my decision is I won't make up my mind until three o'clock Monday afternoon.
- Bell: It may be all right and the market may accept it in a grand style. I am just afraid -- there has already been some criticism about the mystery surrounding the 3-3/8.
- H.M.Jr: I am going to talk in my press conference perfectly plain.
- Bell: You mean today?
- H.M.Jr: Yes. I am going to say that I have held off making up my mind on account of this situation abroad, and that I could have made up my mind today, and I didn't feel - I want to take all the time necessary. Therefore, I am going to wait until three o'clock on Monday.
- Bell: That may help. You are going to say something that it may be paid off in cash if the situation warrants it?
- H.M.Jr: Yes. Paid off in cash or a refunding.
- Bell: That would help, I think.
- (Mr. Sullivan entered the conference.)
- H.M.Jr: Hello, Sullivan. What are you out of breath for?
- Sullivan: I am not out of breath.
- Klotz: Much.
- Sullivan: Not a bit.

Klotz: Out of gasoline.

H.M.Jr: Maybe your belt is a little tight.

Sullivan: No, sir, I had it let out yesterday.

Bell: I think I would stress, or at least intimate, that you don't know - you are not waiting because you have inside information or something like that. It might hurt the market a little.

H.M.Jr: But that is what I think, Dan, but leave it and fix it up and put the machinery - and who will be here on Monday?

Bell: Well, Kilby probably knows the ropes a little bit better, but I can delay my going.

H.M.Jr: You get the degree Tuesday, don't you?

Bell: Yes. I am supposed to be at the President's dinner Monday night, and I can miss that. It is unimportant, but I have accepted it.

H.M.Jr: What time is the dinner?

Bell: I don't know. I'll have to look. I think it is seven-thirty or something like that.

H.M.Jr: Well, in these exceptional times --

Bell: Well, let's cross that bridge Saturday.

H.M.Jr: Yes.

John, bring me up to date on the tax bill.

Sullivan: Well, yesterday morning the Ways and Means Committee met and after very lengthy discussion decided to turn the additional features of the bill over to the sub-committee, Mr. Cooper's committee. That committee met at two o'clock yesterday afternoon, and we were with them and after about two hours and three quarters --

H.M.Jr: You are sure of your time, now?

Sullivan: Yes, sir. They concluded to reduce the exemptions

from \$2,500 for married people to \$1,800 for married people; from a thousand dollars for single people to \$800 for single people. That was a unanimous decision. Then their experts whispered around that they had made all their estimates on the basis of \$2,000 so they reversed themselves on married people and moved it back up to \$2,000.

Bell: We got a break.

Sullivan: We had our estimates on \$1,800.

H.M.Jr: What do you mean, Dan?

Bell: Being a married man, we got a break.

Sullivan: We had made our estimates overnight under indication that they were going to \$1,800 and \$800. Then they got into a discussion --

H.M.Jr; Just a second, wait a minute. I want the radio on when Foley comes in. I am going to turn it on full blast.

Klotz: He may fool you and not come in.

H.M.Jr: That is right.

Klotz: No music.

H.M.Jr: Well, we will wait. Maybe there will be a little music. I want to give him a little music when he comes in.

White: I think what he will need is some crutches. He was playing tennis yesterday afternoon, for the first time in a year.

H.M.Jr: Oh, was he playing with you?

White: He ordered me to go out. He said he got orders from you to go out and he couldn't go out alone.

Sullivan: Then they had quite a long fight about credit for dependents. They wanted to have different rates at varying years and whether or not they were in school or not and we managed to --

- 7 -

- H.M.Jr: Can't help it, no music. I am sorry, Sullivan.
- Sullivan: That is quite all right.  
(Mr. Foley entered the conference.)
- Foley: Good morning, sir.
- H.M.Jr: I was going to work something. I was going to turn the radio on with a blast of music, but there was no music.
- Sullivan: Then they started in talking on the repeal of exemptions on state, municipal securities.
- H.M.Jr: Retroactive?
- Sullivan: On outstanding issues, and they wanted to know - and then they got into the field of Federal securities, too, and they wanted a statement from me and I told them I was in no position to give them such a statement.
- H.M.Jr: I am opposed to any retroactive thing.
- Sullivan: Yes, I understood that when I talked with you over the phone down in - when you were in Georgia. I would like a chance to discuss that with you.
- H.M.Jr: No, it is a moral issue with me.
- Sullivan: I don't think it is on the state, sir, I think it is on the Federal.
- H.M.Jr: I am only responsible for the Federals. I don't care what you do with the states.
- Sullivan: Then may I state to them that we are opposed to any taxation of interest on outstanding Federal securities but have no --
- H.M.Jr: No position.
- Sullivan: That we are not opposed --
- H.M.Jr: Say we won't take any position on the others, because you know what happened. They do the one; they do the other. My position is this:

I have issued these things, and the people have bought a piece of merchandise from me under certain conditions. Now, I am not going to change the rules until those things - we are on record on that over and over again. I feel very strongly about it.

Gaston: You could say in consideration on legal force --

H.M.Jr: You think it is the same thing?

Gaston: I think so.

White: I do too, I think the moral position is the same. I wonder, Mr. Secretary, whether in the light of the new situation you would care to reexamine our position, because I think a case can be made on moral grounds under present conditions to possibly modify the position somewhat.

Sullivan: May I point --

Foley: I feel very strongly that way too, Mr. Secretary. I think at this time we have a chance to fix up the tax system that perhaps we will never have again, and as long as we have a body of securities, the income from which isn't even recognized in determining the surtax rate, that is applicable to other income, I don't think that we have got a fair tax system.

White: The Secretary is raising other grounds. He is not raising the question of the expediency. I think he would go along with you unquestionably on that. Nor is he raising the question of tax justice. I think you are raising an important moral question of the faith in the conditions under which a bond was issued. That, I take it, is the grounds upon which you are placing it.

H.M.Jr: It is the contract.

White: You have said, "If you buy these securities, these securities are tax exempt," and the buyer has purchased them with the assumption that they will continue to be tax exempt until they are redeemed; and if you impose some tax on it, he takes the immediate rap because the face value drops to that amount.

H.M.Jr: Listen, that is the difference between United States and Henry Morgenthau, Jr., and Germany and what they are doing. Now, they issue certificates there. They recall them. They wipe them out, they change them, there is absolutely no morality on their finances.

White: That is right.

H.M.Jr: And then all of this thing because there is a war is eminent that I, as Secretary of the Treasury - listen, my name is on those certificates. I have signed those things. I have given my word, Henry Morgenthau, Jr.'s name is on every one of those things, and I told those people, "You buy them under such and such conditions." And now you are going to say to the fellow, "You bought this thing and this contract is going to be changed before it expires." Now, that is the kind of thing that they have done in Germany and do in Germany every single day. They not only issue them, but they cancel half of them and they do everything else with them. Now, there has got to be some sense of morality in the United States Treasury, and - just because there is a war on or a war eminent and so forth and so on, in the middle of a contract we are not going to change it. You might just as well change the - say you made a lease to a person in certain of the - a lease on oil and the fellow has got a right to use or cut timber or something else on eminent domain and in the middle of it you say, "Instead of paying me 50¢ a barrel, you pay me a dollar a barrel." What is the difference?

White: Mr. Secretary, there is an important difference. I think you make a very strong case --

H.M.Jr: What is the difference? Harold Ickes or Wallace sells wood - it is Wallace. He sells a contract, gives a man a right to graze sheep so much a head. In the middle of the contract, he says, "Twenty-five cents a head isn't enough; you pay me fifty cents a head." Is that what the United States Government is going to do? If you want to completely shoot this thing that I call confidence in Government credit, I don't know of any better way to do it than that. I

have said it before. It is something you have got, you don't know how you have got it, but you have got it. But you can lose it just like that.

Sullivan: But that doesn't apply, sir, in the case of state and municipal?

H.M.Jr: Now, John, don't tell me that. It is the same thing. It is boring from within and you do the same for the states, and then they have me on the hip and say, "You didn't do it for the states." I am not that dumb, John. Don't insult my intelligence, please.

Sullivan: Excuse me just a minute, sir. You would have --

H.M.Jr: I sit here and am perfectly willing that Mayor LaGuardia should give up the thing in New York and then if they do it, all right, every city has done it and then the Federal Government has to do it.

Sullivan: Excuse me, there is a contract between the Federal Government and the holders of Federal securities, but there is no contract between the Federal Government and the holder of a state and municipal security.

H.M.Jr: But there is a contract between Mr. John Smith or Mr. Finkelstein in New York and Mayor LaGuardia.

Sullivan: For state taxes, but not for Federal taxes.

H.M.Jr: All right, well then between Governor Lehman and so forth.

Bell: There is no contract, Mr. Secretary, but it is a custom of about a hundred years.

H.M.Jr: If I give ground on that and then they say, "Well, Morgenthau was perfectly willing to have it done on state and municipals, so if he is willing to have it done on that, why isn't he willing to have it done on the other?"

White: May I have a minute or two to present the other side, Mr. Secretary?

- 11 -

H.M.Jr: Sure, but I say that all of this stuff, I mean, there is nobody in Washington that I don't - I don't take second place to anybody. Nobody has done more on national defense than I have, nobody, but it is one thing to go out and get money and this idea of this whole business - this whole tax program - I mean, you fellows know where it started and everything else, and I will do anything to rearm this country or to raise the money or tax myself, but I am not going to break a contract that my name is on.

Sullivan: I am not asking you to do that.

H.M.Jr: Yes you are.

Sullivan: I beg your pardon, sir, I am not.

H.M.Jr: What are you asking?

Sullivan: I am asking you to consider the repeal of the exemption in favor of state securities, just as in the last Congress they repealed the exemption in favor of state employees, a custom that had prevailed just as long as the exemption in favor of interest on state securities.

H.M.Jr: And what are the states going to do?

Sullivan: What are --

H.M.Jr: Supposing I go along, what is the next move?

Bell: Going to tax the income from Federal securities.

H.M.Jr: Why, of course, absolutely.

White: The moral consideration is identical in both cases, Mr. Secretary, but it is that moral consideration that I would like to try to say something on the other side, because I think that is the crux of the case, that is, the sovereign right. When the Government issues a bond, it no more restricts its activities for the future any more than the Government, for example, hires an individual, pays him a certain salary, and he spends five, or ten, or

fifteen years of his life at that job, and then the Government decides by virtue of economy that they are going to reduce that man's salary or when it increases taxes on personal - private property --

H.M.Jr: Harry, that is the same theory that some Cabinet members have, that they have a lien on being in Cabinet.

Gaston: I think it is --

White: No, I think there is a slight difference.

Foley: Mr. Secretary --

H.M.Jr: I mean --

White: The salary may be an unfortunate --

H.M.Jr: My comparison is just one step more ridiculous than yours.

White: I think the analogy of the salary was an unfortunate one, but let me say that --

Klotz: Try again.

White: How about the case --

H.M.Jr: Yes, give Herbert a chance while you think up a better one.

Gaston: I think it is a capital levy, either taxation of the interests on any outstanding Federal or state securities. I wouldn't be opposed on the principle to a capital levy, but if we are going to have a capital levy, I say make it uniform for all classes of capital.

Foley: I like that.

White: But any increases and taxation on any fixed investment is equivalent to a capital levy. It doesn't mean that the sovereign power hasn't a right to increase taxes on income property. Whenever the state, for example, raises the property taxes --

- Gaston: But you don't have the complicating factor of a promise of the Federal Government --
- White: The promise is no more implicit - when a man buys a Government bond he always buys it with the implied restriction that he is not going to restrict the powers of the Federal Government to alter its tax policy. That always lies behind every contract which the Government makes. If you like a higher morality, it seems to me --
- Gaston: We issue a statement saying that these securities are exempt - against taxation and certain definite particulars.
- Foley: I am not advocating the tax of the income on outstanding securities. I am advocating the recognition of that income in determining the surtax that applies to the other income. It may be the same thing.
- White: I mean the effect is to --
- Foley: But there is no morality there.
- Sullivan: That is the second thing.
- White: That is point No. 2.
- Sullivan: You see, here is what brings this up, sir. They are lowering these rates to \$2,000 for married people, to \$800 for single people.
- H.M.Jr: Which I told them I was opposed to.
- Sullivan: All right.
- H.M.Jr: I told them I was opposed to that.
- White: To lowering the exemption rates?
- H.M.Jr: Yes, sir. Below a thousand dollars. I said that it is little enough.
- Sullivan: There are about 400 --
- H.M.Jr: I am opposed to it. I said I was against it.

Sullivan: There are about 450 million dollars in excise taxes that people of all classes are going to pay, most of which will be paid by the poor people. On the other hand, there are people like Barbara Hutton with about 40 million dollars that don't pay us anything in taxes because all of their income is in tax exempt securities. Now, there is that side of the moral issue.

H.M.Jr: Do you know what I am willing to do with Barbara Hutton and everybody else like that? But I want to do it openly. When the time comes that we need the money, I am perfectly willing to openly make a person declare what their net worth is, and then say, "We want 5% of it." Now, that is what I am willing to do when the time comes. I am going that way, and that has nothing to do with a contract and I am willing to say we need 5, 10, 20% of a person's net worth straight, right off the top, but that is open and above board.

Sullivan: Would you be willing to go this far --

H.M.Jr: When the time comes that it is necessary, I would be willing to advocate that right off the top.

Sullivan: Would you approve their writing into the law a tax that in the future we would tax the income from state and municipal securities?

Gaston: Of future issues?

Sullivan: That is right.

H.M.Jr: Sure, I have been on record on that since --

Gaston: Five years.

H.M.Jr: I made a speech on that the first year I was in the Treasury, '34.

Sullivan: How about Federal securities?

H.M.Jr: Absolutely.

Sullivan: Well, then, how about these bonds, are these

bonds going to be tax-free, the four billion that are contemplated in this bill?

- H.M.Jr: You are the first man that asked me that.
- White: The answer is yes - I mean, no, I mean in line with your policy, the answer should be no. It wouldn't be tax exempt.
- H.M.Jr: Harry, no more afternoons off for you.
- White: Let me whistle and put it differently. They should be taxed.
- H.M.Jr: These tax provisions which are now applicable and - you don't know me very well. We have these things and they are never personal, John, as you get to know me --
- Sullivan: Oh, I understand that, sir.
- H.M.Jr: But I feel this very deeply, these four billion dollars should not be exempt from surtaxes, which the note is now.
- Sullivan: Should they be exempt from normal taxes?
- H.M.Jr: That I don't know. I don't care. I mean, exempt --
- Sullivan: That is right.
- H.M.Jr: The note now is exempt on everything.
- Bell: Well, you had the privilege of making the tax exempt --
- H.M.Jr: Excuse me.
- Bell: The law is so written that you can issue fully taxable securities under that provision.
- H.M.Jr: Well, I wouldn't.
- Sullivan: You wouldn't?
- Bell: You can --
- H.M.Jr: I think the national defense tax -- the first

time a man has put it up to me, see, I certainly would make them pay the surtax. I would want to think a little bit about the rest.

White: That might be a very good place to start, on the four.

H.M.Jr: I was waiting for somebody to ask me about it, but certainly they would have to pay the surtaxes and on the normal tax, I would like to - I mean, this other thing I have been thinking about since '34, this question you have asked me.

Sullivan: After I had the talk with you on the phone in Georgia --

White: I think it will make your position stronger on the other, Mr. Secretary, if you would include this new issue all taxed. I think you could take a perfectly consistent position there.

Sullivan: And henceforth all Federal, state, and municipal securities.

White: No retroactive taxes and against all securities in the future.

Sullivan: From now on.

White: Yes.

Sullivan: Then instead of stating that the Treasury had no position, you would want me to state positively that the Treasury is opposed to any tax on outstanding issues on the interest from outstanding issues, whether state, Federal, or municipal, and that in the future you approve the repeal of the exemption in favor of state and municipal securities that were yet to be issued, that is, future issues, you felt that that interest should be subject to tax, you felt that all Federal securities yet to be issued should be subject to surtax, and you had not yet determined whether they should be subject to normal tax.

H.M.Jr: Say that again.

- 17 -

Foley: No, that is not quite far enough.

Sullivan: I am just restating what --

White: He is restating the Secretary's position.

H.M.Jr: Say it again.

Sullivan: That you are opposed to any tax on outstanding Governmental securities, whether they be Federal, state, or municipal.

H.M.Jr: Any change in the contract.

Haas: Anything retroactive.

Sullivan: We can't state it as a contract, because we don't have a contract.

H.M.Jr: Well, that is all right, go ahead.

Sullivan: With the states. All right, that you are in --

H.M.Jr: I mean, on the Federal we haven't got a contract.

Bell: Any change in the present system.

Sullivan: That is right. You are in favor of the repeal of the exemption insofar as it relates to future state and municipal securities.

H.M.Jr: Exemption of what?

Sullivan: Their exemption from taxation, the interest.

H.M.Jr: Yes.

Gaston: State, municipal, and Federal.

Bell: All of them.

Gaston: Future issues.

Sullivan: But he said he hadn't decided.

Gaston: That is just as to this particular issue, as

to whether under the present status of the law we should or should not issue these tax exempt.

Foley: That is an assumption, John, that the exemption is eliminated in the statute insofar as state and municipal issues are concerned.

Sullivan: I think they are going to write it into this very law.

Foley: And if they do, the Secretary is perfectly willing to issue his securities on the same basis that the state and municipal securities are issued, but if they don't change that exemption insofar as state and municipal securities are concerned, then he deserves the right to determine whether or not he makes his securities subject to normal taxes.

H.M.Jr: Now you know why he is my General Counsel.

White: With one exception that would apply to future sales of baby bonds. If that statement were made in that fashion, I think it would legitimately apply to the sale of any baby bonds from now on.

H.M.Jr: Well, change the rules on baby bonds.

Haas: Sure.

H.M.Jr: Everything.

Sullivan: If they are willing to appeal the exemption on state and municipals, then you are willing to repeal the exemption both as to normal --

H.M.Jr: John, you should have read some of my testimony. Get somebody to look it up. I have always said I will go with the states and municipalities, but I don't want to be in the position that I can't have tax exempts and let them have tax exempts.

Sullivan: I see.

H.M.Jr: So I will go with them whole-heartedly.

Sullivan: As to both normal and surtax?

- H.M.Jr: Right.
- Sullivan: All right.
- H.M.Jr: But not as to the other. I don't know whether anybody else agrees with me on this other thing. How do you feel, Bell? Are you and I together on this?
- Bell: On this statement, yes. You mean about surtaxes on the notes.
- H.M.Jr: On retroactive.
- Bell: Yes, I am with you on that.
- H.M.Jr: How about you, Herbert?
- Gaston: I am with you on it. I agree it is a capital levy, and it ought to be made general if we are going to do it.
- Klotz: I feel strongly on that.
- H.M.Jr: I am glad we had this meeting.
- Sullivan: I am soo, sir.
- H.M.Jr: Have you got any other thing?
- Sullivan: No, they are just milling along. They produced LaFollette's schedule yesterday and they thought it was great and Stamm read them the tough schedule under that which would raise 451 million and before he had read the increased tax in three different brackets, they were all groaning and said, "Stop, we don't want any more of that." I had a modified schedule that we are submitting to them this morning. It is about half way between. It will raise about 250 million additional. I think they are going to raise the corporation tax rate, too, sir.
- H.M.Jr: All right. Thank you.

TREASURY DEPARTMENT

310

INTER-OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

The rate for the British pound jumped more than 60¢ this afternoon, following reports from London that the British Government would officially announce tomorrow new foreign exchange decrees which will have the effect of abolishing the market for free sterling. The net gain for the day, however, was only 40¢, owing to a selling movement in the last few minutes of trading.

In a dull morning session sterling moved from an opening of 3.18-3/4 to a noontime quotation of 3.19-3/8. At that time a news report from London stated that "It is understood that new drastic foreign exchange regulations will be announced in London tomorrow which likely will have the effect of abolishing the free market for sterling and bringing all international transactions within the official rates." The dispatch also stated that this presumably would have the effect of blocking sterling balances, if not directly, at any rate, indirectly. The rate immediately moved upward to 3.45-1/2. In mid-afternoon, another London news dispatch appeared giving more details relative to the new foreign exchange regulations. The sterling rate thereupon rose to a high of 3.80 by late afternoon. It then fell back to close at 3.60.

These announcements were apparently the signal for commercial concerns to purchase free market sterling before regulations rendered such action impossible. In addition, there was probably some covering of short sterling positions by the New York banks. As indicated by the turnover figures, the supply of sterling came mainly from foreign banks, especially Far Eastern institutions. Selling orders from Hong Kong and Shanghai were particularly heavy late in the day and their execution caused the rate to decline sharply.

Sales of spot sterling by the six reporting banks totaled £580,000, from the following sources:

By commercial concerns.....	£ 40,000
By foreign banks (Far East, Europe and South America).....	£540,000
Total.....	£580,000

Purchases of spot sterling amounted to £683,000, as indicated below:

By commercial concerns.....	£586,000
By foreign banks (Europe, South America and Far East).....	£ 97,000
Total.....	£683,000

Spot sterling in the amount of £19,000 was purchased from the British Control at the official rate of 4.03-1/2 by the following banks:

£10,000 by the Guaranty Trust Company (for rubber)
<u>9,000</u> by the Bank of Manhattan (for rubber and whisky)
£19,000 Total

- 2 -

The French franc moved with sterling. From a noontime quotation of .0181-1/4, it rose to a high of .0215-1/2 and closed at .0204-1/4. It was reported that very little business was transacted in that currency.

The other important currencies closed as follows:

Swiss francs	.2240
Canadian dollars	20-1/4% discount
Lira	.0505
Reichsmark	.4000

The Cuban and Mexican pesos were unchanged at 10-9/16% discount and 1672 respectively.

The yuan in Shanghai was quoted at 5-5/16¢, up 1/16¢.

There were no gold transactions consummated by us today.

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

\$ 6,097,000 from England, shipped by the Bank of England, to be earmarked for its account.

5,626,000 from Brazil, shipped by the Bank of Brazil, to be earmarked for its account as fiscal agent of the Brazilian Government.

\$11,723,000 Total

The Bombay gold price was equivalent to \$35.80, off 6¢.

Spot silver in Bombay was unchanged at the equivalent of 44.47¢.

In London, spot silver was fixed at 23-3/8d, up 5/8d. The forward quotation was 22-3/16d, up 7/16d. The U. S. equivalents, calculated at the open market rate for sterling this morning, were 33.58¢ and 31.63¢ respectively. On the basis of the official sterling-dollar quotation, spot silver was equivalent to 42.50¢.

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

We made three purchases of silver totaling 350,000 ounces under the Silver Purchase Act. Of this amount, 200,000 ounces represented a sale from inventory, and the remaining 150,000 ounces consisted of new production from foreign countries, for forward delivery.

**CONFIDENTIAL**

June 6, 1940

Mr. Charles Bell

Mr. Cochran

No one of the consular posts listed in the attached communication from the State Department is of interest in connection with the operation of the Stabilization Fund.

I recall from my experience at Paris that the Treasury was largely responsible for the reopening of the consular office at St. Pierre-Miquelon, so I presume our Customs officials will desire to consider carefully the proposed abolition of this office.

If the Treasury Department contemplates keeping a staff at Bordeaux indefinitely, the present affords us an opportunity to suggest a classification for Bordeaux which would entitle our people there to receive increased allowances. Reports from the Treasury people in Bordeaux indicate that the cost of living there has increased for them, due in part to the lack of living quarters for the increased population, and indirectly to expenses which the Treasury people still are obliged to bear with respect to household effects left in Paris.



TREASURY DEPARTMENT

313

INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

I talked by telephone with Mr. Livesey in the Department of State this morning. He stated that after our conversation on June 4 (reported in my memorandum of June 5) he had told his colleagues in the Department of State of the Treasury's position with respect to the Canadian draft agreement. Mr. Livesey now informs me that Mr. Wailes, the State Department officer in charge of the Canadian desk, has reported that Assistant Secretary Berle and also Secretary Hull have approved the text of the draft, as amended by Treasury Department suggestions. The State Department will now submit the draft to the Canadian officials, and will let us know of the results. Mr. Livesey stated that if the Treasury Department desired to submit a letter, as we had intimated the other day, to put on record our position with respect to the agreement under reference, this might now come forward. On the other hand, Livesey did not think such a letter necessary, considering the fact that really no arrangement was being made with Canada which would restrict the Treasury's freedom in imposing exchange control in the future.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Knoke told me by telephone this afternoon that he had received a cablegram from the Bank of England in regard to the proposed arrangement for signing of accounts with the Federal Reserve Bank by Lord Lothian and Mr. Osborne. He is to send us a copy of the message.

Mr. Knoke told me that today the Credito Italiano withdrew \$120,000 from the Irving Trust. The Banco Commerciale Italiano drew two checks on the National City Bank in favor of the Yokohama Specie Bank totaling \$268,000.

The Banco Credito Italiano drew a check on the Irving Trust for \$250,000. It also drew a check on the National City Bank, payable to the Yokohama Specie Bank for \$144,000.

The Credito Italiano drew two checks on the National City Bank, payable to Post and Flagg, each for \$524,000, presumably to be used in supporting Italian bonds on the New York market.



TREASURY DEPARTMENT

315

INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Pinsent telephoned me at 6 p.m. to the effect that he had just received a cablegram from London requesting that Secretary Morgenthau be informed that the British Government will on June 8 make an announcement in regard to the program of measures on which the Secretary of the Treasury had been consulted last week.

The message was dated London, 7:10 p.m. today.

When Pinsent had called on me earlier in the afternoon he knew nothing of the rise in sterling today and was not aware that reports were out as to prospective British action over the weekend, until I showed him the Dow Jones items on this subject.



## TREASURY DEPARTMENT

316

## INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Pinsent called on me by appointment at 3:30 this afternoon. I told him that we still expected an order to be issued shortly in regard to the importation into and sale within the United States of securities that may have been seized in invaded territory. I told him further that we hoped to have the matter of opening a British Government account with the Federal Reserve Bank of New York settled shortly.

Mr. Pinsent is leaving Washington Sunday afternoon to meet Mr. Osborne of the Bank of Canada in New York. The two of them will then visit the Federal Reserve Bank of New York in regard to the question of authority for Lord Lothian and Mr. Osborne to sign for Bank of England funds, in certain circumstances. Pinsent hopes that it will be possible for the Ambassador to name an alternate to sign for him.

Mr. Pinsent has asked Mr. Osborne to meet him in New York, but added that he was sure Mr. Osborne could arrange to come on to Washington for a visit if the Secretary of the Treasury might desire this. I told Mr. Pinsent that I was not aware of any subjects which Secretary Morgenthau might care to discuss just now with Mr. Osborne, but that I would mention the matter to the Secretary.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

After Mr. Basil Harris had given me information this afternoon in regard to a change in the schedule of the S. S. Washington, I telephoned Dr. Somary, the Swiss Banker, and let him know that the Washington is likely to leave Bordeaux tomorrow for Lisbon, instead of Genoa. I added that the present belief was that the Washington would not enter the Mediterranean, but would proceed from Lisbon to the United States, perhaps touching at Irish ports to take on American refugees. Again I reiterated that the information which I had given previously, and was now offering, was entirely tentative. He understood this, and stated that he would telephone President Weber of the Swiss National Bank this evening to give him this latest report, for the guidance of the Swiss in deciding the best means of shipping more gold out of Switzerland to the United States. Recently the Swiss have sent some gold from Locarno, Switzerland to Barcelona, Spain, by airplane, and thence to Lisbon to make connection with the Clipper.



TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau  
FROM Mr. Cochran

**STRICTLY CONFIDENTIAL**

Mr. Irigoyen, formerly Financial Counselor of the Argentina Embassy in the United States, telephoned me at 3 p.m. from Buenos Aires today. He was seeking the latest news on the American markets, and particularly with respect to the rise in sterling today.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

Mr. Leroy-Beaulieu, Financial Counselor of the French Embassy, has provided me with the attached memorandum, apparently resulting from French interception of a cablegram.

This document is being passed on to the officers in the Division of Foreign Funds Control.



FROM BECKSHER (IRVING H. SHERMAN) BERLIN

To CHEMSAM (CHEMICAL BANK & TRUST CO.) NEW YORK

date 11/3/40 - ENGLISH - NOT CODED W/T

Thirty thousand is payment on account REDSTAR legal services. You have to pay balance later on or recover 3,000 or part thereof depending upon financial state company final liquidation. Could loan be made to GOLDDISKONTOBANK (? or other) REICHSBANK affiliate. KOLLMAR anxious accomodate REICHSBANK who wishes protect certain foreign investments by transfer or hypothecating to you. Amount involved three million dollars which would be a loan to one firm and equal deposit from another with securities as primary collateral and cash secondary.

C O P Y

June 6, 1940  
2:45 p.m.

H.M.Jr: Hello.

Operator : Admiral McIntire.

H.M.Jr: Hello.

Adm. Ross T.  
McIntire: Yes, Mr. Secretary.

H.M.Jr: He's not in. This is Henry talking.

McI: Oh, I'm sorry. I thought you worked until 4:30.

H.M.Jr: No, no.

McI: Oh, I see. That's all right.

H.M.Jr: Well, the Secretary works until 4:30.

McI: I see.

H.M.Jr: Then I take over.

McI: Well, that's different. Well, what's on your mind, Henry.

H.M.Jr: Well, just this. I got a letter which my father sent me from the Mt. Sinai Hospital in New York.

McI: Yes.

H.M.Jr: And they, in the World War, sent a hospital unit over to France .....

McI: Yes.

H.M.Jr: ..... and they want to do it now and I don't know where to begin to help them. Everybody it seems has turned them down, and I wondered if you'd help me out.

McI: What have they done up to this point?

- 2 -

H.M.Jr: Well, they've written to the Surgeon General and .....

McI: Well, of course, that doesn't help. None of that -- nothing helps there. What about the French Red Cross?

H.M.Jr: I don't know if they've done anything about the French Red Cross.

McI: Well, why don't you do this, Henry. Why don't you ask Norman Davis, or no, better than that, get Mr. Swift over in our Red Cross, you know, he handles all that foreign stuff and he can give you the exact dope on that.

H.M.Jr: Yeah.

McI: Now, that's the way I'd do it. I think he can give you some good advice on it.

H.M.Jr: I see. You think that's the way to do it.

McI: I think you'll get -- I think you'll get more -- or if you'd like to have me do it, I'll get you the information.

H.M.Jr: Well, if you would .....

McI: I'll be very glad .....

H.M.Jr: ..... I mean, what I'd like to know is, they've been in touch with the War Department .....

McI: That's no help.

H.M.Jr: I mean, if could tell Swift that the Mt. Sinai Hospital is ready and anxious to send over a hospital unit.

McI: Right. They want to do that in France?

H.M.Jr: Yes.

McI: All right, fine. I'll get you the information.

H.M.Jr: Right.

- 3 -

McI: Right you are.

H.M.Jr: And other hospitals, I gather -- I'm looking at this thing now -- have been appointed, but they've left Mt. Sinai out.

McI: Oh, is that so?

H.M.Jr: Yeah.

McI: Well, that's

H.M.Jr: That -- that's the point.

McI: Oh, well, all right. Let me look into that. Yes, I'll get .....

H.M.Jr: .....

McI: I don't blame them a bit because they have one of the best professional groups in the city on that staff.

H.M.Jr: Yeah, the other hospitals, I'm just reading, Presbyterian, New York Post-Graduate and a couple of others have been -- Bellvue -- and Mt. Sinai was not approached.

McI: O. K. I see. I'll get you all the information.

H.M.Jr: And they're ready to do.

McI: Right. Well, now take it easy, Henry, and don't overdo it over there.

H.M.Jr: Well, I'll try not to.

McI: (Laughs) All right. I'll give you the word.

H.M.Jr: Thank you.

June 6, 1940

Under Secretary Bell

Mr. Cochran

## STRICTLY CONFIDENTIAL

At the request of Mr. Leroy-Beaulieu, the French Financial Counselor in New York, the French Embassy in Washington has forwarded to me, without comment, the attached memorandum in regard to a concern known as "Rembourseur Industrie Bank" which is controlled by French private groups. It will be noted that the French Government requests that this concern be enabled to dispose freely of funds which it has on deposit with three American banks.



Washington, June 5, 1940

The Dutch society "Remboursen Industrie Bank" of Amsterdam is controlled by French private groups, of which the most important is the "Union des Mines". The deposits it has in American banks, Chase National Bank of the City of New York, Guaranty Trust Company of New York and First National Bank of Boston, are almost entirely made up of funds, the property of either the groups mentioned above, or of industrial enterprises of the French State.

Even before the invasion of Holland, and in view of that eventuality, the necessary measures had been taken to annul the signatures, mostly Dutch, that existed at that time and to replace them by signatures of French personalities residing in France, to which has been added the signature of the Director of the "Remboursen Industrie Bank", as soon as the latter was able to return to France.

In pursuance of the regulation put into force by the Government of the United States, the "Remboursen Industrie Bank" cannot dispose of its deposits in the United States until it has obtained, for each withdrawal, an official authorization.

The strict application of that quite justified regulation would result, as far as the "Remboursen Bank" is concerned, in paralyzing the activity of the industrial groups dependent on the French Administration, particularly

....

of the General Direction of Mines.

Consequently, the French Government would greatly appreciate that a derogation to restrictions in force be granted to the "Dutch Society Remboursement Industrielle Bank" in order to enable the latter to dispose freely of the funds on deposit in the 3 above mentioned American banks. It goes without saying that the French Government gives all guarantees that these funds will not be employed in any manner capable of favoring the interests of the invaders of Holland./.

C O P Y

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE June 6, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

## STRICTLY CONFIDENTIAL

The attached memorandum was received from an officer in the American Consulate General at Vienna by one of my colleagues in the Department of State, and transmitted to me by Mr. Livesey.



## MEMORANDUM

Exchange Quotation Dollar Notes Against Checks.

According to information obtained from the Creditanstalt-Bankverein Vienna, (the largest bank in the Ostmark), the value of Dollar notes as compared with dollar checks has increased considerably in the past week (May 9 - 16, 1940). A week ago, the value of dollar notes was about 108 per cent of the value of dollar checks or cable transfers; yesterday this relation increased to 118 percent in favor of notes, and today it has gone up to as much as 130 per cent, at the opening of business this morning. The market for these transactions is Switzerland, where dollar notes against checks have been exchanged today in the afternoon at the rate of \$123.00 checks against \$100.00 actual paper notes.

This appreciation of dollar notes against checks of the same currency seems to be due to the fact (it is explained in Vienna banking circles) that the pound sterling has lost much of its character as an international means of exchange during the last few days, as have the currencies of Netherlands and Belgium. As, however, the demand for some world wide means of exchange is now probably even greater than ever before, the dollar note is taking the place of these currencies. The lower rate of the dollar check as compared with notes, it is said, does not by any means indicate that the prospective purchaser doubts the value of the check itself, but rather hesitates to take the risk of losing the check between purchase and presentation for cashing in the States on account of war conditions. The official quotation of the German Reichsbank of RM 2.80 for dollar notes as compared with only 2.498 for checks does not seem to give full weight to the development during the last few days on such free markets as Zurich, as it indicates a relation of only 12 per cent more for notes than checks.

May 16, 1940.

C O P Y

## DEPARTMENT OF STATE

WASHINGTON

June 6, 1940

My dear Mr. Secretary:

I enclose a statement of the position of the Belgian Government, as given to this Department by the Belgian Ambassador.

This Department takes the view that, for the time being, the government of Belgium is being carried on by the Belgian Government functioning in Paris. It has taken note of the fact that, the King being prisoner, his powers and duties devolve upon the Cabinet. It is not understood that the King has undertaken to set up any new Government. There would, therefore, appear to be no change in continuity of the Belgian Government, and no question of negotiation is presented.

Sincerely yours,

For the Secretary of State:

(Signed) Sumner Welles  
Under Secretary

Enclosure:  
Statement

The Honorable

Henry Morgenthau,

Secretary of the Treasury.

(COPY)

## DEPARTMENT OF STATE

## Memorandum of Conversation

Date: May 28, 1940

SUBJECT: Status of Belgium

PARTICIPANTS: The Belgian Ambassador, Count van der Straten-Ponthoz;  
M. Theunis;  
Mr. A. A. Berle, Jr.

COPIES TO: S, U, EU

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The Belgian Ambassador and M. Theunis, accompanied by Mr. Moffat, came in to see me, at their request. They had hoped to see Mr. Welles, but were unable to do so.

Both, and particularly M. Theunis, were obviously in a high state of agitation.

They handed me the attached statement announcing that M. Pierlot considered that the surrender of the King of the Belgians was contrary to the views of the Belgian government, and that the government proposed to carry on the war.

I asked what they considered was the present status of the Belgian government.

-2-

The Ambassador answered that they considered that the Belgian government was intact, and was functioning at Paris. The King was now a prisoner and therefore could not now exercise his rights as king. For the time being, all constitutional rights and powers devolved on the government.

The Belgian constitution provided that in such case Parliament should be assembled and a regent appointed. Plainly, Parliament could not assemble. By consequence, it was expected that the government would carry on.

M. Theunis was bitter at the French for casting the whole blame of the northern defeat on the Belgians, adding that it was not the Belgian line that had broken, but the French line, at Sedan. It was like the French, he said, to take all the credit if things went well and blame their neighbors if things went badly.

He was likewise critical of the King.

I said that we were slow to pass judgment here, knowing of the great strain; but that we sympathized with their difficulties, and took note of his declaration. It appeared, during the course of the conversation, that the two gentlemen had been in touch with the Belgian Ambassador at London; and with the Belgian Minister of Finance in Paris, from whom they had

- 3 -

confirmation of the fact that the Belgian government had unanimously determined against the King's capitulation, but he had capitulated, in any event. His excuse was that the Belgian army was now without rations and almost without ammunition.

A. A. Berle, Jr.

(COPY)

Statement of the Belgian Ambassador

May 28th, 1940.

The Belgian Embassy has received confirmation of the declaration of the Belgian Prime Minister, Monsieur Pierlot, affirming that the capitulation of the Belgian Army, signed by the King, was contrary to the views of the Belgian Government, which is determined to carry on the fight against the aggressor. All the members of the Government are unanimous in making this declaration. The French and English Governments continue their collaboration with the Belgian Government under the Premiership of Monsieur Pierlot. The Belgian Embassy has brought these facts to the attention of the American Government.

JR

PLAIN

London

Dated June 6, 1940

Rec'd 1:20 p.m.

Secretary of State,  
Washington.

1525, June 6.

FOR TREASURY FROM BUTTERWORTH.

No comment is required on the projected structural changes in the British exchange control, which also entail the blocking of British securities in the ownership of American citizens not resident in the United Kingdom, as the British Treasury states prior consultation and acceptance was obtained in Washington some time ago.

The following is the proposed press notice which is to be published on the 8th, the new regulations to take effect on the 10th:

"Important steps have been taken by His Majesty's Government in continuation of the policy of basing foreign trade on the official rate of exchange and of limiting the volume of transactions in the free market for sterling.

1. For the time being no licenses will be given for the sale in the United Kingdom of securities owned by persons resident outside the sterling and franc areas. (see my 1166, May 10, paragraph 4 ).

2. By

-2- #1525, June 6, from London.

2. By an Order in Council amending the Defence Finance Regulations 1939 all exports from the United Kingdom to the United States of America and Switzerland will have to be paid for in sterling obtained from the exchange control at official rates or else in United States dollars or Swiss francs respectively. Exchange will normally be provided in their own currencies to residents in the United States of America and Switzerland in respect of commercial and current financial payments (including interest and dividends) due to them.

3. As regards transactions with other countries outside the sterling and Allied areas, broadly the same effect will be achieved by extending the system of payments agreements and special accounts (see my 644 of March 14, paragraphs 2 and 3), which enables settlement to be effected in sterling through official channels at official rates.

4. The regulations requiring payment for exports of jute, rubber, tin, whiskey, furs and diamonds to certain countries (Belgium, Belgium Congo, Netherlands, Netherlands Empire and countries of South and Central America) to be obtained in certain specified foreign currencies (or in sterling obtained from the exchange control against those currencies) have now been revoked in

the

-3- #1525, June 8, from London.

the case of exports to countries other than the United States and Switzerland.

5. Similar arrangements have been or will be made by other countries in the sterling area.

The above measures will further reduce the volume of sterling that can be dealt in on foreign markets and will enable our foreign trade to be conducted on the basis of sterling at the official rate. This will ensure the benefit of a stable rate, both to ourselves and to the countries with whom we trade. It will moreover ensure that full value is received for our exports, either in the form of imports into this country, or in the form of currencies which are urgently required for the payment for materials, foodstuffs and munitions essential to the prosecution of the war.

It should be added that the United Kingdom's trade with the sterling area, viz., the British Empire (excluding Canada, Newfoundland and Hong Kong) plus Egypt, the Anglo-Egyptian Sudan and Iraq, is of course conducted in sterling, and no question of exchange arises. With Canada, an agreement having the effect of a payments agreement is already in operation."

As regards (3) above the British Treasury states it intends to invite the Balkan and South American countries  
and

-A- #1525, June 6, from London.

and Japan to conclude payments agreements similar to those already made with the Argentine and Sweden and now practically concluded with Rumania. It is planned that if agreement cannot be reached before the end of this month to impose unilateral clearings and of course that will be the threat to facilitate negotiations.

As regards (2) I inquired whether contracts made prior to the coming into force of the regulations would be permitted to be fulfilled by unofficial market sterling and was informed that the machinery to this end would be instituted whereby the genuineness of such contracts could be proved.

The British officials concerned with the administration of exchange control seem to be of more than one mind as to the effect on the unofficial market rate of the imposition of these regulations but it seems clear that the freedom with which pre-regulation contracts can be paid for in unofficial sterling will greatly affect the immediate demand and that the manner in which the announcement of these regulations is received in non-sterling area places such as Shanghai, where there are large holders of sterling balances, not now to be blocked, will greatly affect the supply.

KENNEDY

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HSM

MA

GRAY

Berlin

Dated June 6, 1940

Rec'd 10 p.m.

Secretary of State

Washington

1700, June 6, 4 p.m.

My number 1385, May 17, 5 p.m.

FOR TREASURY FROM HEATH AND ALSO FOR THE INFORMATION  
OF THE DEPARTMENT.

According to the official statement which has just appeared the long term debt of the Reich increased during February by 554 million marks which added to the 1,685 million marks increase in short term debt reported in my telegram under reference makes a total increase in the Reich debt during February of 2,239 million marks. This is the highest increase in government debt in any month since October when it amounted to 2,483 million marks. From November through January the average month increase in debt had been only 1,823 million marks. As in previous months outside of an increase of 19.5 million marks in the Rentenbank loan practically the entire rise in long term debt during February was in the form of li-loans.

The total disclosed debt of the Reich on February 29th amounted to 49,803 million marks of which 27,749

was

MA -2- tel # 1700 . June 6, from Berlin.

was on long term and 22,059 on short term (including tax certificates).

HEATH

KLP

JT

GRAY

PARIS

Dated June 6, 1940

Rec'd 4:18 p.m.

Secretary of State,  
Washington.

1051, June 6, 1 p.m.

FOR THE TREASURY.

A decree published in today's Journal Official appoints Yves Bouthillier as Finance Minister to replace Lucien Lamoureux. Bouthillier is a civil service official who has passed most of his career in the Finance Ministry, having occupied the post of Secretary General since November 2, 1938. Other positions which he had held include those of Director General of the Indirect Taxation Service, Director of the Budget, and Director of Finances of the Department of the Seine.

The fact that Reynaud has chosen a career official rather than a member of Parliament as Minister of Finance may be considered as indicating his desire to increase his control over the activities of the Ministry.

BULLITT

KLP

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1940 JUN 7  
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JT

GRAY

PARIS

Dated June 6, 1940

Rec'd 5:40 p.m.

Secretary of State,  
Washington.

1062, June 6, 6 p.m.

FOR THE TREASURY DEPARTMENT

The market was fairly firm today and most French securities registered slight advances. Suez gained 650 points.

The Bank of France statement for the week ended May 30 shows an increase in commercial advances of 296 million francs. The Treasury drew upon its advance account with the bank in the amount of 5,990 million francs thereby increasing the total amount of such advances to 32,600 million. Bank note circulation increased by 4,157 millions. The total circulation on May 30 therefore amounted to 170,853.millions.

BULLITT

KLP

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GRAY

Milan

Dated June 6, 1940

Rec'd 1:25 p. m.

Secretary of State,  
Washington.

58, June 6, 5 p. m.

Today's market index 217.70. Volume 66,375.

Most quotations recovered slightly in quiet trading  
possibly due to coverage speculative sales.

SCHNARE

HPD

General Ruling No. 5 under Section 5(b) of the Act of October 6, 1917 (40 Stat. 411), as amended, Executive Order No. 8389 of April 10, 1940, as amended, and Regulations issued pursuant thereto, and under all other authority of law.

June 6, 1940.

The sending, mailing, importing or otherwise bringing into the United States, on and after June 7, 1940, from any foreign country, of any securities or evidences thereof or the receiving or holding in the United States of any securities or evidences thereof so brought into the United States is prohibited, except on condition that such securities and evidences thereof be immediately delivered for examination to a Federal Reserve bank as fiscal agent of the United States. Such Federal Reserve bank, as fiscal agent of the United States, shall hold such securities and all evidences thereof until the Treasury Department is satisfied as to whether or not any of the countries named in Executive Order No. 8389, as amended, or any national thereof has at any time on or since the dates specified in such Order, as amended, had any interest of any nature whatsoever, direct or indirect, in such securities or evidences thereof. Proof as to whether or not any of such countries or any national thereof has had any such interest may be submitted to the Federal Reserve bank holding such securities or evidences thereof.

Customs officers and postal employees are instructed to deliver any such securities or evidences thereof to a Federal Reserve bank. Any articles arriving from any foreign country on or after June 7, 1940, which in the opinion of customs officers or postal employees contain such securities or evidences thereof, shall be subjected to customs inspection in accordance with the Customs Regulations of 1937. If any article opened by an addressee or his agent in the presence or under the supervision of a customs officer or postal employee is found to contain such securities or evidences thereof, such securities or evidences thereof shall be surrendered forthwith to such customs officer or postal employee for delivery to a Federal Reserve bank, as above provided.

  
Secretary of the Treasury.

APPROVED: June 6, 1940.



June 6, 1940

MEMORANDUM FOR THE PRESIDENT:

I assume from the first sentence of your memorandum of June 6 that you intended to approve the General Ruling which has been prepared relative to the importation of securities. Would you be good enough to indicate your approval by signing the General Ruling at the feet thereof.

We have also been considering with the SEC the other question mentioned in your memorandum, namely, requiring affidavits of ownership of securities. We are continuing to study the problem and we hope to be able, in the near future, to submit something to you concerning the matter.

(Signed) H. Morgenthau, Jr.

THE WHITE HOUSE  
WASHINGTON

June 6, 1940.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I approve the proposed general ruling in regard to securities hereafter imported from certain countries.

In addition to the provisions of this ruling, I think the Treasury or the S.E.C. or the Federal Reserve Board, or all of them, should require sworn affidavits relating to ownership for at least one year past in the case of any and all securities, public and private, which require to be transferred on the books, i.e., negotiable securities rather than bearer securities.

F. D. R.

THE SECRETARY OF THE TREASURY  
WASHINGTON

THE WHITE HOUSE

JUN 5 1940 PM '40  
RECEIVED

MEMORANDUM FOR THE PRESIDENT

Annexed is a general ruling to be issued pursuant to the existing Order and Regulations imposing certain "freezing" control.

The proposed ruling will require all securities imported into the United States to be forwarded to a Federal Reserve bank to be held there until the Treasury Department is satisfied that such securities have in effect not been taken from the invaded countries by an aggressor.

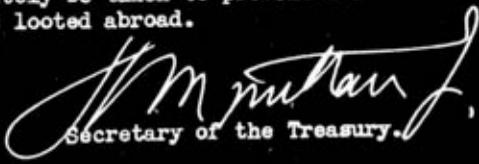
We have been informed that a great many securities in bearer as well as in registered form have been thus seized by the aggressor and we have been asked by the British, French and the Dutch to take action to prevent such looted securities from being liquidated in our markets. I believe that the proposed general ruling will be very helpful in thus carrying out the purposes of the existing freezing control.

With respect to the mechanics of administering such control, I might point out that it will be effected in a manner comparable to the present controls of dutiable articles, narcotics and obscene literature. Customs would include in its regular examinations search for securities. Post Office would segregate those letters which by their bulk might contain securities and the addressees of such mail would be asked to open the letters in the presence of a postal employee. There would be no mail censorship. Any securities thus found would be forwarded to the Federal Reserve bank. It is anticipated that it will not be necessary to make any examinations for securities coming from England, France, or Canada, since such countries already take action which would preclude looted securities from coming to us through such channels.

The ruling has the approval of the Attorney General, SEC, and the State and Post Office Departments.

If you agree, kindly indicate your approval by signing at the bottom of the general ruling.

We are also considering, together with other interested Departments, other lines of action that may appropriately be taken to prevent the liquidation in our country of securities looted abroad.

  
Secretary of the Treasury.

THE SECRETARY OF THE TREASURY  
WASHINGTON

JUN 6 1940

MEMORANDUM FOR THE PRESIDENT:

The British Government, fearing that Germany may inspire litigation in this country for the purpose of tying up British Government funds here, is anxious that British Government funds held at the Federal Reserve Bank of New York be held in the name of the British Government rather than in the name of the Bank of England. The British Government has been advised by American lawyers that through such procedure the possibility of British Government funds being tied up is reduced, because of the immunity from suit enjoyed by a foreign government's property.

The Dutch Government has also requested that certain of the accounts held by the Federal Reserve Bank of New York in the name of the central bank of the Netherlands be transferred into the name of the Netherlands Government.

The Federal Reserve Bank of New York has some doubts as to its ability to hold accounts for foreign governments unless it is authorized to do so by the Secretary of the Treasury. It is my opinion that by virtue of the provisions of Section 5 (b) of the Trading with the Enemy Act, as amended, the statutory provisions relative to the appointment of Federal Reserve banks as fiscal agents, and the stabilization provisions in the Gold Reserve Act, the President and the Secretary of the Treasury have the power to authorize the Federal Reserve Bank of New York to hold accounts for foreign governments. As you know, it is in the interests of this Government that there be maintained at the Federal Reserve Bank of New York, as distinguished from other commercial banks, accounts of certain foreign governments which are used in connection with the purchase of war materials.

Accordingly, if you approve, I propose to send the annexed letter to the Federal Reserve Bank of New York authorizing the Bank to open such accounts for the British and Dutch Governments. If you approve the foregoing, kindly indicate at the foot hereof.

*Amory Starbuck*  
Secretary of the Treasury

APPROVED:

*Franklin D. Roosevelt*



TREASURY DEPARTMENT

WASHINGTON

Dear Sirs:

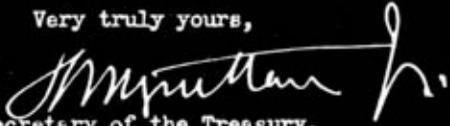
June 7, 1940.

Enclosed is a memorandum received from the Financial Counsellor of the British Embassy on May 27, 1940, in which the British Government asks that its accounts with the Federal Reserve Bank of New York standing in the name of the Bank of England be converted into accounts with the title in each case of "His Britannic Majesty's Government's Account".

You have also advised this Department that the Netherlands Government in London has asked that certain of its accounts in the name of De Nederlandsche Bank be transferred to accounts in the name of the Royal Netherlands Government.

The Treasury Department would be pleased to have the Federal Reserve Bank of New York, as fiscal agent of the United States, open and maintain the account requested by the British and Netherlands Governments on the same basis that the Federal Reserve Bank handles other foreign accounts, and accordingly requests and authorizes the Federal Reserve Bank of New York to do so.

Very truly yours,

  
Secretary of the Treasury.

Federal Reserve Bank of New York,

New York, New York.

Enclosure

MEMORANDUM

His Majesty's Government has had under consideration the safeguarding of funds belonging to that Government, which may be deposited from time to time in banks in the United States of America, from the risk that actions might be started by German interests for the attachment of these funds in respect of debts due to Germany.

The most important case in question is that of the accounts in the Federal Reserve Bank, New York, standing in the name of the Bank of England. While these accounts do, in fact, represent funds belonging to His Majesty's Government, it would appear that there is no absolute protection in the present state of affairs against some attempt to attach these funds in respect of debts owed by the Bank of England to, e.g., the Reichsbank, which were frozen on the outbreak of war as a result of the Trading with the Enemy provisions.

His Majesty's Government have taken legal advice on this matter and understand that the only certain protection would be to convert these Bank of England accounts at the Federal Reserve Bank, New York, definitely into British Government accounts, with

/ the

- 2 -

the title in each case of "His Britannic Majesty's Government Account".

The Bank of England has been in communication on the subject with the Federal Reserve Bank, and it is understood that the initiative for a change of this kind should come from the United States Treasury. His Majesty's Government would be grateful if the United States Treasury would give early consideration to their request that this change should be made.

If the matter is agreed in principle the necessary technical instructions will be sent by the Bank of England direct to the Federal Reserve Bank.

British Embassy,  
Washington, D. C.

27th May 1940.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, La Paz

NO.: 44

DATE: June 6, 1940.

Reference is made to the Department's telegram no. 23 of June 4, 1940, 6 p.m.

On January 14, 1934 the Bolivian Congress passed a law authorizing the Banco Central to negotiate a foreign loan for the account of the Brazilian Government on collateral which was to be lent by banks, including 120,000 pounds sterling in gold coin from the Banco Mercantil. Article Six of the above-mentioned law reads:

"As the Banco Central amortizes the loan and frees the gold coin collateral the latter will be placed at the disposal of the banks pro rata so that they may have for their account abroad up to the total amount which has been exported."

A contract, dated January 31, 1934, between the Bolivian Government and the Banco's Central Nacional and Mercantil provides for delivery of the gold. This contract contains an analogous clause.

On June 30, 1934 a supreme decree was issued by the President and the Cabinet authorizing an additional  
foreign

foreign loan on collateral, including 30,000 pounds sterling in gold coin from the Banco Mercantil. Clauses similar to the one quoted above are contained in this decree and in the respective loan contract.

An identic stipulation reading as follows is contained in the supreme resolutions dated December 23, 1934 and October 23, 1935, which were issued by the President and the Cabinet to authorize the extension and amendment of the loan contracts:

"There remains in effect in all its parts the obligation contracted by the government in favor of the banks for the return of the gold which they have loaned for collateral with all of the securities contained in the respective documents."

Title and control over the gold under discussion should, it would therefore appear, revert to the Banco Mercantil. Under the Bolivian gold regulations in force at the time the loans were made and in force at the present time, exportation of gold without the express permission of the Minister of Finance is prohibited and the purposes for which authorization may be granted are not specified. Since the law decrees mentioned above were signed by the Finance Minister, it would seem that permission within the terms expressed in them was implied.

The

-3-

The Bolivian Government takes the stand that regardless of the foregoing considerations it is illegal for the Banco Mercantil to sell gold because of Article VII of the Supreme Decree dated May 25, 1932, which provides in part that the express permission of the Ministry of Finance must be secured before gold in any form may be exported and that all sales of gold must be made to the Banco Central and because of Article I of the Supreme Decree dated January 31, 1935, which provides in part that minted and unminted gold shall be concentrated in the Banco Central of Bolivia and that the bank will make the acquisitions, paying for them fully in foreign exchange or in Bolivian pesos at the option of the seller.

It seems that the latter provision is in conflict with the assurances given by the Bolivian Government that when the gold arrives in Bolivia it will be turned over to the Banco Mercantil. On May 8, 1940 the Banco Mercantil made a written offer to sell the gold to the Banco Central against dollars in cash. However, since the Banco Central does not have enough foreign exchange, it offered instead a dollar promissory note.

JENKINS

EA:EB

June 6, 1940.

Dear Mr. President:

I have received your memorandum of June 5th, advising me that the request of the Civil Aeronautics Authority for funds with which to provide station ships for weather reporting in the Atlantic has been disapproved, and directing that arrangements be made to continue the weather reporting service by means of Coast Guard cutters.

This will be done.

Respectfully,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

HMG/r

By Messenger 430 4/7

File to Mr. Thompson

THE WHITE HOUSE  
WASHINGTON

JUN 5 1940

MEMORANDUM TO THE SECRETARY OF THE TREASURY

The Director of the Bureau of the Budget has discussed with me proposed supplemental estimates presented by the Civil Aeronautics Authority for the purpose of obtaining funds to establish weather reporting stations in the Atlantic.

I have instructed the Director to advise the Authority that their request has not been approved and that as long as emergency weather reporting service is required it will be furnished as at present by Coast Guard cutters.

Will you kindly see to it that arrangements are made to have this service continued.

*Franklin D. Roosevelt*

June 6, 1940

Dear Mr. Hoover:

The Secretary has turned over to me for acknowledgment your letter of June 4, 1940, furnishing information concerning a transaction between the German Consulate General in New York and the Women's Foreign Missionary Society of the Methodist Episcopal Church at Philadelphia.

This is certainly an interesting transaction and we shall be pleased if you will advise us of the complete nature of it as soon as your investigation is completed.

We have heard nothing further about the \$9,000,000 transaction, regarding which you advised the Secretary some ten days ago. You no doubt noticed that there was \$4,000,000 in gold shipped to New York at the end of last week for account of the Italian Government. It is just possible that this may be part of that same transaction.

Sincerely yours,

(Signed) D. W. BELL

Under Secretary of the Treasury

Honorable J. Edgar Hoover,  
Director,  
Federal Bureau of Investigation,  
United States Department of Justice,  
Washington, D. C.

MAILED 6-6 1940BY SPEC. MESSENGER 2-1-59

FILE TO \_\_\_\_\_

COPY TO \_\_\_\_\_

DWB:ce

*Approved by Mrs. Dawson 9/19/40*

*7-17  
7/14/41*

June 6, 1940

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Sincerely yours,

(Signed) D. W. BELL

Under Secretary of the Treasury

Honorable J. Edgar Hoover,  
Director,  
Federal Bureau of Investigation,  
United States Department of Justice,  
Washington, D. C.

DWB:ce

June 6, 1940

My dear Mr. Hoover:

I take pleasure in acknowledging with thanks the following communications which have been received from you quite recently:

May 29 - E. C. Atkins Co. (saw mfgs, Annapolis, Md.)

May 31 - Maritime Unions on the Atlantic seaboard

June 1 - Correspondents for the New York Times and the New York Post in Mexico

June 1 - The family of King Leopold (of Belgium)

June 3 - Funds for the German Consulate General in New York

Yours sincerely,

(Signed) H. Morgenthau, Jr.

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

*Morgenthau's  
bureau program  
given to Mr. J. Edgar Hoover 9/19/40*

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Mr. J. Edgar Hoover, Director,  
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(Signed) H. Morgenthau, Jr.

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

JOHN EDGAR HOOVER  
DIRECTOR

361

Federal Bureau of Investigation  
United States Department of Justice  
Washington, D. C.

PERSONAL AND  
CONFIDENTIAL

May 29, 1940

*Rec'd  
June 3/40  
9.05 am*

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

My dear Mr. Secretary:

I am transmitting herewith, as of possible interest to you, a copy of a memorandum dated May 28, 1940, containing information with regard to apparent sabotage efforts in the plant of the E. C. Atkins Company, saw manufacturers, 402 South Illinois Street, Indianapolis, Indiana.

Sincerely yours,

*J. Edgar Hoover*

Inclosure

Federal Bureau of Investigation  
United States Department of Justice  
Washington, D. C.

11 362

May 28, 1940

MEMORANDUM

Information has been received from an official of the E. C. Atkins Company, saw manufacturers, 402 South Illinois Street, Indianapolis, Indiana, to the effect that large planers used in manufacturing saws at this plant were injured during recent weeks by use of blasting sand. It is reported that these injuries apparently resulted from deliberate efforts at sabotage. It is further reported that recently some unknown individual apparently applied emery dust to a number of expensive dies used in the plant, which resulted in considerable injury to the dies.

It is reported that the above company manufactures metal saws which are frequently supplied to the Army and the Navy on contract, although no Army or Navy contracts are possessed at the present time. The company also manufactures saws for use by the Allison Engineering Company of Indianapolis, the latter company being engaged in manufacturing high-speed airplane motors for the United States Army Air Corps. It is reported that the E. C. Atkins Company also manufactures metal clutch plates, possessing a large contract with the Allison Engineering Company for the manufacture of such plates.

The official mentioned has advised that a number of mechanics and semiskilled mechanics of German descent and sympathy are employed in the plant of the E. C. Atkins Company, at least six of these being suspected in connection with the above apparent sabotage efforts.

Federal Bureau of Investigation  
United States Department of Justice  
Washington, D. C.  
May 31, 1940

*Rec'd  
June 3/40  
9:05 am*

PERSONAL AND  
CONFIDENTIAL

*To be read*

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

My dear Mr. Secretary:

As a matter of interest to you, the following information relative to possible planned interference with shipping from East Coast ports of this country, has been received by this Bureau.

A confidential informant has advised that the Maritime Unions, which are members of the Congress of Industrial Organizations on the Atlantic Seaboard, are controlled by those members who are affiliated with the Communist Party, and that in approximately two months they plan on completely tying up all shipping from Atlantic Coast ports, by a gigantic strike.

This information is alleged to have come from entirely reliable persons within the organizations, who stated that the action contemplated was instigated in foreign lands for the purpose of embarrassing the Allies as much as possible. It is expected to be a bitter and bloody strike, well planned and executed. A meeting, the exact whereabouts of which was unknown, was reported in progress to further formulate the plans for this strike, on the night of May 13, 1940.

I shall advise you immediately of any additional information along these lines which comes to my attention.

Sincerely yours,

*J. Edgar Hoover*  
John Edgar Hoover  
Director

Federal Bureau of Investigation  
United States Department of Justice  
Washington, D. C.  
May 31, 1940

304

PERSONAL AND  
CONFIDENTIAL

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

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Sincerely yours,

John Edgar Hoover  
Director

JOHN EDGAR HOOVER  
DIRECTOR

365

Federal Bureau of Investigation  
United States Department of Justice  
Washington, D. C.  
June 1, 1940

PERSONAL AND  
CONFIDENTIAL

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

My dear Mr. Secretary:

I thought you would be interested in knowing that the attitude of the Mexican Government towards foreigners in Mexico is becoming increasingly strict. I have been informed by a thoroughly reliable source that the Mexican Government is considering at the present time deporting correspondents for the *New York Times* and *New York Post* because of recent articles which these correspondents have written about conditions in Mexico.

With kind personal regards, I am,

Sincerely yours,

J. Edgar Hoover

JOHN EDGAR HOOVER  
DIRECTOR

366

Federal Bureau of Investigation  
United States Department of Justice  
Washington, D. C.

June 1, 1940

PERSONAL AND  
CONFIDENTIAL

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

*Rec'd June 3/40*

My dear Mr. Secretary:

I thought that you would be interested in the information contained in the following teletype message received from the New York, New York, Field Division of this Bureau relative to the reported movement of the children of King Leopold of Belgium to this country:

"Information received May 31, 1940, from a confidential informant that the two children of the King of Belgium are expected to leave Europe departing from Lisbon, Portugal, on the Clipper Airship for the United States and that upon arrival in the United States they will stay with Ludwig Wilhelm Bayern who according to information which has been verified is the 'Duke of Bavaria.' Bayern is expected to obtain use of the estate of Joseph E. Davies on Long Island as residence for the King's children. The confidential informant has advised that she has on numerous occasions overheard John de Braganza and Duchess of Bavaria speaking very violently in favor of Hitler, that Duke of Bavaria is also apparently strongly pro-Hitler although he has not been so expressive as foregoing persons. Duke of Bavaria has been receiving mail from abroad for the past several months in care of John de Braganza although the Duke has a regular address at the Hyde Park Hotel, New York City. John de Braganza is the son of Princess Miguel de Braganza, former Anita Stewart, daughter of William Rhineland Stewart.

The Secretary  
of the Treasury

- 2 -

"The Princess is reputed to be one of the twelve wealthiest women in the country. Information appeared in the New York Daily News that there were unconfirmed reports that the three children of King Leopold of Belgium were aboard the American Clipper due at 7:30 a.m. May 31, 1940, from Lisbon. Efforts will be made to determine the accuracy of these reports."

In this connection, an article appeared in the evening edition of the Washington Times-Herald newspaper of May 31, 1940, which stated that the Pan American plane on which these children are reported to be traveling was forced to land at Bermuda because of bad weather and will not arrive at LaGuardia Field in New York City until about 3:00 p.m. today.

I shall, of course, advise you immediately of any further developments in regard to this matter.

Sincerely yours,

J. Edgar Hoover

American Foreign Service, Hanoi, Indochina,  
June 6, 1940.

Subject: Prohibition against the  
Exportation of Trucks.

The Honorable

The Secretary of State,

Washington.

Sir:

I have the honor to refer to my despatches nos. 88 and 91 of May 17 and 22, 1940, in regard to the prohibition against the exportation of trucks from Indochina and reporting the subsequent partial relaxing of the prohibition. I have now to report that the Government General of Indochina has permitted a further 100 Chinese government-owned trucks to leave the country. On the other hand, it has been ascertained that all of the 234 boxes containing trucks and parts have not been permitted to be transhipped to Rangoon, as was reported in despatch no. 91.

In explanation of this, it would appear that there was some misunderstanding as to what some of the 234 boxes contained. The Government General was under the impression, apparently as a result of statements by the Chinese, that the boxes contained only parts of trucks, the remaining parts of which had already been transhipped to Rangoon. As a matter of fact, some of the 234 boxes (and other boxes at Haiphong) contained chassis and motors which could be assembled at Haiphong. These the Government General have

detained

detained at Haiphong, permitting only those boxes to be trans-  
shipped which have been verified to contain only parts of trucks  
and accessories.

CONFIDENTIAL. I have ascertained that the Government General  
has not been entirely impartial in the application of the prohibition  
and in its administration. During the period when there was a complete  
prohibition against the Chinese forwarding trucks to China or to  
Rangoon and subsequently when only small lots of trucks were being  
authorized exportation, the Indochina-Yunnan Railway was (and is)  
carrying from 2 to 4 Renault Diesel trucks daily.

If the Chinese-owned American trucks are prohibited exportation,  
because of the possibility that they may be needed by the military,  
there appears to be no reason why the Chinese-owned French trucks  
should not likewise be detained in Indochina. However, as the  
Secretary General of the Government General has stated that all  
possible consideration will be given to the Chinese, I hope that the  
apparent inequality of treatment between Chinese-owned American and  
Chinese-owned French trucks will be soon done away with. In any  
event, the most important exportation to China, gasoline and  
petroleum products, is proceeding normally.

Respectfully yours,

For the Consul at Saigon,

Charles S. Reed II,  
American Consul.

In triplicate to the Department (By air mail)  
Copies to the Embassy, Chungking and Peiping  
Copies to Consulates General, Hongkong and Shanghai  
Copies to Consulates, Kunming and Saigon

815.4  
CSR:csr

TREASURY DEPARTMENT

370

INTER-OFFICE COMMUNICATION

DATE June 6, 1940

TO Mrs. Klotz  
FROM Mr. White

Pursuant to instructions from the Secretary via Lieutenant McKay, I got in touch with Mr. Currie to find out what it was that he wanted. He told me that he was perturbed over an article by Flynn, which appeared in this morning's Wall Street Journal. (A copy of the article is appended.) The article, he claimed was quite misleading and he was desirous of acquainting the Secretary with the facts of the case.

According to Currie, the facts were as follows:

1. Senator Lee called Jerome Frank and asked if he could discuss his bill with him. Jerome Frank said it would have to be authorized by the President. Frank then requested authorization from the President, which was granted. Frank then suggested to Lee that the latter should also consult Currie. Lee thereupon called Currie and requested an interview with Frank and Currie. This interview took place June 4.
2. In this conference Frank and Currie pointed out what they considered to be various defects in the Lee proposal. At the conclusion of the conference Lee said that he was prepared to abandon his proposal and asked if he might sponsor a bill that would be acceptable to the Administration. Currie said that he would attempt to ascertain the President's wishes in the matter. There were no commitments of any other kind made.
3. Currie reported the outcome of the conference to the President and was authorized by the President to canvass the views of the Treasury, Federal Reserve, and SEC, in order to ascertain whether agreement might be reached on a plan which he could then consider.
4. Senator Lee, without waiting to hear from Currie, gave a story to Alfred Flynn, which appeared in the Wall Street Journal June 6th.
5. Currie immediately called the President's attention to the story and suggested to him that he (Currie) be authorized to call Lee and tell him that the President had decided to take no action on war finance at this time, and that he (Lee) should call Flynn and make it clear that the conference was at his (Lee's) request to discuss his (Lee's) bill and that no commitments of any kind have been made.

6. The President approved of Currie's suggestion.

Unless I hear from you to the contrary, I will presume that nothing further is to be done on the matter.

Attachment

## Income Draft for War Loans

### New Dealers Preparing Bill to Conscript Percentage of Earnings for Use in Emergency

BY ALFRED P. FLYNN

Staff Correspondent of The Wall Street Journal

WASHINGTON—New legislation for the drafting of a percentage of individual incomes over \$1,000 as forced government loans in time of war is being written by key New Deal advisers.

[This proposed legislation has nothing to do with the tax program now being considered by Congress. Story on Page 3.]

The legislation will be offered in the Senate as a substitute for the pending Lee bill which provides for forced loans to the government based upon the relative wealth of individuals.

The Lee bill has been approved by the military affairs committee and is now pending before the Senate for consideration.

There has been some talk of pushing a forced loan bill through Congress before adjournment. Proponents feel, however, that such a measure may await the next regular session with complete safety.

It was disclosed yesterday that Securities and Exchange Chairman Jerome Frank and Laughlin Currie, special assistant to President Roosevelt on economic problems, are working on the new measure.

While there appears little doubt that the new bill will have Administration backing when

it comes up in Congress, Senator Lee (Dem., Okla.) and other interested senators said yesterday they had no official confirmation of this from the President.

Administration officials, including Secretary Morgenthau, and Army and Navy officials opposed the enactment of the Lee bill in its present form largely because it was too indefinite in its terms relating to the basis for the forced loans. It was explained by Secretary Morgenthau that inasmuch as the term "wealth" which is used as the basis for the drafting of money under the Lee bill, is subject to a number of definitions, the legislation would be difficult to administer without some indication of the intent of Congress as to the things or objects classified as "wealth."

This same objection was raised by Chairman Frank and Mr. Currie in several recent conferences with Senator Lee on the legislation. Therefore, the New Deal officials proposed to Senator Lee that they be permitted to write a substitute which will be based on the "income" of individuals rather than "wealth."

Such a change, the officials told the Senator, would have a two-fold purpose:

1. It would be easier to administer.
2. By forcing a loan on part of the in-

*Please turn to page 3, column 1*

## Income Draft Bill

—Continued from First Page—

come of individuals the government would be in a position to hold prices nearer normal and prevent a wartime inflation boom.

Senator Lee declared that he was in complete accord with the proposal of the New Dealers and was prepared to offer their finished product as a substitute for his bill which would draft wealth. However, according to the Senator, a bill to draft money for financing war by the United States, based on income of individuals would not raise as much as his proposal to tap the total wealth of individuals.

Therefore, he is prepared to offer the New Deal measure as a first step, believing that it later will be necessary to extend its terms to cover savings and other forms of wealth.

### Draft To Be Ready This Session

Senator Lee said that Chairman Frank and Mr. Currie have told him that they will com-

plete the writing of the new bill so that it may be offered at this session.

The present Lee bill provides that the net wealth of every citizen of the United States and every alien residing in the U. S. shall be subject to the borrowing power of the U. S. on a basis ranging from 5% of wealth in excess of \$1,000 and not in excess of \$10,000, to 75% of the wealth of individuals in excess of \$100,000,000. On \$100,000,000 of wealth held by an individual the Treasury could force a loan of \$64,456,950.

In return for funds borrowed under the bill the Treasury would issue 50-year bonds bearing interest rate of not more than one per cent. per annum.

June 6, 1940  
4:30 p.m.

Philip Young: Hello.

H.M.Jr: Hello.

Y: All right.

H.M.Jr: Is Mrs. Klotz there?

Y: Yes, she is here.

H.M.Jr: Well, put her on, then you can listen.

Y: She's on.

H.M.Jr: Mrs. Klotz.

Mrs. Klotz: Yes, sir.

H.M.Jr: O. K. I talked to Admiral Stark myself because I didn't want to let it go and the orders went out late last night for these 50 ships and they're all in the air today proceeding to Buffalo.

Mrs. K: Good.

H.M.Jr: Hello.

Mrs. K: Yes.

H.M.Jr: Now, they find that the name of the United States Navy is on some of the stuff and they may take some of the stuff off. Now, I don't know whether the Allied Purchasing Mission has got anybody in Buffalo, but the planes will certainly begin to pile in there today. What is Purvis doing about having people there to begin to fly them to Halifax?

Mrs. K: I see.

H.M.Jr: I mean, Stark has done a magnificent job. Those orders went out last night and the stuff is rolling into Buffalo today.

- Mrs. K: Well, .....
- H.M.Jr: I'm just -- this is for Phil.
- P: Yes, sir.
- H.M.Jr: So you get busy and tell him that he ought to have people there the very first thing tomorrow morning to take care of his end.
- P: Right. They'll be there.
- H.M.Jr: And, also, to see what equipment they take off and what's missing. He talked about taking certain stuff off and getting it replaced from the Army or the manufacturer, and he'd better have some capable people up there -- if he has any such people.
- P: Yes, sir.
- H.M.Jr: And -- now, the other thing I asked him about -- these machine guns, Thompsons. It's just as I thought, what they're worrying about is the money going into the general fund, and I asked him whether he wouldn't give that a look himself, and I want a memorandum not later than 10:00 o'clock tomorrow morning to give the President on these Thompsons guns and if it's this -- how it can be done. See? Hello.
- P: Yes, sir.
- H.M.Jr: How it can be done, and if it's just a question that they lose the money, let the President decide the so-called losing it by going into the general fund, let him say yes or no.
- P: Well, I just finished talking with Ed and he says it cannot be done except under the new legislation.
- H.M.Jr: Well, why can't they/<sup>turn</sup>them into the Army?
- P: Because they are new guns and the Army under that Statute can only get rid of the guns which were in its possession back in 1919 -- the World War stuff.

- 3 -

H.M.Jr: Oh.

Y: These are brand-new guns.

H.M.Jr: But if the Navy said they're surplus, I understood they were not brand-new guns.

Y: Yes, but I understand they are. Maybe I'm mistaken. I'll check on it again.

H.M.Jr: I thought they were not.

Y: The Thompson guns are new. The other guns which the Navy offered are old.

H.M.Jr: Well, what about those?

Y: We can get those. Well, there's some difficulty but we can get them, I think, all right.

H.M.Jr: Well, let's move on those.

Y: Right.

H.M.Jr: And I -- but the ones the President is particularly interested in are Thompsons.

Y: Right.

H.M.Jr: See?

Y: And we have to wait for the new legislation on those.

H.M.Jr: And you're not going to forget about the 2,000 Jacobs engines.

Y: No, sir.

H.M.Jr: But, I just wanted to let you know that those planes are arriving in Buffalo today and it's up to Arthur Purvis to have people there to fly them to Halifax. We've done our job.

Y: Right.

- 4 -

H.M.Jr: And you take care of Purvis tonight, please.

Y: Yes, sir. I certainly shall.

H.M.Jr: That's all. I want to make a record of this --  
if Mrs. Klotz will go back to her office, I  
would like to talk to her, please.

Mrs. K: Right.

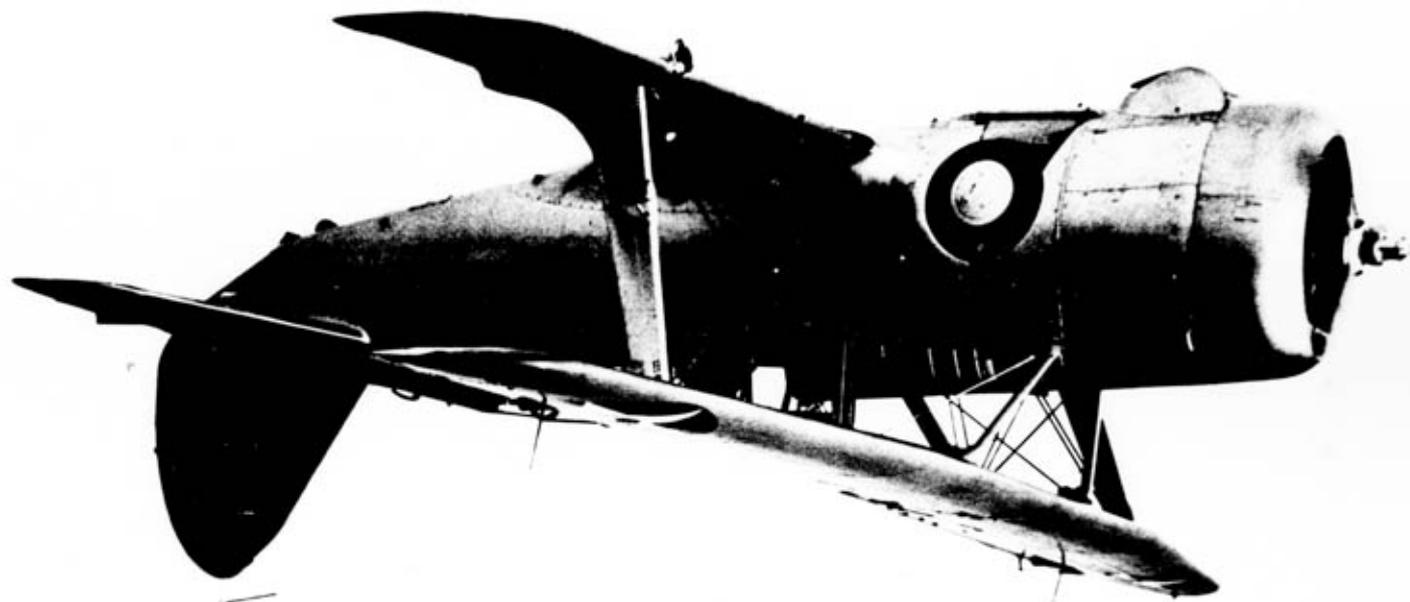
H.M.Jr: Good-night.

Y: Good-night.

This is the picture of the 50 dive bombers  
that are going to the Allies.

377

*Date June 6/40*





TREASURY DEPARTMENT  
WASHINGTON

379

OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

IT:P:CA  
CAA

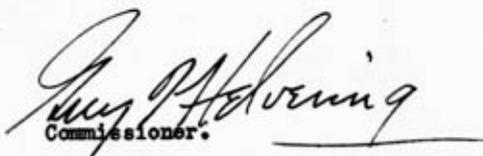
June 7, 1940.

REPORT FOR SECRETARY MORGENTHAU:

In regard to closing agreements under the Vinson-Trammell Act, the developments during the week were as follows:

Consolidated Aircraft Corporation:

The contractor filed a letter requesting a certain revision of the existing closing agreement and a further agreement in regard to additional facilities.

  
Commissioner.

IT:P:CA  
CAA

June 7, 1940.

**REPORT FOR SECRETARY MORGENTHAU:**

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**Consolidated Aircraft Corporation:**

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(Signed) Guy T. Heverling

**Commissioner.**

CAA/MEA

FEDERAL RESERVE BANK  
OF NEW YORK

381

OFFICE CORRESPONDENCE

CONFIDENTIAL FILES

DATE June 7, 1940.

TO \_\_\_\_\_

SUBJECT: TELEPHONE CONVERSATION WITH

FROM L. W. Knoke

BANK OF CANADA.

Mr. Turk called at 10:30 o'clock this morning. Heretofore, he said, the Canadian control had done its franc business via New York, that is, if francs were needed by the market the Canadian control had <sup>furnished</sup> United States dollars and permitted the purchase of francs with these dollars in the New York market.

Beginning today the Canadian control would deal in French francs and quote the official rate of 250 3/4 bid and 253 1/4 offered. These official rates for the franc are based on their official rate of 445 for the dollar and the official cross rate between London and Paris of 176 5/8. Mr. Gordon would probably write us but Mr. Turk wanted us to know about this procedure without delay.

*LWK:KW*

TO THE DIRECTOR  
TECHNICAL SERVICE  
OFFICE OF THE

JUN 8 1940

RECEIVED  
JUN 11 1940

HSM

GRAY

Milan

Dated June 7, 1940

Rec'd 1:16 p. m.

Secretary of State,  
Washington.

59, June 7, 6 p. m.

Today's market index 221.80. Volume (\*).

Practically all prices increased in moderate trading possibly influenced by improved quotations of British and French currency.

SCHNARE

(\*) apparent omission

HPD

MA

CORRECTED COPY

GRAY

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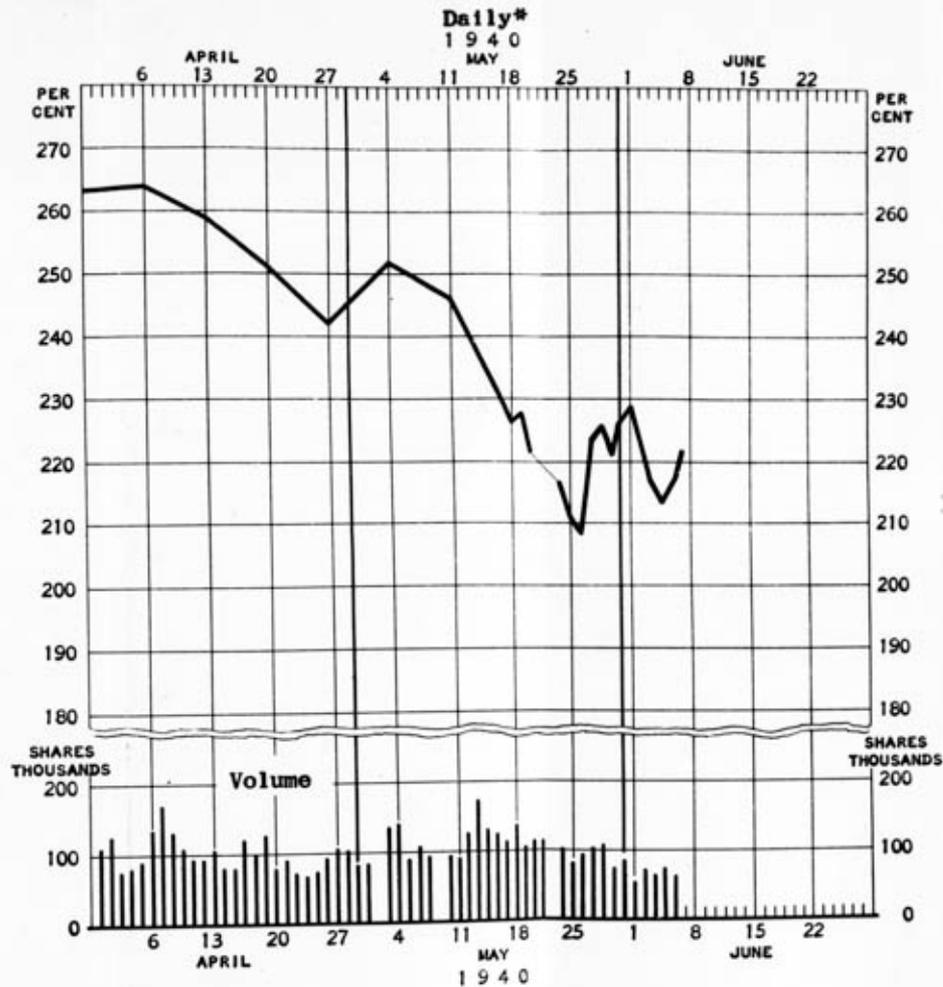
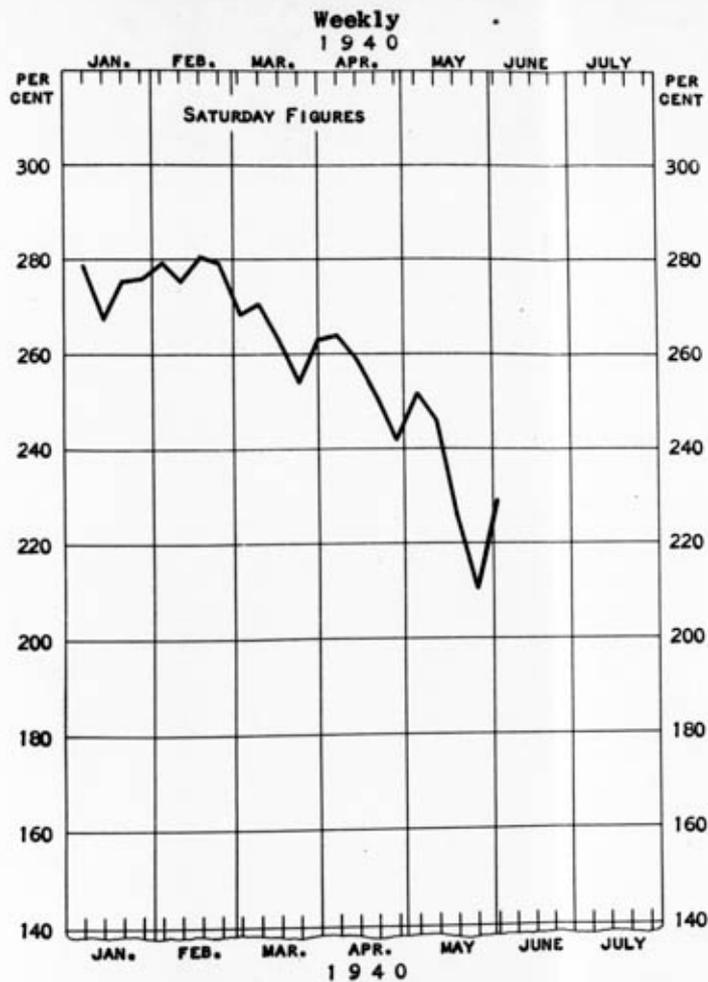
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UNITED STATES DEPARTMENT OF THE TREASURY  
TECHNICAL ASSISTANT  
OFFICE OF THE ASSISTANT SECRETARYJUN 8 11 11 AM '40  
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U.S. DEPARTMENT OF THE TREASURY

June 7

ITALIAN STOCK PRICES  
(Milan)



\*SATURDAY FIGURES PRIOR TO MAY 20.

385

BUREAU OF FOREIGN AND DOMESTIC COMMERCE  
OFFICE OF THE DIRECTOR

June 7, 1940

From DIRECTOR

To Hon. Henry Morgenthau, Jr.,  
Secretary of the Treasury.

For

Sent at the request of  
Mr. Noble, Under Secretary of  
Commerce.

*James W. Young*  
James W. Young,  
Director.

## ECONOMIC DEVELOPMENTS

**GENERAL BUSINESS ACTIVITY** exhibited no clearly defined trend in May. The intensity of the German drive produced several dramatic developments in the domestic economic scene; deflationary forces were intermingled with signs of improvement in particular areas. But the net effect of the month's changes is difficult to appraise.

**INDUSTRIAL PRODUCTION** gave the clearest indication of a business upturn with the Reserve Board's index rising from 102 in April to 105 (preliminary) in May. At the end of the month it was up to 108. Even here the reaction to intensified warfare was not consistent. The advance in May was limited largely to steel output which increased sharply from 60 to 77 percent of capacity during the month. While lumber production increased contraseasonally and paper and pulp made a little further advance after April's large rise, automobile production and probably the important cotton textile industry were down. Heavy industries—shipbuilding, aircraft, machinery, machine tools, and railroad equipment—probably held firm. Only sign that production advance may have a broader base was the rise in carloadings.

## EXAMPLES:

	<u>Industrial Production</u> (1923-25=100)	<u>Steel Ingot Production</u> (% Capacity)	<u>Automobile Production</u> (Thousands)	<u>Carloadings</u> (Thousands)
April 27	102	60.0	101	645
May 4	103	61.8	99	666
" 11	104	65.8	98	681
" 18	106	70.0	99	679
" 25	107	73.0	97	687
June 1	108	76.9	61	635 (E)

**SIGNIFICANCE:** Rise in Board's index (heavily weighted by steel) not characteristic of business developments. Emphasis belongs not only on the rise in steel activity, but also on the fact that nearly everything else, including the important motor and textile industries, held steady or declined. We feel the monthly index of income payments which declined substantially in April, continued to fall in May.

**BUSINESS PURCHASING** was not stepped up on a broad scale during May, according to the limited information now available. Steel orders undoubtedly increased markedly, in part because of a rise in export demand following the loss of North European sources to the Allies. In April new orders for all manufacturing rose approximately 7 percent and just about equaled the volume of shipments

in that month. We do not have indications that there was a significant increase above this volume during May. In fact, trade reports from consumer goods industries indicate a slackening in industrial demand. Nonferrous metals have picked up only moderately, and textile buying has been upset by price movements.

A DRASTIC DECLINE IN SECURITY AND SENSITIVE COMMODITY PRICES signalled most clearly the bearish interpretation placed upon war events during May. Stock market quotations were scaled down to mid-1938 levels, and bond prices also dropped. Hardest hit among the commodities were farm products; import commodities, which jumped most sharply on first news of the invasion of the Low countries, fell below their early May quotations while industrial raw materials lost only their early May advance. After May 23 there was little further decline but no substantial buying strength developed in any major market.

EXAMPLES:

	<u>May 9</u>	<u>May 10</u>	<u>June 5</u>
<b>Dow-Jones:</b>			
Industrial stocks.....	148	145	113
Corporate bonds.....	89.6	88.7	83.6
<b>Bureau Labor Statistics:</b>			
Spot commodity index.....	114.7	117.5	109.4
Agricultural products..	121.4	123.0	107.5
Industrial raw ma- terials.....	112.8	115.6	113.0
Import commodities.....	116.4	121.1	112.5

**SIGNIFICANCE:** Expectations that intensification of the war would bring a business upturn were evidenced by the quick rise of prices on May 10. The generally unexpected strength of the German attack, however, brought a "peace scare". The markets feared possible early defeat of the Allies and the deflationary impact which would result through drastic curtailment of our export trade. The decline in prices of farm products also threatens to reduce farm income as this year's crops start to move heavily to market.

Liquidation which reduced the quoted value of stocks listed on the New York Stock Exchange by \$10 billion in May has already acted as a brake upon consumption. Retail sales of passenger cars were restricted after the first 10 days of the month; total May sales now estimated at 7 percent under April. Department store sales declined during the latter half of May and by the end of the month were no higher than a year ago.

FOREIGN TRADE NOTES

Italy: The economic situation in Italy is revealed by the following items:

The sale of meat is now prohibited during 4 days of the week. There is a scarcity of fresh vegetables, accompanied by very high prices.

In view of the dependence of Italy on the Scandinavian countries for cellulose, it is believed that the Italian production of synthetic textile fibers will have to be cut down by approximately 80 to 90 percent. This would not only affect the domestic situation, but also the trade balance, since the exportation of rayon yarn and textiles constitutes a considerable favorable item in the Italian trade.

The burden of taxation in Italy is shown by the price of gasoline in Venice. The original price of \$27.59 per ton, CIF Venice, is increased by various taxes to \$285.75, or a little over 14 cents a pint.

United Kingdom: On account of the threatened disruptions of food supplies, the country has been divided into 17 divisional and 800 local self-contained food areas, which are expected to support themselves for several weeks from local central depots. It is expected that an effort will soon be made to obtain from the United States certain food supplies valuable under emergency conditions, such as processed milk, cheese, lard, and certain canned goods.

Spain: The food situation in Spain is becoming very serious, particularly as regards such staples as bread, sugar, and oil. A ration of 250 grams of bread per person per day was established about March 15, and has since been cut in half. The shortage of grain has been explained as a result of civil war destruction, involving the loss of machinery and animals, a scarcity of seed, and the inability of the farmers to work under war conditions. While a certain amount of rationing was expected after the cessation of hostilities, it is rather significant that the situation has become worse more than a year after the war.

Germany: A shortage of beer and cigarettes is reported. The more expensive cigarettes disappeared from the market some time ago, and now a growing shortage has developed in the cheaper grades, retailers selling only one package of 5 or 10 cigarettes to a customer at a time. Long queues are observed in front of tobacco stores. It is understood that the army is requisitioning a large share of the cigarette output for its own use. The shortage of beer is attributed to the desire to save barley.

Chile: German firms representing American tire and automobile manufacturers have withdrawn their advertising from a well known English language weekly as well as from a Chilean daily with pro-ally tendencies.

- 3 -

**THE BUSINESS OUTLOOK:** Near term prospects for general business must remain uncertain unless there is marked improvement in the Allied military position. Market behavior last month demonstrated that deflationary potentialities in the event of a quick German victory are very strong. Thus the possibility of a business decline because of reduced exports and inventory liquidation (quite heavy in April) can not be ruled out. National defense program probably can not be accelerated fast enough during the next 3 months to offset these depressing influences should the war end.

For the longer term, however, and even for the short term if the battle front becomes stabilized, net government expenditures will be sufficiently large to induce economic expansion. Given time for the defense program to get into full swing, the domestic business situation will be strong enough to stand considerable shock from abroad.

WEEKLY WHOLESALE PRICE INDICES

Group	1939			1940		Percentage increase, June 1, 1940 from—	
	June 3	Aug. 26	Sept. 16	May 25	June 1	June 3, 1939	Aug. 26, 1939
All commodities . . . . .	75.7	74.8	79.3	77.8	77.8	2.8	4.0
Farm products . . . . .	63.1	61.1	69.7	66.8	67.8	7.4	11.0
Foods . . . . .	67.5	66.7	75.5	70.7	70.8	4.9	6.1
All commodities other than farm products and foods . . . . .	80.6	80.4	82.4	82.7	82.5	2.4	2.6
Hides and leather products . . . . .	92.6	92.6	98.3	101.4	100.5	8.5	8.5
Textile products . . . . .	66.9	67.4	71.4	72.4	72.2	7.9	7.1
Fuel and lighting materials . . . . .	74.1	73.2	74.1	72.4	72.3	- 2.4	- 1.2
Metals and metal products . . . . .	93.5	93.5	94.9	94.7	94.7	1.3	1.3
Building materials . . . . .	89.2	89.7	90.7	92.6	92.5	3.7	3.1
Chemicals & allied products . . . . .	(1)	(1)	(1)	76.6	76.6	—	—
House-furnishing goods . . . . .	86.9	87.0	87.1	89.9	89.9	3.5	3.3
Miscellaneous . . . . .	73.8	73.1	76.1	77.4	76.9	4.2	5.2
Raw materials . . . . .	68.2	66.2	73.0	71.0	71.4	4.7	7.9
Semimanufactured articles . . . . .	74.1	74.4	82.0	78.1	78.0	5.3	4.8
Finished products . . . . .	79.9	79.3	82.3	81.3	81.1	1.5	2.3

(1) Comparable data not available.

Source: U. S. Department of Labor, Bureau of Labor Statistics.

## SELECTED COMMODITY PRICE SERIES

Commodity	Unit	1939			1940	
		June 7	August 30	Sept. 13	May 29	June 5
Copper, electrolytic, New York . . . . .	\$ per lb.	10	10 1/2	12	11 1/2	11 1/2
Lead, prompt shipment, New York . . . . .	do	4.75	5.05	5.50	5.00	5.00
Zinc, New York . . . . .	do	4.84	5.14	6.64	6.39	6.64
Aluminum, straits, New York	do	48 3/4	49 3/4	1/ 75	54	54 3/8
Rubber, plantation, N.Y.	do	16 1/2	16 13/16	22 1/2	20 3/4	21 1/2
Wool, light native Cows, Chicago . . . . .	do	10 7/8	11	15	5/	10 1/2
Wool, 13-15 denier, 78% seriplane, N.Y.	\$ per lb.	2.71	2.72	3.21	2.75	2.65
Cotton, middling, average, 10 markets . . . . .	\$ per lb.	9.56	8.53	9.01	10.06	9.87
Print cloth, 60 x 64, 38 1/2 inches, N.Y.	\$ per yd.	4 3/8	4 5/8	5 3/8	4 5/8	4 1/2
Wool tops, July 1940 futures, New York . . .	\$ per lb.	2/82.0	3/81.5	1/111.9	88.3	95.0
Sugar, raw, 96°, duty free, New York . . . . .	do	2.85	2.92	3.70	2.75	2.70
Cocoa, Accra, New York	do	4.35	4.38	6.45	4.92	4.75
Coffee, Santos, No. 4, New York . . . . .	do	7 1/2	7 5/8	7 3/4	7 1/4	7 1/4
Card, cash, Chicago . . .	do	6.25	5.65	7.75	5.10	5.07
Cottonseed oil, July 1940 futures, N. Y.	do	2/ 6.99	3/ 5.61	1/ 7.30	6.05	5.95
Wheat, July 1940 fu- tures, Chicago . . . . .	\$ per bu.	2/ .75 1/2	3/ .67 1/4	1/3 .85 3/8	.83 3/8	.79 3/8
Hogs, good and choice, 220-240 lbs., Chicago	\$ per cwt.	6.55	6.88	8.13	5.45	5.40
Beef, medium, 750-1,100 lbs., Chi.	do	8.25	8.38	8.88	9.00	8.63

1/ Nominal. 2/ July 1939 futures. 3/ December 1939 futures. 4/ Hogs weighing 220-250 lbs.  
/ Not available.

Sources: All commodities, with the exception of wool tops, cottonseed oil, hogs, and steers are taken from the Journal of Commerce; wool tops and cottonseed oil are taken from the Wall Street Journal, and hogs and steers are from the U. S. Department of Agriculture, Bureau of Agricultural Economics.

## COMPOSITE PRICES OF PIG IRON, STEEL SCRAP, AND FINISHED STEEL

Date	Pig Iron <sup>1/</sup>	Steel Scrap <sup>2/</sup>	Finished Steel <sup>3/</sup>
	(Dollars per gross ton)		(Cents per pound)
1939:			
June 6	20.61	14.58	2.236
August 29	20.61	15.62	2.236
September 19	22.61	19.25	2.236
October 3	22.61	22.50	2.236
1940:			
May 28	22.61	18.17	2.261
June 4	22.61	18.58	2.261

<sup>1/</sup> Based upon average for basic iron at Valley furnace and foundry iron at Chicago, Philadelphia, Buffalo, Valley and Southern iron at Cincinnati.

<sup>2/</sup> Based upon No. 1 heavy melting steel quotations at Pittsburgh, Philadelphia, and Chicago.

<sup>3/</sup> Based upon steel bars, beams, tank plates, wire, rails, black pipe, sheets and hot-rolled strip. These products represent 85 percent of the United States output.

Source: The Iron Age.

ТРЕЗУРА ДЕПАРТАМЕНТА

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SECRETARY OF TREASURY  
OFFICE

TREASURY DEPARTMENT

393

INTER OFFICE COMMUNICATION

DATE JUN 6 - 1940

to Secretary Morgenthau

FROM Mr. Foley

In accordance with the request contained in Mr. Thompson's memorandum of December 26, 1939, there is attached a summary report of studies or projects carried on in the Office of the General Counsel for the month of May, 1940.

*Smith*

Attachment

SUMMARY REPORT ON STUDIES OR PROJECTS IN  
THE OFFICE OF THE GENERAL COUNSEL -  
MAY 1940

The following matters received attention in the Office of the Chief Counsel for the Bureau of Internal Revenue:

1. Income Tax - French Convention. In cooperation with Deputy Commissioner King and the Staff of the Joint Committee on Internal Revenue Taxation, there has been prepared for the information of the Foreign Relations Committee of the Senate a memorandum explaining the provisions of the proposed United States-France tax convention.
2. Income Tax - Bad Debt Deduction by Banks Upon Complete Worthlessness Regardless of Previous Partial Charge-Off. Study has been given to a proposal to amend the regulations so as to allow to banks a deduction with respect to bad debts for the year in which the total worthlessness of the items is ascertained and a final charge-off is made, regardless of partial charge-offs made in prior years at the direction of Federal or State banking authorities, and not previously deducted for gross income.
3. Income Tax - Proposal to Amend Merchant Marine Act of 1936 so as to Provide for the Nonrecognition of Certain Income by Reason of the Maintenance of a Construction Reserve Fund. There has been under consideration the proposed amendment of the "Merchant Marine Act of 1936" (Title V, Sec. 511), which would have the following operative effects:
  - (a) To render nonrecognizable gains reflected in the sale, or the receipt of indemnity with respect to the loss of a vessel to the extent that the proceeds so realized are deposited in a construction reserve fund;

- 2 -

- (b) To provide a gain or loss and depreciation basis with respect to the new vessel acquired by application of such reserve fund reduced by the gain not recognized;
- (c) To exempt from the excess-profits tax and Sec. 102 tax such operating profits of the owner of the vessel as are deposited in the construction reserve fund; and
- (d) To subject to taxation at a later date, and as of the year in which the income accrued, such income reflected in such deposits to the extent that such deposits are not, within six years from the date of the deposit, applied in the financing of new construction or in the acquisition of new vessels.

The amendment would be made applicable with respect to taxable years beginning after December 31, 1939. The Department has conferred with the Maritime Commission and there has been prepared and submitted an unfavorable report to the Bureau of the Budget. The Department has also been cooperating with the attorneys of the Maritime Commission and with Mr. Beaman in connection with possible technical amendments of the proposed enactment.

4. Income and Other Taxes - International Aircraft Operations. In cooperation with State Department and the Civil Aeronautics Authority representatives, there has been prepared a draft of memorandum to be addressed to the Secretary General of the League of Nations with respect to the favorable attitude of this Government toward reciprocal exemption of income taxes, excise taxes and custom duties arising in connection with international aircraft operations.

5. Income Tax - Proposed Revision of the Public Salary Tax Act of 1939. Consideration has been given to proposals to amend section 205 of the Act so as to extend the exemption from taxation to State officers

- 3 -

and employees paid directly or indirectly by the United States. The first proposal in this respect, that advanced by Senator Wiley in connection with H. J. Res. 407, was covered by a Treasury report dated March 29, 1940, and was ultimately rejected in the Senate. There are now pending in Congress three separate bills advancing similar proposals:

S. 3945, which submits to the Senate precisely the same proposition advanced by Senator Wiley. A report on this bill was forwarded and signed by Acting Secretary on May 20, 1940.

S. 3787 and H. R. 8985, which would limit the application of the provision of section 205 to compensation paid to officers or enlisted men of the National Guard or Naval Militia of a state, and officers or employees of a university, college, or agricultural school. Reports on both of these bills have been forwarded for approval.

6. Income Tax - Cancellation of Indebtedness - Limitation on Reduction of Basis. In cooperation with the Legislative Counsel of the House and representatives of the Securities and Exchange Commission, the Department has given consideration to the preparation of a draft of amendment of the Bankruptcy Act pursuant to which the reduction of basis resulting from a discharge of indebtedness in bankruptcy proceedings would be limited by reference to the fair market value of the assets affected.

7. Income Tax - Proposed Revision of Vinson-Trammell Act. Consideration is being given to the substance and form of H. R. 9822, a proposed

- 4 -

revision of the Vinson-Trammell Act. The bill provides for the exemption of all contracts not in excess of \$25,000 in lieu of the former provision of \$10,000 exemption. The bill also contains provisions to render final certain determinations of the Secretary of the Navy with respect to the necessity and cost of special additional facilities and equipment and the proportionment of such costs to particular contracts. Consideration is being given by the Treasury Department to suggesting a limitation upon allowable profit in connection with naval and army construction by reference to the proportionate percentage of cost as well as a proportionate percentage of the contract price as under the present law.

8. Processing Tax - Jurisdiction of the Board of Review and Courts in Certain Refund Cases. There was prepared and submitted to the Legislative Counsel a recommendation for the enactment of such statutory revisions as would extend the jurisdiction of the Board of Review, and divest the Court of Claims and the District Courts of jurisdiction of suits for refund, irrespective of when brought, with respect to amounts paid as floor stocks tax, compensating tax, and custom processing tax under the Agricultural Adjustment Act, except such as will have been finally adjudicated or on which a trial on the merits will have been commenced prior to the enactment of the revision.
9. Social Security - To Exclude Certain Coverage. Consideration was given in the Bureau to a draft of legislation proposed by the Railroad Retirement Board pursuant to which there would be excluded from coverage

- 5 -

under the Railroad Retirement Acts of 1935 and 1937, the Railroad Unemployment Insurance Act, the Carriers Taxing Act of 1937, and Subchapter B of Chapter 9 of the Internal Revenue Code, retroactively and prospectively, certain coal mining operations. A Treasury report on the draft was forwarded by Acting Secretary Sullivan on May 1. The Treasury expressed no opinion on the question of the policy of the proposed enactment. This feature was developed, however, in a report forwarded to the Bureau of the Budget by the Social Security Board. Several objections were advanced.

A redraft of the proposed enactment has been prepared in cooperation with the representatives of the Federal Securities Agency and the Legislative Counsel for the Senate.

10. Stamp Tax - Exemption of Home Owners Loan Corporation Transactions. Study is being given to the question of the possible exemptions of the H. O. L. C. from the stamp tax on conveyances to or from the corporation in connection with foreclosure proceedings, or in connection with voluntary adjustments in lieu of foreclosure.

11. Miscellaneous Tax - On Dissemination of Racing Information. Consideration is being given to a proposed expansion of the Internal Revenue Code pursuant to which a tax would be imposed with respect to the dissemination of racing information.

All of the above matters were handled under the supervision of G. E. Adams, Head, Legislation and Regulations Division.

- 6 -

The following matters were worked on in the Mint and Monetary Section under the direction of Mr. Bernstein:

12. Foreign Exchange Control. This office drafted an amendment to the Executive Order and Regulations extending the provisions thereof to property of the Netherlands, Belgium, Luxembourg and nationals thereof, and prepared the numerous instructions to Government officers accompanying such Order and Regulations. Subsequent to the issuance of the amended Order and Regulations, a number of general licenses were prepared and issued. A considerable amount of work was done in answering inquiries concerning the Order and Regulations, and in answering various questions of interpretation of such Order and Regulations raised by the Federal Reserve banks and individuals. The office also participated in passing on applications for licenses under the Order and Regulations. The office worked on an appropriation bill to provide funds for the execution of the Executive Order and Regulations, and attended hearings with respect to this bill at Budget. The entire staff worked on the Order, Regulations, general licenses, inquiries, etc. Messrs. Pehle and Rupert worked on applications for licenses. Mr. Bernstein attended various conferences with representatives of other departments in connection with problems relating to the control of foreign funds in this country.
13. Secretary Morgenthau's Gold Speech. Mr. Bernstein worked with Messrs. Gaston and White in preparation of the Secretary's speech on gold, which he delivered on May 3, 1940.

14. Gold Mining Cases. A brief prepared by this office on behalf of the Government in two gold mining cases in the Court of Claims was filed by the Department of Justice. These cases involve claims for additional compensation for newly mined gold which was delivered in 1933 and paid for at the rate of \$20.67 per fine ounce. Mr. Friedman worked on these cases.

15. Pershing Hall Case. A proposed answer to be filed on behalf of the Secretary in the suit which has been brought seeking to recover alleged expenditures made by certain persons in connection with Pershing Hall, was prepared and transmitted to the United States Attorney. Mr. Mann worked on this case.

The following matter received attention in Mr. Tietjens' section:

16. Application of Executive Orders No. 8389 and No. 8405 dated April 10 and May 10, respectively. Messrs. Easby and Halvestine have been working in cooperation with the Monetary and Exchange Section in connection with the Executive Order of the President of May 10, which extended the scope of the Executive Order of April 10 to "nationals" of the Netherlands, Belgium, and Luxembourg (referred to in item 12). All heads of Departments, agencies, and instrumentalities of the United States have been contacted and requested to prepare schedules of all credits or payments which are being held in this country for "nationals" of the above countries and also Norway and Denmark. All checks which

- 8 -

are being held in the Office of the Chief Disbursing Officer will be listed and from these an effort will be made to fix the cash, or capitalization value, of all insurance policies, compensation benefits, pensions, or retirement payments, which these monthly checks represent.

The following matters received attention under the general supervision of Assistant General Counsel Cairns:

17. Currency and Bearer Securities as Records. An opinion was prepared by Miss Goode on the question whether currency and bearer securities, including coupons, are "records" within the terms of the Act of August 5, 1939, and if so, whether blanket authorization for their destruction can be obtained from the Archivist. The opinion concludes that the Act does not apply to currency and bearer securities, including coupons. There was no need, therefore, to answer the question concerning blanket authorization for destruction.

18. Effect Upon Treasurer's Liability of Compromise of Forged Check Claims. In an opinion prepared by Messrs. Wolf and Folkerth, there was considered the effect upon the liability of the Treasurer growing out of his paying a check in good faith and without negligence and the United States compromises its claim against the person who has presented and received payment of a check bearing a forged endorsement. The opinion concludes that although the question is not free from doubt, the effect of a compromise under such circumstances would be to

relieve the Treasurer from his liability. The opinion assumes, arguendo, that the Treasurer is liable to the United States in the first instance for the erroneous payment.

19. Counsel for National Bank Receiver Running for State Political Office. The question considered was whether J. S. Lairy, General Counsel for the trust (receivership of the First National Bank of Logansport, Indiana) may continue to serve as general counsel while a candidate for a political office in a state election. This opinion, prepared by Mr. Gilmore, concludes that inasmuch as Mr. Lairy is an independent contractor, paid on a fee basis, he is not barred from continuing to render legal services for the receiver.
20. Proposed Notice to Receivers of Insolvent National Bank re Political Activities of Receivers and Their Employees. As distinguished from the preceding opinion, this opinion, prepared by Mr. Plumb, expresses the conclusion that such receivers and their employees are officers and employees in the Executive Branch of the Federal Government for purposes of the Hatch Act.
21. Applicability of Taxes on Transfers of Securities to Sales to or by Great Britain. Mr. Zarky made a special study of this question and prepared a memorandum tentatively concluding that international law forbids the levying of a tax on transaction of Governmental functions by a foreign sovereignty if the tax or its direct burden falls on that sovereignty.

22. Application of Civil Service Act to Employees Paid From Stabilization Fund. An opinion prepared by Messrs. Gilmore and Plumb expresses the conclusion that such employees are, by reason of covering-in Executive Order No. 7916, subject to the Civil Service Act and Rules, with the exception of such employees covered by the postponement order (No. 3044).

23. Accountability of Certifying Officers. The question dealt with in this opinion, which was prepared by Mr. Morton, was the authority of the Secretary of the Treasury to enforce accountability of certifying officers under the provisions of Executive Order No. 6166 of June 10, 1933. The opinion concludes that the certifying officer is at least as liable to the United States for the full amount as the disbursing officer, and the certifying officer should be notified of his liability for the amount involved. The opinion advises, however, that no further action should be taken at this time.

24. Application of Ramspeck Bill to Officers Whose Appointments Now Require Senate Confirmation. An opinion prepared by Messrs. Gilmore and Feidler dealt with the question whether the Ramspeck Bill will authorize the President to cover into the classified civil service offices appointments to which are now subject to confirmation by the Senate, and whether the bill will remove the requirement of such confirmation. The conclusion was expressed that such offices may be covered into the classified civil service, but that appointees will not enjoy benefits of tenure; and that the bill does not remove the requirement of Senate confirmation.

25. Tax-free Transfer of Harvested Hemp Fiber. Mr. Tennyson, Chief Counsel, Narcotics, is making a study of the circumstances under which harvested hemp fiber may be transferred tax free from the hemp farmer to the decorticating mill.
26. Importation of Poppy Heads for Direct Extraction of Morphine. Mr. Mitchell of the Narcotics Legal Section worked on a plan to import a supply of poppy heads to enable the importing manufacturers to test a method for the direct extraction of morphine. The plan has been discarded for the time being as unsettled conditions in Europe make it impossible to obtain poppy heads from abroad.
27. Proposed Amendments to the Federal Narcotic Laws. Mr. Lubore of the Narcotics Legal Section is preparing an extensive analysis of the situation with a view to demonstrating the necessity of establishing a special tax classification for hospitals. See previous report, item No. 41.
28. Countervailing Duties. As a result of the study of the Turkish foreign exchange practices, previously reported upon, it was concluded that a decision as to the applicability of countervailing duties to imports of Turkish products should be deferred until further information was obtained. Accordingly, Mr. Everett Smith, of the Customs Legal Section, prepared and placed in the channels of review a letter to the Department of State requesting certain specific information believed to be relevant in this connection.

29. Uniform Inter-American Customs Procedures and Nomenclature.

At the request of an Inter-Departmental Committee, of which Mr. Gaston is the Chairman, Mr. Everett Smith, together with Dr. Henry Chalmers of the Commerce Department, prepared for the signature of the Secretary of State a draft of a letter embodying the views of the United States regarding uniform Inter-American customs procedures and nomenclature. Such letter enclosed a draft of a memorandum entitled "Recommendations of the Pan American Commercial Conference Held at Buenos Aires in 1935 with Respect to Customs Procedure, Considered in the Light of the Laws and Practices of the United States". Both drafts were considered by the Inter-Departmental Committee and, with several amendments, approved. They were also approved by Mr. Basil Harris and Mr. W. R. Johnson.

30. Authority of the Treasury Department Over Protests After the Expiration of 90 Days from Date of Filing. Mr. Dwan, Chief Counsel, Customs, made a careful study of this subject and concluded that the Treasury Department does not lose all authority over such protests to the Customs Court by the expiration of the statutory 90-day period, but retains sufficient authority to take action terminating the controversy with the importer. This conclusion was embodied in a letter to the Collector of Customs at Chicago, Illinois, prepared by Mr. Dwan, and signed by Acting Secretary Gaston on May 22, 1940.

31. Residence for Customs Purposes. Messrs. Flynn and Chambers of the Customs legal staff, made a careful study of the claim of an entrant

- 13 -

to the right to bring in free of duty as a non-resident purchases made in a foreign country. The entrant had one home in California and another under construction in Bermuda, the latter being considered by her as the domicile. As a result of the study, this office concluded that the residence for customs purposes was Bermuda.

32. Power of Attorney. An exhaustive study was made by Messrs. Flynn and Chambers of legal authorities and a memorandum was prepared in support of the customs regulation requiring the submission of a power of attorney by an agent filing a protest to the collector's decision. This study was made as an aid to the Assistant Attorney General in charge of customs matters in the brief to be filed by him in a case now pending in the Customs Court.

The following project was worked on by Mrs. Campise under the supervision of Mr. Cox:

33. Installation of a Punch Card System for Keeping Chronological Records of Employment Status, Educational Background, and Experience of Legal Personnel. The data have been gathered and coded. The cards are being punched and will be ready for tabulation as soon as the punching is completed.

Mr. O'Connell, the Treasury representative on the Temporary National Economic Committee, has submitted the following report on his project:

34. Monopoly Study. Messrs. O'Connell and Kades are continuing their work on this previously reported project.

The following matters received attention in the Legislative Section under the direction of Mr. Bernard:

CONTINUATION OF PROJECTS

35. Bills Relative to the Harrison Narcotic Act:

(a) Bill to relieve the hospitals from double taxation (for description see original report, item 9). This bill, prepared by Miss McDuff, has been returned from Budget with a request for a further expression of our views in the light of the comments of the Federal Security Administrator, and is still being considered by the Bureau of Narcotics.

(b) Bill to withdraw registration under the Harrison Act from persons violating state or Federal narcotic laws (for description see report for January, item 41). The proposed bill, with a memorandum summarizing its background and legal aspects and requesting a policy decision as to whether or not the Department should sponsor it, is still in the hands of Mr. Gaston.

36. Fidelity Bond Bill (formerly identified as "Bond Survey") (for further description see original report, item 10). A draft of our proposed Fidelity Bond Bill and letter of transmittal to Congress were sent to Budget on March 30, 1940. Because of the wide interest in this bill, copies of it and the letter of transmittal were disseminated among the various interested agencies, about ten in all. Replies from some of these agencies have been transmitted to us by Budget, for our consideration, but not all the replies

- 15 -

have been received yet and Budget has, therefore, not yet cleared our bill.

In addition to a considerable amount of research work, which has been completed, to support this bill, we are making an investigation of the laws and facts concerning the situation which was referred to by Mr. Henry Deane, representative of the American Surety Company and the New York Casualty Company, as the disastrous experience of the State of Nebraska with a State fidelity bond guaranty fund in the 20's, so that we may be armed for any attack on this basis against our own bill.

37. Assignment of Claims Against the United States (for description see original report, item 11). Drafts of the bill and letters of transmittal to Congress have been completed. They have been cleared by most of the appropriate administrative officers. We are now considering a possible amendment to this bill to make it include claims against the funds held by the United States in a trust capacity (such as under the various claims commissions statutes). Some courts have held that these funds are not within the scope of the general assignment of claims statute (R.S. 3477).
38. Compilation of Money Statutes (for description see original report, item 12). Miss McDuff is continuing the work on this material.
39. Compilation in Annotated Form of Laws and Regulations Affecting Government Personnel (for description see original report,

- 16 -

- item 13). The Legislative Section is continuing this project under Mr. Bernard's general supervision.
40. Codification of Federal Regulations (for description see original report, item 16). The Treasury phases of this work are being handled by Mr. Spingarn.
41. Codification of Anti-counterfeiting and Related Laws (for description see original report, item 7). Mr. Koken is continuing his work on this matter.
42. Coast Guard Omnibus Bill (for description see report for January, item 40). This matter has been completed and the bill is now before the President for approval.
43. Federal Depository System (for description see original report, item 6). A draft of this bill, prepared by Mr. Reeves and approved by the Division of Accounts and Deposits, is being revised to make certain minor clarifying changes and to meet certain objections raised by the Office of the Comptroller of the Currency. While it is anticipated that the bill will be in form for submission to the Bureau of the Budget at an early date, it would seem inadvisable to transmit the bill to Congress this session because of the short period of time remaining prior to final adjournment.
44. Fiscal Service (for description see February report, item 40). The substance of a proposed reorganization plan, drafted by the Legislative Section, creating a Fiscal Service in the Treasury

- 17 -

Department, was included in Reorganization Plan No. III, transmitted to the Congress by the President on April 2, 1940. The Legislative Section has drafted a proposed departmental order carrying into effect those provisions of Reorganization Plan No. III with respect to a Fiscal Service in the Department.

45. Bookmaking Bill (for description see May report, item 31). A representative of this office conferred with Mr. Vize of Internal Revenue on the suggested changes made by the Bureau to the bill, proposed by Mr. Klaus. Some revisions were made in the bill as a result of this conference, and it has been sent to Mr. Klaus again for his comment.

46. Federal Tort Claims Bill (for description see March report, item 35). Mr. Koken is continuing the coordination of the comments of the staff members of the Legal Division on the proposed Federal Tort Claims Act, sponsored by the Department of Justice.

47. Federal Alcohol Administration (for description see May report, item 33). The draft of regulations (prepared at the request of Assistant Secretary Sullivan) to effectuate the merger of Federal Alcohol Administration functions with Internal Revenue, as contemplated by Reorganization Plan No. III, has been completed.

This work has been conducted by Mr. Spingarn under Mr. Bernard's direction.

48. "Products of American Fisheries" Legislation (for description see May report, item 34). This legislation (H.R. 8475) has passed both Houses and is now before the President for approval.

- 18 -

Mr. Spingarn has handled this matter in cooperation with Mr. Dwan and Mr. Higman of the Bureau of Customs.

NEW STUDIES

49. Proposed Anti-slug (Used in Vending Devices) Legislation. At the request of Representative Schafer of Wisconsin, we are considering the advisability of legislation directed against tokens and slugs manufactured for use in coin telephones and automatic vending devices. The Treasury reported favorably on legislation of this character sponsored by Representative Ludlow of Indiana in 1930. We were informed by the Department of Justice that the then Attorney General wrote a letter to the Judiciary Committee of the House disapproving Ludlow's bill (H.R. 8001) on the ground of alleged unconstitutionality, but that it desired that we disregard that letter. The Legislative Section has prepared a memorandum in support of the constitutionality of such legislation, and is drafting, in cooperation with Mr. Bernstein's office, legislation of this character for possible sponsorship by Representative Schafer, if it receives departmental approval.